

HOUSE FINANCE COMMITTEE  
April 01, 2004  
3:32 P.M.

TAPE HFC 04 - 74, Side A  
TAPE HFC 04 - 74, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 3:32 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

None

ALSO PRESENT

Representative Cheryll Heinze; Mike Pawlowski, Staff,  
Representative Cheryll Heinze; Joe Griffith, CEO, Chugach  
Electric, Juneau; James Posey, General Manager, Anchorage  
Municipal Light and Power, Anchorage; Kevin Ritchie, Alaska  
Municipal League, Juneau; Tom Lovas, Chief Executive  
Officer, Four Dam Pool Power Agency, Anchorage; Adam Berg,  
Staff, Representative Moses; Tuckerman Babcock, Manager of  
Government & Strategic Affairs, Matanuska Electric  
Association, Anchorage; Mike Polley, Manager of Corporate  
Communications, Matanuska Electric Association, Anchorage;  
Sue Stancliff, Staff, Representative Pete Kott

PRESENT VIA TELECONFERENCE

Clair Heise, Alaska Power Association, Anchorage; Christine  
Pihl, Seattle-Northwest Securities, Seattle; Mark Johnson,  
Chair, Regulatory Commission of Alaska, Anchorage; Wanetta  
Ayers, Executive Director, Southwest Alaska Municipal  
Conference; Sue Coswell, Prince William Sound Economic  
Development District; Walt Ebell, General Counsel, Kodiak-

Kenai Fiber Company; Jon Bolling, City Administrator, City of Craig

SUMMARY

HB 431 An Act relating to the municipal dividend program; and providing for an effective date.

HB 431 was HEARD and HELD in Committee for further consideration.

HB 453 An Act exempting from regulation under the Alaska Public Utilities Regulatory Act wholesale agreements for the sale of power by joint action agencies and contracts related to those agreements, and joint action agencies composed of public utilities of political subdivisions and utilities organized under the Electric and Telephone Cooperative Act.

HB 453 was HEARD and HELD in Committee for further consideration.

HCR 32 Relating to information infrastructure and establishing the Alaska Information Infrastructure Policy Task Force.

HCR 32 was HEARD and HELD in Committee for further consideration.

#HB453

HOUSE BILL NO. 453

An Act exempting from regulation under the Alaska Public Utilities Regulatory Act wholesale agreements for the sale of power by joint action agencies and contracts related to those agreements, and joint action agencies composed of public utilities of political subdivisions and utilities organized under the Electric and Telephone Cooperative Act.

Representative Cheryl Heinze pointed out that with transmission lines dating back to the 1950's and generation assets that are 20-30 years old, Alaska's energy infrastructure is in need of an upgrade. According to the Railbelt Energy Study, upgrade costs would be around \$5 billion dollars. The House and Senate recognized that when they passed HCR 21, establishing the Joint Energy Policy Task Force (JEPTF). HCR 21 mandated a review and analysis of the State's long-term energy needs, asking the task Force to develop a long-term energy plan to efficiently enhance Alaska's economic future.

Representative Heinze pointed out that one of the major recommendations made by JEPTF was that the State "promotes unified operations of Railbelt generation and transmission systems." A unified system operator would, by coordinating the resources of the various Railbelt utilities, be in a position to undertake the financial obligation of upgrading the Railbelt. The demands of the infrastructure upgrades are beyond the financial capability of any single utility. The proposed legislation is a tool that will give a Joint Action Agency (JAA) the financial stability to fulfill the role of a unified system operator.

Representative Heinze commented that HB 453 would make slight changes to existing statute that permit certain entities to create what is called a Joint Action Agency (JAA) under AS 42.45.300, a business organization of similar structure to a "S" or "C" corporation, partnership, cooperative or limited liability corporation (LLC). Specifically, language would be added to AS 42.05.431(c) and AS 42.05.711(o), to exempt contracts by such an agency from regulation. She thought it would be fitting and proper in that the entity that is exempted by the change to statute could only be made up of cooperatives under AS 10.25 or entities owned by a political subdivision of the State, whose governing bodies are publicly elected.

