

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

May 5, 2003

3:10 p.m.

MEMBERS PRESENT

Representative Hugh Fate, Chair
Representative Beverly Masek, Vice Chair
Representative Carl Gatto
Representative Cheryll Heinze
Representative Bob Lynn
Representative Carl Morgan
Representative Kelly Wolf

MEMBERS ABSENT

Representative Beth Kerttula
Representative David Guttenberg

COMMITTEE CALENDAR

HOUSE CONCURRENT RESOLUTION NO. 10
Relating to restoration of riparian habitat that is vital to the
fisheries resources of the state.

- MOVED HCR 10 OUT OF COMMITTEE

HOUSE BILL NO. 283
"An Act relating to limitations on coal leases."

- MOVED HB 283 OUT OF COMMITTEE

HOUSE BILL NO. 208
"An Act relating to hunting on the same day airborne; and
providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 87
"An Act relating to mining."

- SCHEDULED BUT NOT HEARD

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 28

"An Act relating to adjustments to royalty reserved to the state to encourage otherwise uneconomic production of oil and gas; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 198

"An Act providing for a reduction of royalty on certain oil produced from Cook Inlet submerged land."

- SCHEDULED BUT NOT HEARD

CS FOR SENATE BILL NO. 151(L&C)

"An Act relating to the regulation of natural gas pipelines under the Pipeline Act; and providing for an effective date."

- BILL HEARING POSTPONED TO 5/07/03

HOUSE BILL NO. 246

"An Act relating to the limitation on upland acreage that a person may take or hold under oil and gas leases; and providing for an effective date."

- BILL HEARING POSTPONED TO 5/07/03

PREVIOUS ACTION

BILL: HCR 10

SHORT TITLE: RESTORATION OF RIPARIAN HABITAT

SPONSOR(S): REPRESENTATIVE(S) WOLF

Jrn-Date	Jrn-Page		Action
02/28/03	0338	(H)	READ THE FIRST TIME - REFERRALS
02/28/03	0338	(H)	FSH, RES
03/17/03	0565	(H)	COSPONSOR(S): FOSTER
03/19/03	0593	(H)	COSPONSOR(S): LYNN, MEYER
03/26/03	0652	(H)	COSPONSOR(S): HEINZE, CHENAULT
04/02/03	0749	(H)	COSPONSOR(S): MORGAN
04/04/03	0798	(H)	COSPONSOR(S): WILSON
04/04/03		(H)	FSH AT 8:30 AM CAPITOL 124
04/04/03		(H)	Moved Out of Committee
04/04/03		(H)	MINUTE(FSH)
04/07/03	0816	(H)	FSH RPT 4DP 1NR
04/07/03	0816	(H)	DP: OGG, WILSON, SAMUELS, SEATON;

04/07/03	0816	(H)	NR: GUTTENBERG
04/07/03	0816	(H)	FN1: ZERO(LEG)
04/17/03	1030	(H)	COSPONSOR(S): GATTO
04/25/03		(H)	RES AT 1:00 PM CAPITOL 124
04/25/03		(H)	-- Meeting Postponed --
04/30/03		(H)	RES AT 1:00 PM CAPITOL 124
04/30/03		(H)	-- Meeting Postponed --
05/02/03		(H)	RES AT 1:00 PM CAPITOL 124
05/02/03		(H)	-- Meeting Canceled --
05/05/03		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 283

SHORT TITLE:ACREAGE FOR COAL LEASES

SPONSOR(S): REPRESENTATIVE(S)FATE

Jrn-Date	Jrn-Page		Action
04/24/03	1094	(H)	READ THE FIRST TIME - REFERRALS
04/24/03	1094	(H)	RES
04/30/03		(H)	RES AT 1:00 PM CAPITOL 124
04/30/03		(H)	-- Meeting Postponed --
05/02/03		(H)	RES AT 1:00 PM CAPITOL 124
05/02/03		(H)	-- Meeting Canceled --
05/05/03		(H)	RES AT 1:00 PM CAPITOL 124

WITNESS REGISTER

JIM POUND, Staff
to Representative Hugh Fate
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 283 on behalf of
Representative Fate, sponsor.

CHARLIE BODDY, Vice President of Governmental Relations
Usibelli Coal Mine, Inc.
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 283 and answered
questions.

ACTION NARRATIVE

TAPE 03-36, SIDE A

Number 0001

CHAIR HUGH FATE called the House Resources Standing Committee meeting to order at 3:10 p.m. Representatives Fate, Masek, Gatto, Heinze, and Morgan were present at the call to order.

CHAIR FATE recessed the meeting to a call of the chair.

Number 0073

CHAIR FATE called the meeting back to order at approximately 7:15 p.m. Present were Representatives Fate, Masek, Lynn, Gatto, Heinze, and Wolfe; Representative Morgan arrived back as the meeting was in progress.

HCR 10-RESTORATION OF RIPARIAN HABITAT

Number 0162

CHAIR FATE announced that the first order of business would be HOUSE CONCURRENT RESOLUTION NO. 10, Relating to restoration of riparian habitat that is vital to the fisheries resources of the state. [HCR 10 was sponsored by Representative Wolf.]

