

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

July 22, 2008

2:02 p.m.

**MEMBERS PRESENT**

Representative Anna Fairclough, Co-Chair  
Representative Gabrielle LeDoux, Co-Chair  
Representative Mark Neuman  
Representative Kurt Olson  
Representative Sharon Cissna  
Representative Woodie Salmon

**MEMBERS ABSENT**

Representative Nancy Dahlstrom

**OTHER LEGISLATORS PRESENT**

Representative Les Gara  
Representative Andrea Doll  
Representative Kyle Johansen

**COMMITTEE CALENDAR**

HOUSE BILL NO. 4002

"An Act establishing the Alaska resource rebate program and relating to the program; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 4003

"An Act making supplemental appropriations to the Alaska Energy Authority for power cost equalization; making special appropriations to the Department of Revenue and to the Department of Health and Social Services for the Alaska resource rebate program; making a special appropriation to the Department of Revenue for the payment of certain shared taxes relating to aviation fuel; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB4002

SHORT TITLE: RESOURCE REBATE PROGRAM FOR RESIDENTS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

07/09/08 (H) READ THE FIRST TIME - REFERRALS  
07/09/08 (H) CRA, FIN  
07/11/08 (H) CRA AT 8:00 AM BARNES 124  
07/11/08 (H) Heard & Held  
07/11/08 (H) MINUTE(CRA)  
07/15/08 (H) CRA AT 8:00 AM BARNES 124  
07/15/08 (H) Heard & Held  
07/15/08 (H) MINUTE(CRA)  
07/17/08 (H) CRA AT 4:00 PM Anch LIO Conf Rm  
07/17/08 (H) Heard & Held  
07/17/08 (H) MINUTE(CRA)  
07/22/08 (H) CRA AT 2:00 PM BARNES 124

BILL: HB4003

SHORT TITLE: APPROP: ENERGY RELIEF/REBATE/FUEL TAX

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

07/09/08 (H) READ THE FIRST TIME - REFERRALS  
07/09/08 (H) CRA, FIN  
07/11/08 (H) CRA AT 8:00 AM BARNES 124  
07/11/08 (H) Heard & Held  
07/11/08 (H) MINUTE(CRA)  
07/15/08 (H) CRA AT 8:00 AM BARNES 124  
07/15/08 (H) Heard & Held  
07/15/08 (H) MINUTE(CRA)  
07/17/08 (H) CRA AT 4:00 PM Anch LIO Conf Rm  
07/17/08 (H) Heard & Held  
07/17/08 (H) MINUTE(CRA)  
07/22/08 (H) CRA AT 2:00 PM BARNES 124

**WITNESS REGISTER**

RANDY RUARO, Special Staff Assistant  
Office of the Governor  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 4002 and HB 4003.

STEVEN HAAGENSON, Executive Director  
Alaska Energy Authority (AEA); Statewide Energy Coordinator  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint report titled "Project Overview Alaska Energy Plan."

REPRESENTATIVE BRYCE EDGMON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 4002 and HB 4003.

MIKE HARPER, Deputy Director  
Rural Energy  
Alaska Energy Authority (AEA)  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 4002 and HB 4003.

JON SHERWOOD, Medical Assistance Administrator  
Division of Public Assistance  
Department of Health & Social Services (DHSS)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 4002 and HB 4003.

STACIE KRALY, Chief Assistant Attorney General  
Human Services Section  
Civil Division  
Department of Law  
Juneau, Alaska

**POSITION STATEMENT:** Answered a question during the hearing on HB 4002 and HB 4003.

DENNIS WHEELER, Advisory Section Manager  
Regulatory Commission of Alaska (RCA)  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 4002 and HB 4003.

JERRY BURNETT, Director  
Administrative Services Division  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 4002 and HB 4003.

#### **ACTION NARRATIVE**

**CO-CHAIR ANNA FAIRCLOUGH** called the House Community and Regional Affairs Standing Committee meeting to order at [2:02:32 PM](#). Representatives Neuman, Cissna, Salmon, Olson, LeDoux, and Fairclough were present at the call to order. Also in attendance were Representatives Gara, Doll, and Johansen.

HB4002-RESOURCE REBATE PROGRAM FOR RESIDENTS  
HB4003-APPROP: ENERGY RELIEF/REBATE/FUEL TAX

[2:02:55 PM](#)

CO-CHAIR FAIRCLOUGH announced that the committee would be hear the following two bills: HOUSE BILL NO. 4002, "An Act establishing the Alaska resource rebate program and relating to the program; and providing for an effective date."; and HOUSE BILL NO. 4003, "An Act making supplemental appropriations to the Alaska Energy Authority for power cost equalization; making special appropriations to the Department of Revenue and to the Department of Health and Social Services for the Alaska resource rebate program; making a special appropriation to the Department of Revenue for the payment of certain shared taxes relating to aviation fuel; and providing for an effective date."

[2:03:54 PM](#)

RANDY RUARO, Special Staff Assistant, Office of the Governor, said that personnel from the Department of Health & Social Services, the Department of Law, and the Department of Commerce, Community & Economic Development would provide clarification of the bills.