Representative Heinze further concluded contracts consummated by a JAA with other public utilities for the sale of power, wheeling, storage, regeneration, or wholesale repurchase under a wholesale agreement, would be an agreement between two or more willing and capable parties. Any disputes would be handled in Superior Court according to contractual law. She strongly urged the Committee's support of HB 453.

Co-Chair Williams noted that the bill would not be moved from Committee at this meeting and that the intent of the meeting was to only take public testimony.

JOE GRIFFITH, CHIEF EXECUTIVE OFFICER (CEO), CHUGACH ELECTRIC, ANCHORAGE, testified that Chugach Electric supports HB 453, a tool that the Legislature could provide to JAA's to reduce regulatory uncertainty and financing costs for future electrical infrastructure.

Mr. Griffith indicated that the Railbelt energy study identified that over \$5 billion dollars would be spent in the next 25 years on Railbelt electrical supply, including fuel, operations and maintenance expenses and the capital necessary to replace aging equipment to meet new electrical demands. He added that \$5 billion dollars could be a major contributor to Alaska's economic future.

Mr. Griffith pointed out that the Legislature has indicated

that the utilities should no longer count on the State providing grants for future infrastructure needs. HB 453 would help utilities fill that gap without burdening the State with government subsidy and continued bureaucracy. The JAA would be comprised of cooperatives and municipal utilities. Representatives of the utilities would sit on the agencies board of directors. Mr. Griffith continued, member utilities would approve all power sale agreements between JAA and member utilities. The addition of the Regulatory Commission of Alaska (RCA) oversight would not be necessary as the utilities have a voice in project operations, maintenance and cost recovery.

Mr. Griffith pointed out that governance of cooperatives and municipal utilities serve at the pleasure of the membership. The member/owners have the ability to change the governance if they don't agree with the reliability, price and service they receive from their utilities. Joint action agencies would be comprised of members who have common interest and shared goals. All would have a voice at the table and would be free to make their own choices.

Mr. Griffith stated that Chugach Electric, Golden Valley Electric, and Anchorage Municipal Light & Power would be the initial members of the Joint Action Agency. It is Chugach's desire to "see the other utilities join as they see benefit" in the process. He acknowledged that all utilities do not see eye to eye. It is hoped that the JAA process will provide a better framework for future project developments and that supporting HB 453 will help maintain low-cost reliable power by giving utilities the tools they need to attract low-cost financing to build Alaska's future electrical infrastructure.

JAMES POSEY, GENERAL MANAGER, ANCHORAGE MUNICIPAL LIGHT AND POWER, ANCHORAGE, commented that Anchorage Municipal had started a large mine in the Fairbanks area with the intent to continue economic development to help pay future debts. He noted that the work of the utility industry is to "keep the lights on". He pointed out that Anchorage shares the load with other Valley utilities. The way that is accomplished is through interties and investments made over the years. The equipment and lines are aging and it is time to address these issues. Alone, a utility cannot do the projects that need to be done.

Mr. Posey pointed out that some plants have been shut down. All the additional loads and investments that the utility must make, take a toll. JAA would be a tool to help the utilities get low cost financing.

TUCKERMAN BABCOCK, MANAGER OF GOVERNMENT & STRATEGIC AFFAIRS, MATANUSKA ELECTRIC ASSOCIATION, ANCHORAGE,

introduced Mike Polley, Manager of Corporate Communications, Matanuska Electric Association. Mr. Babcock pointed out that Matanuska Electric is the largest utility in the Railbelt and that they oppose HB 453. He referenced the handout from Patton Boggs Attorneys at Law, which analyze the legislation. (Copy on File). He stressed that the bill would do more than currently mentioned. He emphasized that the relationships of the utilities in the Railbelt are complex and that the bill would have several detrimental effects on existing costs of power in that area.

Mr. Babcock recommended a review of the findings and recommendations of the Legislature's Energy Policy Task Force, particularly the Government Action Section on Page 12. That report was delivered earlier in the year. In Section 12, it was recommended to promote a unified system, operator or operation system in the Railbelt. Any efforts toward that goal, Matanuska Electric would support. There have been three methods proposed:

- Power pooling,
- Joint action agency, and
- Generation of a transmission cooperative.

