

HOUSE FINANCE COMMITTEE
August 4, 2006
10:19 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [10:19:04 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Beth Kerttula
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Carl Moses

MEMBERS ABSENT

Representative Bruce Weyhrauch

ALSO PRESENT

Representative Berta Gardner; Kevin Jardell, Assistant Commissioner, Department of Administration; Mike Menge, Commissioner, Department of Natural Resources

PRESENT VIA TELECONFERENCE

Ron Miller, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), ANCHORAGE

SUMMARY

HB 3006 An Act making an appropriation to study the feasibility of a spur line from a gas pipeline in this state; and providing for an effective date.

HB 3006 was HEARD & HELD in Committee.

[10:19:40 AM](#)

#hb3006

HOUSE BILL NO. 3006

An Act making an appropriation to study the feasibility of a spur line from a gas pipeline in this state; and providing for an effective date.

[10:20:16 AM](#)

KEVIN JARDELL, ASSISTANT COMMISSIONER, DEPARTMENT OF ADMINISTRATION, addressed the Administration's concern and the need to expand the call for legislation. (Copies on File).

[10:22:04 AM](#)

Mr. Jardell explained that the Governor vetoed the Railbelt Energy distribution due to concerns regarding planning for electrical needs in the Railbelt. He noted that amendment #1, 24G-2, 8/3/06, was chosen as the vehicle to request an appropriation rather than introduce a separate appropriation bill.

REPRESENTATIVE JOULE pointed out that, in rural Alaska, there has been a huge increase in the cost of energy. He asked if there had been consideration given to expanding the call to look at alternative energy for rural Alaska.

Mr. Jardell commented that high cost of energy is an Alaskan issue, not just a rural issue. He stated that other projects had been considered; the Railbelt Energy Fund has been considered for a number of years. The Governor believed that there was not enough effort among all the Railbelt utilities to meet the electrical needs of the Railbelt. That is the reason for the appropriation from that fund.

Mr. Jardell continued, noting that there has been and currently is planning in place to address all rural energy needs.

[10:26:42 AM](#)

Representative Joule encouraged the Committee to pass a bill out of the Special Session toward Power Cost Equalization (PCE) and encouraged further exploration of alternative energy.

[10:28:05 AM](#)

Co-Chair Meyer clarified that HB 3006 was before the Committee with an amendment to include Railbelt Energy Funds.

[10:28:51 AM](#)

MIKE MENGE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, addressed the gas pipeline, spur line study. He acknowledged that it is an issue affecting all of Alaska. He outlined the various concerns that could be addressed by the proposed appropriation. He noted that the Department of Energy has been working on spur line issues for a number of years. He proposed using the funding to coordinate efforts under a single management tool enabling the Department of Natural Resources (DNR), Department of Revenue (DOR) and the Legislature to access information the on issue. He went on to say that the most visible effort regarding energy needs is the work of Harold Heinz, Chief Executive Officer, Natural Gas Development Authority (ANGDA) and ANGDA. A portion of the \$4 million dollar appropriation would be used to advance the efforts of the Authority for the Glennellen to Palmer spur line. He emphasized that no funding would be used for duplicative efforts. Currently, a work plan is being developed to identify the next steps.

[10:34:01 AM](#)

Commissioner Menge noted that the Department of Energy (DOE) has completed a feasibility study for a Fairbanks to Wasilla spur line. Both spur lines are designed to serve the same market and the state is not in a position to decide which is most feasible and cost effective. Part of the appropriation would be used to create a new contract to pick up where DOE left off. The final efforts of DOE would be to put together a work plan as how to best advance the evaluation of that project.

Commissioner Menge recommended that the issuing and awarding of the contract come out of the Department of Natural Resources pipeline office. He observed that the engineering group works primarily out of contract and also coordinates with state and federal agencies.

[10:36:37 AM](#)

Commissioner Menge further identified the challenges of the Delta Junction - GlennAllen extension. He explained that this would be needed if the line from Glennallen to Palmer were chosen. He added that there are issues that need to be addressed regarding the compatibility of the hot oil pipeline and the natural gas pipeline. He requested that a small sum be set aside to initiate a formal process with the Bureau of Land Management (BLM) to determine procedure, practices and process.