[2:04:45 PM](#)

CO-CHAIR FAIRCLOUGH stated that testimony would be heard today; however, the bills and amendments would be taken up during the meeting of July 23, 2008. Proposed amendments address the issues of: physical addresses, telephone numbers, the collection of debt owned to the state, and a "super Permanent Fund [Dividend (PFD)]" distribution versus a resource rebate program. She further announced that public testimony will also be taken during the July 23rd meeting. The intent of the committee was to bring the bills before the committee, hear from the public, take amendments, and move the bills out of committee at that point. Co-Chair Fairclough noted that the committee would decide whether the focus of this legislation was energy issues across the state or a resource rebate.

[2:07:44 PM](#)

REPRESENTATIVE NEUMAN informed the members that he asked the director of the Office of Management & Budget (OMB) [Office of the Governor], for the administration's plan on state expenditures. He noted that many billions of dollars have been budgeted for transportation needs for the [gas] pipeline and for job training by the Department of Labor & Workforce Development (DLWD). In addition, there are several other multi-billion dollar projects that have been proposed. His request to the director was for a "running total" on these projects. Representative Neuman asked whether the committee would hear the response from OMB so that the amount of money going out would be known before the vote.

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CO-CHAIR FAIRCLOUGH suggested that the testimony today may answer some of these questions; if not, the committee can discuss a delay. She invited the first presenter to speak.

[2:10:13 PM](#)

STEVEN HAAGENSON, Executive Director, Alaska Energy Authority (AEA); Statewide Energy Coordinator, Department of Commerce, Community & Economic Development (DCCED), presented a PowerPoint report titled "Project Overview Alaska Energy Plan."

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CO-CHAIR FAIRCLOUGH asked whether Mr. Haagenson has heard previous discussions about energy relief for Alaskans. She opined that this debate has concentrated the committee's attention on energy related issues such as conservation, preservation, and the investment of resource dollars. However, the bill[s] [are] resource rebate bill[s], with considerations of how to measure the rebate and "how quickly it needs to go." She pointed out that members have differing opinions on eligibility requirements and the immediacy of the state's response.

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MR. HAAGENSON noted that he has heard the comments, but was here to speak to the one- to ten-year energy plan rather than the "immediate portion" of the plan. He presented the first slide, and asked members of the audience to estimate their household

energy use for electric, space heating, and transportation. The goal of the Alaska Energy Plan is to reduce the cost of energy to all Alaskans and to rapidly identify and deploy solutions rather than further long-term study. He noted that the cost components are not prepared yet, and that the plan would be completed by December 2008. The [planned] result of the project is to identify and deploy energy sources that are vertically integrated, economic, long-term stable priced, and sustainable. Slide 4 illustrated the "Guiding Principals [sic]" and he said that the first guiding principle recognizes the massive amount of money that has been put into the existing infrastructure by the Denali Commission for generators and tank storage. He elaborated that using existing infrastructure could be the use of [alternative] fuel; for example, a different liquid fuel, perhaps from a different source, provided for use in an existing boiler. He pointed out that the costs of energy projects would be evaluated on a delivered basis and by looking at low-profit businesses such as a port authority, a joint agency, a co-op, or a Native corporation. Other guiding principles are to minimize the risk of technology failure, to engage Alaskans in the solutions, and to seek the lowest cost energy for each community. Slide 5 illustrated the source "of all the energy in the world."

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REPRESENTATIVE NEUMAN asked whether the Alaska Energy Authority (AEA) was working with groups such as resource development councils and Native corporations to help research programs and gather information in different regions of the state.

[2:17:21 PM](#)

MR. HAAGENSON indicated yes, and added that 28 communities have been canvassed for information on their energy challenges and possible solutions. Any group or individual "with a passion to solve the problem" will be involved.

[2:17:57 PM](#)

REPRESENTATIVE NEUMAN observed that many citizens are located near, but not on, the power grid and are generating electricity with diesel generators. He asked whether the state may put money in the budget for pioneer extension lines to individual homeowners.

[2:19:18 PM](#)

MR. HAAGENSON said that the AEA is trying to identify the highest level and cheapest option, without allowing for any state subsidy. These options include biomass, wind, and solar. Referring to slide 5, he explained that solar energy drives wind, rivers, clouds, and hydroelectricity, in addition to photosynthesis and carbon-based fuels. Thus a lot of the energy in the world comes from the sun. Also illustrated were nuclear options, crustal thermal energy, and gravitational energy. He described the slide as "the palette of colors you get to paint your energy picture with." He then provided a list of communities with information on their local alternative energy resources such as geothermal, tidal, and non-commercial sources of gas. Mr. Haagenson stated that the AEA is working with the Department of Natural Resources (DNR) geological surveys to map resources and develop a matrix of communities and resources available to them. He presented slide 7 titled "Identify the current fuel usage and costs." Anecdotal data was used to first determine the fuel needs in different regions of the state; for example, the estimate for rural Alaska was 750 gallons of fuel per year. Another estimate based on the use of Power Cost Equalization (PCE) fuel and multiplied by a factor of 3:4, equaled the number of gallons per person. He estimated the use to be a total of between 39-54 million gallons per year. Slide 8 illustrated the energy flow into Selawik: the cost of petroleum and wind energy totaled \$9,000 per year and represented as average of 33 percent of household income being spent for fuel and electricity. Furthermore, this amount represents \$2,400,000 leaving the community of Selawik annually. He stressed that AEA wants to learn what local resources can be provided to keep money and jobs local, and to support the local economy.