The underlining principle in those three cases would be the recommendations from the Energy Policy Task Force, creating a unified system of operation.

Mr. Babcock commended Representative Heinze for her forward movement in implementing a direction that would establish a new system for operations; however, the proposed concept would not accomplish that end. He urged the Committee to revisit the issue and allow RCA to make a recommendation regarding operations.

Representative Croft inquired how the bill could be detrimental. Mr. Babcock responded that Matanuska Electric is a customer of Chugach Electric. Matanuska Electric would not be negotiating for at least the next ten years with any Joint Action Agency for the power produced by JAA. Instead, Matanuska Electric would be required to purchase all their power directly from Chugach Electric. Under the bill, there would be no regulation regarding the price to be paid for wholesale power. He stressed that there can be no consumer protection oversight without that regulation.

Representative Croft clarified if Matanuska Electric was concerned that if the JAA were formed, it would sell power internally at an artificially high rate. Mr. Babcock acknowledged that was correct.

Representative Croft commented that the JAA would have to, in a fact, "damage" their own customers, before they end up

damaging the electric companies without membership in the JAA. Mr. Babcock stated that under contract, they would be paying exactly the same that Chugach would be charging their own customers.

Representative Croft pointed out that RCA would not have jurisdiction over the rate that JAA charges, but asked if they would they have jurisdiction in a substantive rate setting case to look at the underlining merits of the rate JAA charges. Mr. Babcock stated that the bill would prohibit the Commission from doing that.

Representative Stoltze requested that RCA testify before the Committee as well as lawyers and experts on the subject. Co-Chair Williams noted that Mark Johnson from Regulatory Commission of Alaska (RCA) was online to testify. He added that the legislation would be before the Committee at a later date.

CHRISTINE PIHL, (TESTIFIED VIA TELECONFERENCE), VICE PRESIDENT, SEATTLE-NORTHWEST SECURITIES, SEATTLE, WASHINGTON, commented that HB 453 would result in a lower cost for capital. She requested time to explain how that could happen. Credit ratings matter to utilities, directly determine costs of capital and impact the bond line, which impacts ratepayers. There are many factors that contribute to a strong rating. The regulatory oversight is the most significant qualifier. Most large power companies across the nation are not setting regulations, which does not mean that they are free from accountability because they are accountable to their customers and members. She added that around the Nation, there is a lot of public trust.

Ms. Pihl advised that utilities are responsible to shareholders and customers, which is why it is important that they are subject to regulation. From a rating perspective, she stated that self-regulation is a stronger financial performance. State regulators are not bad people, but they are not into the database results of a particular utility. It would be impossible for them to have that kind of knowledge. The utilities and the regulators have aligning interests for reliable low-cost power. However, their processes are incompatible for creating financial flexibility. Given how volatile the power market has become, it is increasingly difficult for utilities to respond to what is happening in the power market. Regulations make that more difficult.

Ms. Pihl advised that the best and strongest utilities from a credit rating perspective are free from regulations. Chugach Electric is an example of the decline in a good credit rating. In 2003, Chugach Electric got a two notch down grade, each sighted the regulatory environment as being the reason for the decline. She stressed that Chugach has

been disadvantaged because of the regulatory environment in Alaska, resulting in increased costs to the taxpayers. An additional impact is that Chugach wants to "jump higher and run faster" than other utilities that are not regulated but have similar rating results because of the negative environment created through the regulations. In order to create a financially strong environment for the JAA's, the best thing to do would be to adopt HB 453, as it creates a positive environment for regulations. She commented that the JAA would be directly responsible to their constituents.

Representative Stoltze inquired who Ms. Pihl was representing. Ms. Pihl responded that she was a public power regulation maker and worked for public power utilities around the Nation and with Chugach Electric.

Representative Stoltze observed that in Alaska, there are unusual marketing structures for the electric utilities. He asked if that was true. Ms. Pihl replied how Alaska compared to the grid for the rest of the Nation. Representative Stoltze commented that he was most interested in the marketing structure of the utility environment. Ms. Pihl pointed out that there are many rural utilities throughout the Nation, more than the large ones serving metropolitan areas. Chugach is rated, as compared to those other utilities. What happens in the regulatory environment impacts their credit ratings. There are many similarities in the national power market to what is occurring in Alaska.