He recommended that the work would be useful in construction of the pipeline from Prudhoe down to Delta.

[10:38:29 AM](#)

Commissioner Menge outlined specific concerns regarding the feasibility study of an offtake at the Yukon crossing and a method for conveying energy up and down the Yukon River:

- First the technology and costs associated with a stradleplant;
- Secondly it would take the work that ANGDA had done and add it to a new contract, specifically looking at the feasibility of the Ketchikan ship yard to provide pressure vessels: CNG, LNG. The decisions made regarding that will prompt further discussion and decision making as each has a different engineering and economic profile; and
- Funding for feasibility of the Yukon River Offtake.

[10:39:55 AM](#)

Commissioner Menge discussed the advantages of getting energy to Cook Inlet, Bristol Bay and Prince William Sound with the spur line. He acknowledged differences due to this line being sea-born. He further noted advantages to the fishing industry of providing low cost ice as well as the economic advantages for value added product.

[10:41:18 AM](#)

Commissioner Menge explained that the infrastructure for the Palmer & Wasilla Line is insufficient for current needs. Some of the funds requested would be used to put together a technical team to address the engineering challenges. He emphasized the importance of establishing both the infrastructure and regulatory component.

[10:43:26 AM](#)

Commissioner Menge went on to say that funds would be used for an evaluation of a storage area to store large volumes of gas.

[10:45:35 AM](#)

Representative Holm asked if consideration had been given to transferring energy via electrical lines. Commissioner Menge responded that gas by wire is an emerging concept. Phase 1 of the project is practical applications. He asserted that a portion of that could be transported by wire.

[10:48:29 AM](#)

Representative Stoltze questioned why the appropriation was not going to the Alaska Natural Gas Pipeline Development Authority (ANGDA), noting that this organization already has

public confidence. Commissioner Menge agreed that the work of ANGDA regarding the Glenallen to Palmer infrastructure should be supported. The Department of Energy did not choose to pursue the Fairbanks to Wasilla portion.

[10:50:56 AM](#)

Co-Chair Chenault asked what the impact would be on ANGDA, and the employees at the Department of Natural Resources. He also asked for clarification regarding the Ketchikan shipyard. He noted that there are other areas of the state that could build pressure vessels. Co-Chair Chenault referenced gas storage and the areas chosen to do that as well as the infrastructure needed.

[10:54:59 AM](#)

Commissioner Menge explained that the purpose of the appropriation is to explore these and other issues. The details of how to implement the gas line would be the next phase after understanding what all the variables are.

[10:56:50 AM](#)

Representative Hawker expressed concern with the timing of the request. He felt it was important dialogue, but emphasized that it might have been better to deal with it on the front end of the issue. He asked what the anticipated time frame for spending the money would be. Commissioner Menge proposed providing a specific summary of progress to the legislature in the early spring of 2007. He agreed with Representative Hawker's concerns and explained that there had never been a unified approach to accomplish this task. The appropriation is an attempt to unify resources and information.

[11:00:00 AM](#)

Representative Hawker agreed that there needs to be a unified coordination of the diverse interests. He questioned if it were possible to establish a uniform coordinator in the State of Alaska within the current operating budget.

[11:02:52 AM](#)

Commissioner Menge stated that the funding authorized already had specific functions. The Pipeline Office is an organization to answer questions of the legislature^[L1]. He recommended that the coordination be handled through contract rather than by adding another state employee. He reiterated his commitment to itemize expenses for the legislature and to not have duplicative expenditures.

[11:05:21 AM](#)

Representative Hawker suggested using discretionary funds of the Office of the Governor, the Department of Revenue and the Department of Natural Resources.

Commissioner Menge stated that they will be using existing employees and existing resources.

[11:06:56 AM](#)

REPRESENTATIVE KELLY referenced ANGDA; he asked if the reason that ANGDA was not doing the work was due to a conflict regarding the Wasilla portion. Commissioner Menge could not specifically answer the question. He explained that ANGDA has chosen a course of action that is more spread out.

[11:09:32 AM](#)

Representative Kelly stated that it was not uncommon to have a consultant that could suggest different courses of actions. He worried about excluding ANGDA and the political component involved. Commissioner Menge maintained that he did not want to create any disharmony in the system or do a disservice to the Legislature^[L2] regarding the funding. He felt it important for all entities to pursue current work and move towards drawing all the information together.