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CO-CHAIR FAIRCLOUGH observed that this is the data that brings up questions about the administration's proposal. She questioned the direction of a flat distribution of resource rebate to everyone versus targeted household energy [relief] for communities similar to Selawik.

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REPRESENTATIVE SALMON surmised that the Yukon River could be a source of energy for its surrounding area.

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MR. HAAGENSON agreed that the Yukon River has a large potential for hydropower; however, the communities must consider the potential affect on salmon.

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REPRESENTATIVE SALMON observed that there are many hydropower systems that do not use turbines and would not affect fish.

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MR. HAAGENSON agreed and added that the technology group is looking at any way to make energy.

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CO-CHAIR LEDOUX referred to the governor's proposal to give funds to utility companies. She asked for the status of that proposal.

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MR. HAAGENSON responded that the proposal is not moving forward.

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CO-CHAIR LEDOUX asked why.

[2:28:47 PM](#)

MR. HAAGENSON answered that problems with the proposal are connected to taxes and whether the funds are taxable income. He opined that the proposal became a quagmire.

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CO-CHAIR LEDOUX questioned whether a rebate from the state to regulated utilities that results in lower rates, could become taxable income to the ratepayers.

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MR. HAAGENSON said that advice from council indicated yes. He then presented slide 9 that illustrated "Regional Energy Cost Comparison." He acknowledged that this "best available data" can not be verified. On this slide the cost of energy was

compared between the regions of Anchorage, Fairbanks, Southeast, and Rural. He opined that the numbers are accurate. In Anchorage, the total cost of energy is about \$5,900 per year; in Fairbanks the cost is about \$9,400 per year; in Southeast - excluding villages such as Angoon and Kake - the cost is about \$4,900 per year; and in Rural areas the cost is about \$10,000 per year. One component of this comparison is that heating in Anchorage costs about \$1,000 per year but costs up to \$7,700 in Rural Alaska. The costliest areas for transportation are Anchorage and Fairbanks due to their access to the road system. Mr. Haagenson said that the hardest analysis was the average cost per household; in fact, hub communities such as Bethel have mixed income levels that skew averages. He presented slide 10 titled "Estimated Household Costs for Home Energy Use." He pointed out that 20 percent of households with the lowest incomes in remote rural communities spend 47 percent of their income on energy use, not including transportation.

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REPRESENTATIVE NEUMAN asked how Power Cost Equalization (PCE) affected electrical costs.

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MR. HAAGENSON clarified that the estimate on slide 9 for Rural Alaska is after PCE; the PCE rate is 31 1/2 cents. In further response, he restated that the estimate includes the adjustment for PCE.

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REPRESENTATIVE NEUMAN referred to the median shares of income spent for home energy use and observed that the numbers would look different between rural and urban [regions] if the property taxes for organized regions were factored in.

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MR. HAAGENSON affirmed that only energy costs were incorporated.

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REPRESENTATIVE SALMON asked why every village in a rural area does not get PCE.

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MR. HAAGENSON opined that most remote communities have access to PCE or receive it, except for Kodiak, utilities within the four-dam pool and Railbelt, Glennallen, and Copper Valley utilities.

[2:37:32 PM](#)

CO-CHAIR FAIRCLOUGH recalled that there are some criteria [to qualify] for PCE.

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REPRESENTATIVE SALMON remarked:

Not everybody in the village, just because they receive PCE for the program ... receive PCE. That's a known fact.

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CO-CHAIR FAIRCLOUGH agreed that regarding Power Cost Equalization, all is not equal in rural communities.

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CO-CHAIR LEDOUX asked for clarification of slide 10 that indicated the estimated household costs for home energy use. She stated that the median cost for all households of all incomes is 4.7 percent.

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MR. HAAGENSON said yes, that amount is for the year 2008.

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CO-CHAIR LEDOUX further noted that the percentages around the state range from 8.7 to 47, and then from 2.0 to 6.1. She questioned whether these percentages would add up to [a median] of 4.7 percent.

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MR. HAAGENSON explained that the study takes 20 percent at the poverty level, where the cost of energy would be a very high percentage of total income, and [compares it to] the middle 60 percent that is pretty close to average, depending on how many

people are in those sectors. He opined that ISER [Institute of Economic Research at the University of Alaska, Anchorage (ISER)] did a good job on the study, although he has not personally verified the math.

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CO-CHAIR FAIRCLOUGH asked whether the ISER study used PCE as an actual component or if it was "added back in for energy costs."

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MR. HAAGENSON expressed his belief that it was actual dollars paid, thus would include PCE.

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CO-CHAIR LEDOUX surmised that the ISER study does not include transportation.

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MR. HAAGENSON concurred.

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CO-CHAIR LEDOUX asked whether there is an ISER study that does include transportation.

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MR. HAAGENSON advised that the AEA has hired ISER to study the amount of fuel used in each community; however, there is no model to estimate [the cost of] transportation. The study will include home heating and electricity but the transportation number is unknown.