CLAIR HEISE, (TESTIFIED VIA TELECONFERENCE), ALASKA POWER ASSOCIATION, ANCHORAGE, read the testimony for Mr. Eric Yould, Alaska Power Association, who was unable to attend the House Finance Committee meeting.

Prepared Testimony read from Mr. Eric Yould:

"Alaska Power Association (APA) strongly supports HB 453, which would create a joint action agency for Railbelt electric utilities. The purpose for the new entity is to share the ownership and management of the Bradley Lake Hydroelectric project and Alaska Intertie assets, which could be acquired from the Alaska Industrial Development and Export Authority (AIDEA) and its' affiliate, Alaska Energy Authority (AEA).

Although owned by the State, the Bradley Lake project and the Alaska Intertie are currently managed and funded by the Railbelt utilities through the Interlie Operating Committee and the Bradley Lake Project Management Committee, respectively. It is important to note that all the Railbelt utilities are either consumer-owned cooperatives or municipal systems that are directly responsible to their customers.

AIDEA has expressed an interest in divesting Bradley Lake and the Alaska Intertie to interested utilities in the Railbelt. The Alaska Power Authority (APA) Board of Directors believes that it is in the best interest of the Railbelt utilities to have common ownership of these projects, to provide a funding mechanism for the projects' maintenance, capital improvements and repair. Please be aware that there is a difference of opinion on HB 453 among APA's members in the Railbelt. Chugach Electric Association, Anchorage Municipal Light & Power and Golden Valley Electric Association support the bill. Homer Electric Association and City of Seward Light & Power Division oppose it.

Attached is the APA resolution supporting authorization of a joint action agency (JAA) for State electric infrastructure assets."

Resolution 2004:

5.1) A Resolution Supporting the Authorization of a JAA for State Electric Infrastructure Assets.

The Alaska Industrial Development and Export Authority/Alaska Energy Authority is the owner of the Bradley Lake Hydroelectric Project and Alaskan Intertie. These assets are currently managed and funded by the Railbelt utilities through the Intertie Operating Committee and the Bradley Lake Project Management Committee, respectively. The Railbelt utilities are made up of a combination of cooperatives and municipalities.

AIDEA has expressed an interest in divesting itself of these electrical projects to interested utilities in the Railbelt. It would be in the best interest of the Railbelt utilities to have common ownership of these electrical projects that will provide a funding mechanism for necessary maintenance, capital improvements and repair of these projects. The Joint Action Agency is a formal organization recognized by the State of Alaska that is particularly useful for organizations that include municipalities and cooperatives. Alaska Power Association strongly supports the authorization of a Joint Action Agency as a new entity to share ownership and manage assets that may be transferred from AIDEA/AEA.

Representative Foster requested a list of the member's of the association. Ms. Heise pointed out that there are 26 active members of the agency:

Alaska Electric Energy Cooperative; Alaska Electric Generation & Transmission Cooperative; Alaska Village

Electric Cooperative; Anchorage Municipal Light and Power; Barrow Utilities & Electric Cooperative; Chugach Electric Association; Copper Valley Electric Association; Cordova Electric Cooperative; Four Dam Pool Power Agency; City of Galena, Golden Valley Electric Association; Homer Electric Association; INN Electric Cooperative; Kodiak Electric Association; Kotzebue Electric Association; Levelock Electric Cooperative; Middle Kuskokwim Electric Cooperative; Naknek Electric Association; Nome Joint Utility Association; North Slope Borough Power & Light; Nushagak Cooperative, City of Seward Light and Power Division; Thomas Bay Power Authority; Tlinget-Haida Regional Electric Authority (Inside Passage Cooperative); Unalakleet Valley Electric Cooperative & Yakutat Power

Representative Foster asked which associations oppose the legislation. Ms. Heise stated that only Homer Electric and the City of Seward oppose the bill.

Representative Chenault asked why Homer Electric opposed the bill. Ms. Heise responded that she was not comfortable representing their position. She encouraged Representative Chenault to consult with that association.