[11:12:08 AM](#)

Representative Kelly requested a hearing from Harold Heinz and the Alaska Natural Gas Pipeline Development Authority.

Co Chair Meyer agreed and noted that it was not his intention to take any action on the request before other parties are heard from.

Commissioner Menge reported that he has spent time with Mr. Heinz discussing the same information presented to the Committee^[L3]. He noted that Mr. Heinz is supportive.

Representative Stoltze reiterated that ^[L4]ANGDA process is working and would like to see their work sustained and continued.

[11:14:48 AM](#)

Co-Chair Meyer noted that the Governor's^[L5] original call was supplemented to include the appropriation from the Railbelt Energy Fund. The Administration's intent is to amend HB 3006 to incorporate the Railbelt Energy Fund.

[11:15:40 AM](#)

Representative Hawker questioned whether the amendment needs to be moved or if it can just be discussed.

Co-Chair Meyer said that the discussion could take place.

[11:17:30 AM](#)

RON MILLER, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), addressed the questions raised regarding energy issues. He related that the Alaska Energy Authority has been working to implement the rural energy plan to fully fund the Department of Community and Economic Development Program. It has been active in the alternative energy fields. He related that an alternative energy report would be distributed soon. Mr. Miller reported on the use of in-state gas, as well as monitoring efforts.

Mr. Miller reported that the intent of the amendment is to appropriate money from the Railbelt Energy Fund to the Alaska Energy Authority.

Co-Chair Meyer asked for clarification. Mr. Miller replied that the purpose is to bring more efficiency to and increase reliability of power generation in the rail belt through the list of grants. He explained that the grants had come before the legislature and passed,^[L6] but had then been vetoed by the Governor due to a lack of confidence in the cooperation on the Railbelt utilities.

Mr. Miller further noted that the A^[L7]ministration worked with some of the Railbelt utilities in crafting the language in Section 4. He added that some of the Railbelt utilities^[L8] are working together and that if this bill is to pass with amendments AEA is committed to meeting with the Railbelt utilities to move forward with plans.

[11:23:25 AM](#)

Representative Stoltze asked for information about the written advice to the Governor regarding his vetoes. Mr. Miller replied that there is no written analysis from the Department. He explained,^[L9] he had been asked by the Office of Management and Budget (OMB) what the grants were for and provided details to them. He offered to provide that documentation to the Committee. Representative Stoltze asked about the Juneau OMB advisors and questioned the veto. Mr. Miller responded that the only role he had in the process was to gather information from the utilities and provide that to the Governor's office. Representative Stoltze said that explains some of the lack of logic in the matter.

[11:25:38 AM](#)

Representative Hawker was reluctant to pursue the issue. He expressed frustration with the bill and felt it was a distraction from the oil and gas tax bill. He related the history of the issue emphasizing the passage of the appropriation and then the veto by the Governor. He questioned the purpose of the bill.

Co-Chair Meyer said the intent of the meeting was to discuss this information.

[11:28:20 AM](#)

Co-Chair Chenault asked if the \$12 million to ANGDA for the Healy coal project was in the original proposal that was vetoed. Mr. Miller affirmed. [L10]Co-Chair Chenault considered the veto an end to the project. He further questioned how the project would be financed if it [L11]moves forward. Mr. Miller replied that they are moving forward with money from AIDEA. Co-Chair Chenault expressed frustration regarding the communication with the Governor's office regarding Healy. He felt a disservice was done to his area. He maintained that this issue is not being offered at a good time.

Representative Stoltze stated that he made the motion for the veto override and feels strongly about the matter. He implied that it is a political matter. He expressed frustration and lack of confidence in the issue.

[11:33:11 AM](#)

Representative Kelly said the Governor was right when he vetoed the bill and suggested that he "should have left well enough alone". He observed that the plan did not include the three major generators in the Railbelt and asserted that it was fatally flawed. He maintained that changes needed to be made to the distribution of funds. Representative Kelly echoed Representative Hawker's comments that it was not the right time to deal with the matter.

Co-Chair Meyer noted that the discussion was good. He said he would hold onto the bill.

#

ADJOURNMENT

The meeting was adjourned at 11:35 AM.