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CO-CHAIR LEDOUX asked how the AEA staff determined transportation numbers for slide 9.

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MR. HAAGENSON explained that Fairbanks did a study with numbers from an [oil and gas] industry market study that included data

on all of the transportation fuel and heating oil. He then extrapolated that data for the comparison.

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CO-CHAIR LEDOUX further asked whether ISER could use that data and "come up with at least a rough calculation."

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MR. HAAGENSON said, "I don't think our studies are that much different, to be honest."

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CO-CHAIR FAIRCLOUGH remarked:

Legislators are concerned with delivering something that's fair and equitable across the state. And as Representative Salmon points out all things are not equal in Rural Alaska when we look at Power Cost Equalization, and what Representative Neuman points out, through property taxes .... And so we're trying to ... appropriately meet Alaskan's needs without getting into the mire of all the arguments that people keep saying. ... We want to be united in addressing energy needs through Alaska.

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MR. HAAGENSON agreed and added that the governor's energy team discussed the same issue; it is hard to find data and the goal is to be fair and just. He opined that the AEA must rely on incomplete data.

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CO-CHAIR FAIRCLOUGH informed the members that she and Representative Edgmon looked at a legislative task force on this issue and "were successful in rolling it into a passed piece of legislation last year." She observed that from the legislative perspective versus the administrative perspective [problems arise regarding the veracity of] the criteria and start the urban/rural divide debate. Legislative "buy-in" on the criteria and the process would raise legislator's confidence in the numbers.

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REPRESENTATIVE EDGMON added that the task force would also look at the bigger picture; for example, reviewing the existing institutions in concert with the [present task of the] AEA. He said, "All hands on deck are necessary for this energy problem in front of us."

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REPRESENTATIVE NEUMAN asked Mr. Haagenson where low income energy assistance enters into the household energy costs for the lowest income households in rural communities.

MR. HAAGENSON deferred the question to Mr. Harper.

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MIKE HARPER, Deputy Director, Rural Energy, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), advised that the Low Income Home Energy Assistance Program (LIHEAP) is a program run by the Department of Health & Social Services (DHSS) and provides aid for urban and village Alaska. Previously, the program has been funded at about nine million dollars for the state, although funding was increased this past session. He noted that the program is administered through state agencies and Native nonprofit organizations.

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REPRESENTATIVE NEUMAN expressed his intent to look at all the "pots and pools of money" and how [they] affect energy in the state.

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MR. HARPER clarified that \$200 million was funded to the Alaska Housing Finance Corporation (AHFC) for the low income weatherization improvements program and an additional \$100 million was funded for rebates without income limits.

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CO-CHAIR FAIRCLOUGH remarked:

What the committee is trying to get their arms around is all the toggles that affect different components of formulas when we go to address energy needs in each community across the state. And so, Representative Neuman is seeking to understand where the state is currently making investments and how those are made. And then trying to create some kind of formula or district cost factors so that we can appropriately meet those needs.

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REPRESENTATIVE CISSNA appreciated the presentation and reiterated that the goal is to figure out all of the different pieces. She expressed her interest in determining what would be the short fix to help people next year, and then to begin to look for a comprehensive answer to energy that does not waste money. She asked Mr. Haagenson to design [recommendations] that reflect this complexity.

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CO-CHAIR FAIRCLOUGH welcomed Representatives Gara, Doll, and Johansen.

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MR. HAAGENSON presented slide 11 titled "Potential Technologies and Fuels." He observed that everywhere in Alaska there are resources to be used; however, long distances and low usage can make almost every project uneconomic and delivery costs limit options.

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CO-CHAIR FAIRCLOUGH asked for the meaning of Fischer-Tropsch technology.

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MR. HAAGENSON explained that Fischer-Tropsch methodology was developed during World War II and is energy derived from liquefied coal. Any biomass or carbon-based fuel can be gasified to make carbon monoxide and hydrogen which is called [synthetic gas ("syngas")]. The syngas is then processed by the Fischer-Tropsch method to make paraffin that is refined to various liquid fuels.

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CO-CHAIR LEDOUX asked whether the fuel was like regular wax.

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MR. HAAGENSON said that it looks like wax but is a carbon-based material. He continued with his presentation and noted that technology teams and members of the public will evaluate the capital and delivery costs of various fuels for each community. He presented slide 14 titled "Financial Model-Template" that illustrated data from the Fairbanks Energy Plan. In order to transfer this data to the entire state, he created slide 15 that illustrated the choices for heat, electricity, and transportation energy: propane, [Fischer-Tropsch ("FT")] diesel, biomass, geothermal, hydro, and diesel. The end result is a tool that shows each community what resources are available, and at what delivery cost, on a million Btu (mmBtu) basis. Subsequently, local feedback will direct the search for the cheapest and best option for the community. Mr. Haagenson further explained that the AEA would identify new or existing local companies that can provide energy and that have a low profit model. The AEA would also work with public and private partnerships to leverage state money, with power sales agreements with electric utilities, and with state, private, and public financing institutions. He concluded with the schedule for the Alaska Energy Plan and listed several of its sources for data. Currently, the AEA is working on the technology matrix and the evaluation tool.