MARK JOHNSON, CHAIRMAN, (TESTIFIED VIA TELECONFERENCE), REGULATORY COMMISSION OF ALASKA (RCA), ANCHORAGE, stated that the Regulatory Commission of Alaska is opposed to HB 453. The legislation holds the potential to exempt from regulatory oversight most new electrical generation in the Railbelt in future years. The only effect that HB 453 would have would be to provide an exemption from all forms of regulatory oversight. The legislation does not enhance the functioning of the JAA's. From the perspective of the RCA, HB 453 would provide no tangible or measurable benefits to the consuming public while at the same time, creates significant potential for the abuse of monopoly power in Alaska's most capital-intensive industry.

Mr. Johnson continued, the principal joint action agency under Alaska law is the entity created to manage the Four Dam Pool assets, which were built with direct State appropriations in the 1980's. The agency functioned reasonably well, which was the case because of the unique circumstances causing its formation. Underpinning the formation of the Four Dam Pool joint action agency was the fact that all of the assets, which were and are subject to agency management, were already constructed. Those agreements were already in place for the purchase and sale of wholesale power from the projects. In summary, the State, with heavy legislative involvement, determined that the investments were appropriate and that management under the joint action agency concept was the preferred course for the

administration of those facilities. AS 42.05.43 1 (c) grants an exemption to the Four Dam Pool Agency from RCA jurisdiction but that exemption is of limited duration.

Mr. Johnson pointed out in stark contrast, the exemption proposed in HB 453 would extend to an unknown number of new joint action agencies, for an undefined number of projects, which have not yet been planned, constructed, financed or operated. Further, the exemption would be of unlimited duration. If exempt from RCA jurisdiction, new electrical generation facilities in the Railbelt constructed under the auspices of one or more new joint action agencies would not be subject to any independent review as to:

- Their necessity or prudence;
- The reasonableness of their operating expenses; or
- The rates to be charged for power produced from the facilities.

Mr. Johnson emphasized that the RCA believes that a grant of such sweeping authority would be unprecedented in Alaska's history. A variety of problems could arise under the legislation, which would be very difficult to correct once significant resources had been invested in a particular project. One area lies in the scope of projects, which might be undertaken. For example, the potential exists that a self-governed, unregulated joint action agency could determine that the provision of generation or transmission facilities might include the construction of extensive private roadways, pipelines or even railroads. No independent mechanism would exist to control or question such decisions or investments. Similarly, no direct mechanism would exist to control or question the sizing of proposed plant investments or their fuel sources. In the arena of operations and maintenance, no agency could review the reasonableness or prudence of expenses of joint action agency facilities. Any and all expenses would be included in the wholesale rates to be charged to power distributors on a "take it or leave it" basis.

Mr. Johnson summarized that the Legislature should understand that while joint action agencies are identified in the final report of the Energy Policy Task Force as a method for unified system operation, the Task Force report does not mention or endorse the exemption of such agencies from RCA regulation. RCA agrees with the Energy Policy Task Force recommendations that joint action agencies could play a useful role in the planning, construction and operation of new generation and transmission facilities. In the view of the RCA, constructive use of the joint action agency concept must include statutory provisions as to the scope, governance and operation of such agencies. The complete exemption of such agencies from RCA jurisdiction does not

solve any identifiable problem except to satisfy a general desire for the lessening of regulatory burdens. The Legislature should understand that regional interests of one utility could induce generation and transmission decisions, which, while favorable to one utility, are not in the overall public interest. The State needs to retain oversight of major infrastructure decisions, and continued ratemaking jurisdiction. Decisions on major infrastructure projects are best reviewed either by the Legislature or through an agency charged with cost analysis that embraces the Railbelt as a whole, which will ensure major infrastructure decisions are made in the public interest. Multiple and serious costs to the consuming public would arise from the blanket exemption proposed in HB 453. Mr. Johnson urged that HB 453 not be enacted by the Legislature.

Representative Stoltze asked the consequences if the legislation did create a consolidation with limited oversight. Mr. Johnson responded that RCA had worked with staff and the sponsor of the proposed legislation. He reiterated that the bill would not accomplish anything other than taking away jurisdiction of the Regulatory Commission. The JAA would not be subject to any regulatory oversight by the RCA. He added that in California, it has been determined that energy prices in that State are volatile and have too many constraints on production and transmission of electricity. Problems have resulted from having a limited number of providers and a limited number of ways to provide electricity around the State. The dangers are significant when addressing a limited number of electric suppliers and a limited number of ways in which the energy can be lifted out.