CHAIR FATE asked whether anyone wished to testify [there was no response].

Number 0207

REPRESENTATIVE MASEK moved to report HCR 10 out of committee with individual recommendations and the accompanying zero fiscal note(s); she asked for unanimous consent. There being no objection, HCR 10 was reported from the House Resources Standing Committee.

HB 283-ACREAGE FOR COAL LEASES

Number 0275

CHAIR FATE announced that the next order of business would be HOUSE BILL NO. 283, "An Act relating to limitations on coal leases."

CHAIR FATE, sponsor, asked his staff to present the bill.

Number 0360

JIM POUND, Staff to Representative Hugh Fate, Alaska State Legislature, highlighted the large amount of coal reserves in

Alaska, noting that throughout the years this resource has provided power for homes and employed many people. Today, however, the state is at a juncture. Intended to increase the amount of state acreage available for coal leases, HB 283 is written to open the door to economic opportunity. Companies that currently are working will be able to expand, and new ones will be more feasible. Suggesting the state will gain from new and expanded leases, Mr. Pound called this a win-win situation for both the state and the coal industry. He concluded by saying HB 283 doesn't change the strict environmental requirements for companies, but simply makes more land available.

Number 0478

REPRESENTATIVE GATTO, expressing curiosity as to how the numbers were determined, asked: If it's a win-win situation and 92,160 acres is better than 46,080 acres, why is there any limitation?

CHAIR FATE suggested Charlie Boddy could answer after presenting his testimony.

Number 0558

CHARLIE BODDY, Vice President of Governmental Relations, Usibelli Coal Mine, Inc., told members HB 283 has the full support of his company as well as other resource-related organizations around the state. He explained:

This legislation is vital to our company if we plan to expand operations outside of the Interior of Alaska. Our recently unveiled 200-megawatt Emma Creek coal-fired power-generation facility was proposed only after we secured additional leases in the Healy area through a competitive sale just over a year ago. That leasehold acquisition brought our leased state acreage holdings to 37,952 acres.

It's our belief that Alaska has great potential for export, both domestically and internationally, and that this proposed legislation will accord ourselves and others the opportunity to pursue those options.

Number 0668

REPRESENTATIVE MASEK observed that the fiscal note [from the Department of Natural Resources (DNR)] says that the department

supports the bill; that the change in allowable acreage is consistent with a recent change in federal law that increased the aggregate acreage of federal coal leases held by one company; and that there is no fiscal impact [predicted for] this bill. She said the bill will create a better chance for businesses to develop resources, and spoke in support of it.

Number 0733

REPRESENTATIVE GATTO asked Mr. Boddy how the 92,160 [acres] was arrived at.

MR. BODDY answered that it changes the leasable acreage from two full townships to four.

REPRESENTATIVE GATTO asked: If four is better than two, isn't six even better? And isn't an infinite amount better than no amount?

MR. BODDY said Alaska is probably one of the few states with any limitations on state leaseholds; however, most states couldn't collectively put together 46,000 acres. He added, "Most of the coal that we would be competing against, for example, in the Western United States, is the Department of the Interior, is federal coal. And that ... was the acreage that was increased in 2001."

Number 0845

CHAIR FATE asked Mr. Boddy whether one reason for this is because of the competitive nature of the ground opened up by the Department of the Interior in the Lower 48.

MR. BODDY said that's correct. Noting that he'd discussed the issue with the National Mining Association in March, he said some of the markets that would be looked at are West Coast markets currently supplied by some Western states. He indicated that this [bill] would provide an opportunity to advance coal that would probably be closer to tidewater than his company's Healy operations.

CHAIR FATE surmised that the acreage doesn't have to be contiguous.

MR. BODDY said that's correct. He added:

I don't think it's any great secret that after 17 years, we had a hard time continuing our relationship with exporting coal to South Korea. A large part of that was, we were having to "rail" ... the product all the way from Interior Alaska to a port at Seward. And although Alaska Railroad certainly stayed ... in the hunt as long as we did, to try to keep that program viable, we simply could not meet the market conditions by shipping coal from the Interior of Alaska.

Number 0981

CHAIR FATE asked, "In the event that you wanted to do some of your own exploration for shallow-well or coal bed methane, you would come under different regulations relative to shallow gas than you would to mining coal, would you not?"

MR. BODDY answered in the affirmative.

CHAIR FATE offered his understanding, "You would have to still get your license or permit to go after the gas; it's just your lease for coal ... wouldn't cover the gas."

MR. BODDY said that's correct.

Number 1049

REPRESENTATIVE MASEK moved to report HB 283 out of committee with individual recommendations and the accompanying zero fiscal note; she asked for unanimous consent. There being no objection, HB 283 was reported from the House Resources Standing Committee.

ADJOURNMENT

Number 1089

The House Resources Standing Committee meeting was recessed to a call of the chair at approximately 7:35 p.m. [The meeting was reconvened May 7, 2003.]