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REPRESENTATIVE SALMON asked whether Mr. Haagenson's reference to Native corporations was to nonprofit or for-profit corporations.

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MR. HAAGENSON answered that he was referring to for-profit Native corporations such as Cook Inlet Region, Incorporated (CIRI), and its relationship with the Fire Island wind farm.

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CO-CHAIR FAIRCLOUGH recalled a recent press release that described Alaska as rich in resources, especially this year. She opined that the administration appropriately determined that

the greater number of dollars coming in to the state should be invested in [helping citizens pay for] the increased cost of energy needs across the state. She continued to explain that the committee is trying to determine whether to act now or wait for the AEA's energy plan. Co-Chair Fairclough asked, "Is this short term energy relief plan, that has now 'hybrid' into a resource rebate plan, the right way to go in using a billion dollars to help Alaskans?"

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MR. HAAGENSON called the plan he was presenting the "short term, long term plan." For example, the plan is not for this winter; in fact, the recommendation for [the installation of] hydroelectric [power] is ten years away. He opined that there is a need to look at faster options that can be deployed in a one-year timeframe. He said that he feels that Alaskans are "starving to death" and they should be given a fish now, and also taught how to fish later. He remarked:

If you say, "I think I have a solution for you in a year, or two years, or possibly three years, are you going to be O.K.?" People will still stay in Alaska and survive that. ... If you say ... "Who knows," ... they are now hopeless, and that's when they're going to start making some decisions to move out of Alaska and leave.

MR. HAAGENSON opined that the legislature can use its wisdom to determine a method to help Alaskans in the short term, and then "to teach you how to fish."

[3:02:47 PM](#)

REPRESENTATIVE CISSNA observed that Alaskans face change and difficulties. She was troubled by the obvious growth of problems in rural areas of the state and opined that those who survived the depression of the '80s are poorer and need help to face additional costs in the health and housing sector, together with the energy crisis. Representative Cissna expressed her concern that programs should not be duplicated; in fact, an effort should be made to put together a group of stakeholders to represent regions. She suggested other factors that affect each community such as transportation and municipal financing. "I'd love to know what kind of effort there is to really making sure that we're doing this in a really well thought out way so that we don't waste, but we act quickly," she said.

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MR. HAAGENSON related that Alaskans in the Nenana region told him that they could not survive with the present cost of diesel fuel, yet they did not have a plan to change to a different fuel. He compared energy costs to the five steps of grieving: Rural Alaska is accepting; Fairbanks is mad; Anchorage is in denial; Southeast has to change. He recalled that Alaskans, before the pipeline, were independent and self-reliant.

[3:09:09 PM](#)

CO-CHAIR FAIRCLOUGH related her experience that Anchorage is not in denial.

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MR. HAAGENSON gave a personal example and encouraged fellow citizens to take action.

[3:10:45 PM](#)

CO-CHAIR LEDOUX expressed her understanding that a part of a long term plan is conservation.

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MR. HAAGENSON opined that conservation is a short term plan [because it] can start tomorrow.

[3:11:08 PM](#)

CO-CHAIR LEDOUX, looking at the cost of energy in Southeast, stated that there would be no reason to conserve in that region if families are given an energy rebate of \$4,800.

[3:12:11 PM](#)

MR. HAAGENSON acknowledged that some people will waste this money and some will invest wisely.

[3:12:28 PM](#)

REPRESENTATIVE OLSON recalled that the energy solutions began with the offer of \$100 per month on a per capita basis; the second offer was the needs-based rebate to utilities; and the

third was the long term plan. He opined that the situation would "not have a happy ending."

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CO-CHAIR FAIRCLOUGH pointed out that the committee is not getting its questions answered. She questioned whether investing \$1,200 right now and sharing Alaska's wealth, is addressing energy [solutions]. She appreciated the AEA's assessment of communities' energy needs.

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REPRESENTATIVE CISSNA asked Mr. Haagenson to explain the financial difference between money going to individuals, or going to communities and energy associations. She opined that if money is given to individuals, communities will not have the funding and bonding they need to change the way energy is produced.

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MR. HAAGENSON explained that the approach is to build a private and public partnership that makes sense on a business level, without any subsidy at all. His goal is to evaluate projects without state help, and then use public money to make them better. In fact, an energy project should be a straight-up business deal, going to public bonding and marketing with its benefits. He said, "This is really about Alaskans ... standing up on their own two feet, not going to the legislature with their hand out and saying, 'give me money to do something ... for myself.'"

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REPRESENTATIVE CISSNA encouraged the committee to meet, even after the bills move from committee, to develop a long term strategy.

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CO-CHAIR FAIRCLOUGH said that a work session can be called providing enough members are in Juneau for a quorum. She offered to discuss a possible time schedule; however, she pointed out that the public expects the bills to move during the meeting on July 23, 2008.

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REPRESENTATIVE CISSNA stated that this subject is key to the survival of people in the state; in fact, [adherence to] "timelines are what sometimes destroy projects that could have made it."

[3:18:24 PM](#)

MR. HAAGENSON reminded members that HB 152 created a task force to address the long term future of the energy plan.

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CO-CHAIR FAIRCLOUGH noted that HB 152 task force members appointed from the House include Representatives Edgmon, Thomas, and herself. She then invited testimony from the Department of Health & Social Services on the hold harmless clause of the bill.