Representative Heinze inquired if most public power cooperatives were regulated in other states. Mr. Johnson replied that some are self-regulated.

Representative Hawker asked what is a joint action agency (JAA). Mr. Johnson responded that a JAA is a legal entity created by statute, possessing certain powers to accomplish certain things. The three biggest statewide producers want to create a single entity to accomplish specific functions. The concern of RCA is that the legislation would not provide the necessary oversight other than through the structure created for the owner-utilities. A JAA would not be subject to oversight in the State.

Representative Hawker asked if the JAA's were a place where public utilities come together forming an entity to share the activities that they undertake as power companies. Mr. Johnson stated that the intent was to jointly own and construct these facilities in order to pursue facilities of a larger scale.

Representative Hawker summarized, the individual public utilities coming together to form this JAA, would come together to become an agency. That agency would then be exempt from the oversight of RCA regulations. Mr. Johnson acknowledged that was correct and that a new agency would be created. RCA believes that a joint action agency appropriately structured could be a useful tool by enabling electric utilities to respond to the needs for regeneration.

Representative Hawker attempted to clarify that what Mr. Johnson was recommending was that the RCA should be regulating activities amongst the members of the JAA. Mr. Johnson responded that traditionally, RCA would be used primarily to determine the size and scope of the review. RCA wants to retain jurisdiction over the individual utilities retail aspects.

Representative Hawker summarized that RCA does want to retain jurisdiction over individual utility sales of retail power, and that the RCA wants the authority to participate in a regulatory basis for whatever those joint activities are. He asked if RCA would question that relationship if there were a dispute.

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Representative Hawker questioned how they would get to the details of a dispute. Mr. Johnson warned that with the proposed legislation, RCA would have that authority removed.

Representative Hawker remembered the opposite position taken on that and asked to revisit it. Mr. Johnson clarified that he had based his comments on what exists in statute. The Statute clearly highlights that RCA would not have that jurisdiction. Representative Hawker noted that he would consult with Legislative Legal to make that conclusion.

TOM LOVAS, CHIEF EXECUTIVE OFFICER, FOUR DAM POOL POWER AGENCY, ANCHORAGE, commented that the potential exists for HB 453 to impact the Four Dam Pool Agency and that the Board has not taken a position on the bill. To the extent that a JAA is organized, is potentially a situation where the Four Dam Pool would become and maintain an exemption from RCA regulations. That is an exemption currently, enjoyed by the agency.

Mr. Lovas continued, to the extend that the Four Dam Pool is successful at removing debt, it is possible to be classified under exempt RCA jurisdiction. To that extent, the bill as it applies would reserve the exemption for the Four Dam Pool. He added from the standpoint of the operating agreements, and in coordination among the members of the

JAA, the common interest and goals in owning and operating power plants for the benefit of the consumer, is up to the agency and its organization. What transpires ultimately to retail members is subject to the jurisdiction in the system already. He added, Four Dam Pool has been successful at holding rates at a constant level since 1998 with no change.

There is a common interest among the members of the JAA to assure that the operations are done in the most cost effective manner and in a way that is consistent with the common interest of the membership.

Representative Croft noted that Four Dam Pool is an example of an unregulated JAA. He pointed out that there has been concern that an unregulated JAA would sell power at an inflated expense. He asked if that had been the experience for the Four Dam Pool. Mr. Lovas responded that the Four Dam Pool shares equally in ownership and operations and that it is a level playing field among all the memberships.

Representative Stoltze inquired about the entrance into the agreement, wanting to know how it would affect utilities in his region. Mr. Lovas pointed out that internal checks and balances would address concerns resulting from the formation of a JAA.

Co-Chair Williams stated that HB 453 would be HELD in Committee for further consideration.

#HCR32

HOUSE CONCURRENT RESOLUTION NO. 32

Relating to information infrastructure and establishing the Alaska Information Infrastructure Policy Task Force.