[3:20:23 PM](#)

JON SHERWOOD, Medical Assistance Administrator, Division of Public Assistance, Department of Health & Social Services, reviewed the hold harmless provision in HB 4002. He noted that the bill allows for a resource rebate one-time payment of \$1,200 and, in some circumstances, the payment will count in determining a household's eligibility to qualify for public assistance benefits. He advised members that legislation requires that if the department is required by federal law to count a benefit, the department must make up the loss in federal benefits through a hold harmless program. Mr. Sherwood estimated the cost of the hold harmless program, including administration costs, to be \$10.7 million. Primarily, this amount is needed to make up lost benefits to food stamps, the Supplemental Security Income (SSI) program, Medicaid, and veteran's benefits to the Adult Public Assistance program. The department anticipated that most people receiving assistance benefits will spend the rebate relatively quickly, as happens with the Permanent Fund Dividend (PFD) program. Regarding the timing and the adequacy of the hold harmless benefit, he explained that the public assistance benefit is limited to four months. Furthermore, the four months refers to the benefits received, rather than the processing time, and benefits would be given for four months regardless of whether the rebate affected the beneficiary's benefits immediately, or a couple of months later. He advised that different assistance programs have

different rules regarding the treatment of one-time payments; thus sometimes there is an immediate impact on benefits and sometimes there is a delayed impact. Needs-based veterans' programs are not administrated by the DHSS and although the department would make up the benefits, the benefits are calculated by the U. S. Department of Veterans Affairs (VA). The VA would prorate the money received in this calendar year and make a prorated adjustment to benefits across the following 12 months. For that reason, HB 4002 does not have a four-month limit to the hold harmless clause for veterans and the loss to veterans would be made up by a lump sum payment from the DHSS. However, Mr. Sherwood further explained that for the public assistance programs there is a four-month limit and if recipients retain the payment they would see a loss in assistance benefits.

[3:25:31 PM](#)

REPRESENTATIVE CISSNA expressed a constituent's worry that there are other groups that receive aid that may not be identified by the state.

MR. SHERWOOD assured the members that DHSS looked at programs and drew on its experience with the PFD. He noted that the Pioneer's Home and the Alaska Housing Finance Corporation (AHFC) would not count this one-time payment as income.

[3:27:27 PM](#)

REPRESENTATIVE NEUMAN referred to [HB 4002 Fiscal Note] Number 2 and read:

Persons who apply for public assistance in the same month they receive the resource rebate or who do not spend the money right away, could be affected.

REPRESENTATIVE NEUMAN opined that if all of the beneficiaries spent the money right away, the state would save \$10.7 million. He further read:

The department estimates that 7,000 households, or 30 percent of the nearly 24,000 households currently eligible for the food stamp program, will need hold harmless benefits to replace that for one month with an average allotment of \$400.

REPRESENTATIVE NEUMAN observed that there are 11,500 individuals who receive [Supplemental Security Income] and who would also receive hold harmless benefits. He assumed that this [time restriction] encourages people to spend their rebate on something, whether it is energy or not, and asked for clarification.

[3:29:03 PM](#)

MR. SHERWOOD advised that each public assistance program works a little differently. Under the rules of the food stamp program the payment would not count as income received unless the recipient retains it. However, because of the hold harmless benefit there is no incentive for the client to spend the payment right away if they need to retain the payment for a short period of time. For the SSI program, the payment would be counted as income for one month and if retained, as an asset for an additional month. He agreed that if people spend the rebate quickly, it would lower the state's overall hold harmless cost.

[3:31:00 PM](#)

REPRESENTATIVE NEUMAN observed that recipients should be encouraged to spend the money right away.

[3:31:36 PM](#)

CO-CHAIR FAIRCLOUGH pointed out that there could be an additional appropriation needed for the resource pay-out in 2010 depending on the [yet] unknown cost of the hold harmless provisions.

[3:31:59 PM](#)

CO-CHAIR LEDOUX questioned if people have to spend their resource rebate within four months, what will they use for energy costs for the rest of the year.

[3:32:24 PM](#)

MR. SHERWOOD suggested that beneficiaries can prepay or pre-purchase energy costs, rent, or other things that would help reduce their future costs.

[3:32:58 PM](#)

CO-CHAIR LEDOUX asked whether prepayments would count as assets and thereby, affect benefits.

[3:33:17 PM](#)

MR. SHERWOOD expressed his understanding that pre-purchasing rent and energy would not affect the income determination of the programs administered by the state or by the VA.

[3:34:01 PM](#)

REPRESENTATIVE CISSNA observed that there is a complexity to the aid received by beneficiaries. She asked whether there was a plan to ensure that recipients understand their choices and the subsequent consequences.

[3:34:44 PM](#)

MR. SHERWOOD informed the members that the DHSS provides information on the PFD and its hold harmless provisions. He envisioned that the department would do the same to educate the recipients on the rebate program and its effects. Furthermore, additional staff time to answer questions and advise clients was factored into the administration costs.

[3:35:31 PM](#)

CO-CHAIR LEDOUX requested an opinion from the Attorney General on the prepayment of rent and fuel.

[3:35:58 PM](#)

STACIE KRALY, Chief Assistant Attorney General, Human Services Section, Civil Division, Department of Law, concurred that the prepayment of rent and fuel is not an asset. She stated that she would prepare a written opinion.

[3:36:57 PM](#)

CO-CHAIR FAIRCLOUGH recalled an earlier question about contributions to utilities and asked for comments from representatives of the Regulatory Commission of Alaska (RCA).

[3:37:32 PM](#)

CO-CHAIR LEDOUX related that she had a question about whether contributions from the state to power utilities would be considered taxable income to the utilities' customers.

[3:38:10 PM](#)

CO-CHAIR FAIRCLOUGH remarked:

My recollection is that we had talked about contributing to energy companies throughout the state and one of the arguments that was rumored against that was that the RCA would have to go back and recalculate tariff charges, if we were to somehow lower the rate. And then the second curiousness about it was whether we would actually see a reduction in consumer rates if we were to allocate dollars to utilities to reduce individual payer's costs.

[3:39:14 PM](#)

DENNIS WHEELER, Advisory Section Manager, Regulatory Commission of Alaska (RCA), Department of Commerce, Community & Economic Development (DCCED), regarding the effect on the tariff that the utilities have, informed the members that there would have been some sort of trigger that would have required changes to all of the tariffs on file, and the approval processes associated with that, if the energy rate were changed. He opined that the RCA did not work to resolve the tax implications of the aforementioned question. With respect to rate making if the utilities were given assistance, a formal request for opinion was not asked of the RCA to resolve that. He opined that "there would have been a significant amount of work generated here at the RCA to deal with the implications of such a proposal."

[3:40:38 PM](#)

CO-CHAIR FAIRCLOUGH invited representatives from the Department of Revenue (DOR) to discuss HB 4002 and to answer questions about HB 4003.

[3:41:20 PM](#)

JERRY BURNETT, Director, Administrative Services Division, Department of Revenue (DOR), informed members that the department has prepared amendment [25G-4] that read:

Page 2, line 29, after "section":

Insert "; if a physical address or telephone number is not available, the individual may substitute a mailing address"

Page 3, line 1 - 5:

Delete all material and insert:

"(1) was present in the state from April 1, 2008, through October 1, 2008, and on the date the individual applies for a resource rebate under the program, and intends to remain in the state; a temporary absence from the state of less than 30 days does not disqualify a person under this paragraph; or

(2) is serving on active duty as a member of the armed forces of the United States, is eligible to receive hostile fire or imminent danger pay, and except for the active duty service would otherwise qualify under (1) of this subsection."

Page 3, line 8, following "address":

Insert ", if a physical residence address is available"

Page 3, line 18:

Delete "."

Insert ";"

Page 3, following line 18:

Insert "(8) other documents acceptable to the department."

Page 3, line 28:

Delete "."

Insert ";"

Page 3, following line 28:

Insert "(7) other proof of identification acceptable to the department."

Page 4, line 6, following "minor;":

Insert "if a court order identifies more than one person as having custody of the minor, the person having custody more than 50 percent of the time in the previous 12 months shall be considered the sponsor for the minor for purposes of this paragraph;"

Page 5, following line 25:

Insert:

"(q) A payment under the program is subject to administrative levy, without exemption, only to satisfy a child support obligation required by a court order or decision of the child support services agency under AS 25.27.140 - 25.27.220."

Page 5, line 26:

Delete "(q)"

Insert "(r)"

Page 5, line 26, following "state law":

Insert "other than the provisions of (q) of this section"

Page 5, line 30:

Delete "(r)"

Insert "(s)"

MR. BURNETT explained that one of the issues addressed by the amendment was a requirement in the bill for people to have a physical address in order to apply for the resource rebate. The amendment suggests that when a physical address is not available a mailing address would suffice. In response to a question, Mr. Burnett clarified that a physical address is preferred to investigate fraud; however, the intent is that an applicant would not be denied a rebate if a physical address is not available. The second issue addressed by the amendment was about wording in the original bill that spoke to "voluntarily present in the state" and related to persons in Alaska on military orders. The amendment directs that an applicant must be present in the state from April first through October first, and on the date of the application. Furthermore, [the applicants] "intend to remain in the state and a temporary absence from the state of less than 30 days does not disqualify the person." Also, Mr. Burnett stated that a person serving on active duty as a member of the armed forces, except for the active duty service, would qualify.

[3:44:33 PM](#)

REPRESENTATIVE NEUMAN related that he was assisting a constituent who was out of the state for medical circumstances and was not allowed to collect a PFD. He asked whether the constituent would be eligible for the resource rebate.

[3:45:27 PM](#)

MR. BURNETT responded that the rebate program does not provide for the allowable absences that are present under the PFD statute. One who qualified for the PFD this year would automatically qualify for the resource rebate; however, a long-term resident absent under medical circumstances may or may not qualify.

[3:46:28 PM](#)

CO-CHAIR LEDOUX referred to page 3, line 3, of the bill that read:

(2) was voluntarily and physically present in the state for the period from April 1, 2008, through October 1, 2008;

CO-CHAIR LEDOUX pointed out the bill does not allow for the same exceptions as for the Permanent Fund Dividend. She asked whether the intent is for a person to be in the state for every day during that period.