SUE STANCLIFF, STAFF, REPRESENTATIVE KOTT, testified in support of HCR 32. The bill would establish the Alaska Information Infrastructure Policy Task Force. The task force would be charged with consideration of Alaska's role and interest in long-term information infrastructure development.

Ms. Stancliff stated that the development of information infrastructure would provide Alaska communities with access to broadband connectivity and provide for improved telecommunications, health care, education, homeland security and economic development opportunities.

Access to fiber optic connectivity will help bridge the divide that separates rural Alaska from the benefits of technological advances realized in urban areas. Public-private partnerships have been used successfully around the globe to facilitate information infrastructure development.

Ms. Stancliff noted that the task force would be composed of thirteen members.

- The Commissioner of Military and Veteran's Affairs or the Commissioner's designee.
- The Commissioner of Community and Economic Development or the Commissioner's designee.
- Three members of the Legislature chosen by the Speaker of the House and the President of the Senate.
- Seven members at-large chosen jointly by the Speaker of the House and the President of the Senate.
- One member chosen by the University of Alaska President.

Ms. Stancliff pointed out that the task force would begin work in early June 2004 and would terminate no later than the close of the first session of the 24<sup>th</sup> Legislature. The task force would develop a comprehensive package and provide recommendations including legislation, if needed, to meet the needs for Alaska.

[Members were presented with a 2 minute DVD clip on the Alaska Fiber Project.]

WANETTA AYERS, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, SOUTHWEST ALASKA MUNICIPAL CONFERENCE, testified in support of the legislation on behalf of their 54 community members. She emphasized the financial benefits of the project and the opportunities it would provide for the State of Alaska.

WALT EBELL, (TESTIFIED VIA TELECONFERENCE), GENERAL COUNSEL, KODIAK-KENAI FIBER CO., testified in support of the legislation.

CO-CHAIR WILLIAMS stated that HCR 32 would be HELD in Committee for further consideration.

#HB431

HOUSE BILL NO. 431

An Act relating to the municipal dividend program; and providing for an effective date.

ADAM BERG, STAFF, REPRESENTATIVE MOSES, spoke in support of HB 431, which will establish the municipal dividend fund. The bill proposes to give every incorporated municipality a set amount of money based on population. It would also empower local officials by allowing them to decide where that money would be best spent in their local communities.

The amount would be \$250 dollars per person to each municipality and would pay a dividend to the boroughs. The formula is determined by the total population of the borough minus the total population of the incorporated municipalities within that borough. The appropriation would come from the Earnings Reserve Account after dividends and inflation proofing had been accounted for. In the event that there is not enough money remaining in the Earnings Reserve Account, municipal dividends would be reduced on a prorated basis.

Mr. Berg referenced the "2004 - Survey of Municipal Fiscal Conditions" provided by the Alaska Municipal League. (Copy on File).

JON BOLLING, (TESTIFIED VIA TELECONFERENCE), CITY ADMINISTRATOR, CITY OF CRAIG, testified in support of HB 431. He identified the hardships that the loss of municipal assistance and revenue sharing has caused many of the communities in Alaska. He urged the adoption of a mechanism that will provide annual funding.

KEVIN RITCHIE, ALASKA MUNICIPAL LEAGUE, JUNEAU, testified in support of the legislation. He stressed that municipalities across the State are suffering from financial loss and that bill proposes a municipal dividend. The public does understand the concept, as it essentially would be a permanent fund dividend for communities, resulting in leaner State government as municipalities take on more issues. The cost would be approximately \$157 million dollars. If the previous revenue sharing programs had been maintained, the cost would have been well over \$200 million.

Representative Stoltze questioned if unorganized areas had been included in the concept. Mr. Ritchie did not think unorganized communities were included.

Representative Joule questioned how many unorganized communities would be left out. Mr. Ritchie did not know. Mr. Berg interjected that there are between 70 & 80 unincorporated communities excluded. In response to a question by Representative Croft, Mr. Berg noted that under the previous program, unincorporated communities each received \$10 thousand dollars.

Co-Chair Williams stated that HB 431 would be HELD in Committee for further consideration.

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#### ADJOURNMENT

The meeting was adjourned at 4:51 P.M.