[3:47:09 PM](#)

MR. BURNETT responded that the proposed amendment would allow an absence for any reason for up to 30 days.

[3:47:49 PM](#)

CO-CHAIR LEDOUX surmised that the thirty-day reduction of a six-month residency requirement seems "pretty significant."

[3:48:20 PM](#)

MR. BURNETT observed that the committee may not support the proposal.

[3:48:28 PM](#)

CO-CHAIR FAIRCLOUGH questioned the choice of the dates that are during a period when some Alaskans may be travelling to visit family and friends outside of the state.

[3:49:00 PM](#)

MR. BURNETT explained that the application period is from October first to November thirtieth. These dates defined the

April first date because [April first] is six months before October first. He noted that the resource rebate would be given to anyone who qualifies for the PFD; furthermore, the program requires that the applicant intends to remain in the state. He opined that a long-term Alaskan could be out of the state in the summer or in the winter. He pointed out that those who are in the state just for summer employment would probably be gone by October first. "The [October] one to November thirtieth application period was chosen because that gives us enough, it's the soonest that we believe that we could do an application and get it out to people and have a rational chance of people not missing it," he explained.

[3:50:37 PM](#)

CO-CHAIR FAIRCLOUGH observed that this period of time is also the time Alaskans bring in the highest portion of seasonal workers.

[3:50:52 PM](#)

REPRESENTATIVE OLSON surmised that energy rebates and credits would be offered to 45,000 [seasonal] workers who were not here last winter and did not have additional fuel, heating, and electricity costs.

[3:51:14 PM](#)

MR. BURNETT clarified that a new resident, in order to qualify for the PFD, would have to have been a resident of the state on January 1, 2007, and for the entire year of 2007. Most of the people [who qualify for a rebate] would have been in the state for the 2007-2008 winter.

[3:51:57 PM](#)

REPRESENTATIVE OLSON remarked:

So, if we use the Permanent Fund for the qualification, we would hit the people that actually had costs for last winter; additional fuel costs, additional heating costs, and people in Fairbanks.

[3:52:12 PM](#)

MR. BURNETT agreed. However, using only the PFD guidelines, the program would have missed approximately 40,000 people who are

new to the state since January 1, 2007. He related that according to the Department of Labor & Workforce Development (DLWD), approximately 41,000 people move into the state each year.

[3:52:42 PM](#)

REPRESENTATIVE OLSON asked whether it was possible to estimate the number of people who qualify and came after the first of the year, and those who came in 2007.

[3:52:54 PM](#)

MR. BURNETT said he would try.

[3:53:00 PM](#)

CO-CHAIR FAIRCLOUGH reminded members that the eligibility requirements of the PFD have been tested in court and expressed her concern about expanding the eligibility requirements for the pay-out to newly arrived residents who may not stay. She stressed the importance of investing a resource rebate to benefit Alaskans.

[3:53:35 PM](#)

MR. BURNETT advised the members that some new residents would have been here for 22 months, as of October first, but would not qualify for the PFD.

[3:54:07 PM](#)

MR. BURNETT stated that the amendment also addresses the issue of child custody and garnishment for child support purposes. The amendment would allow for administrative levy, without exception, for child support, but not other programs, because of technical difficulties and timing. "Child support we can do internally and electronically, so it can be done in the context of a separate payment," he said.

[There followed the introduction of additional amendments to HB 4002 that were read into the record.]

[3:55:11 PM](#)

REPRESENTATIVE CISSNA stated that, due to the lack of time, she would offer her amendment at the meeting on July 23, 2008.

3:55:41 PM

CO-CHAIR FAIRCLOUGH submitted into the record Representative Cissna's amendment that read:

An allocation of funds distributing state resources for energy relief shall be calculated on a formula using "heating degree days and the average regional cost of one gallon of heating fuel or Btu equivalent.

CO-CHAIR FAIRCLOUGH expressed her concern about whether the program is defined as a resource rebate or an energy rebate. She then submitted into the record Representative Olson's amendment that read:

Page 1, line 1, through page 6, line 2:

Delete all material and insert:

**"An Act relating to Alaska resource rebates, and increasing the amount of the 2008 permanent fund dividend by the amount of the rebate; and providing for an effective date."**

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ALASKA RESOURCE REBATES. (a) To provide residents of the state with an Alaska resource rebate, the amount of the 2008 permanent fund dividend shall be increased. After calculating the amount of the 2008 dividend under AS 43.23.025, the commissioner of revenue shall add \$1,200 to determine the total amount of that dividend.

(b) Subject to appropriation, the amount necessary to increase 2008 permanent fund dividends under (a) of this section shall be transferred from the general fund to the dividend fund (AS 43.23.045)."

Renumber the following bill section accordingly.

CO-CHAIR FAIRCLOUGH submitted into the record Representative Neuman's amendment that read:

Page 5, line 26:

Delete "Notwithstanding"

Insert "Except for (1) a debt owed to a state agency or other state entity, or (2) a child support obligation required by court order or decision of the child support services agency under AS 25.27.140 - 25.27.220, and notwithstanding"

[3:57:11 PM](#)

[Although not formally stated HB 4002 and HB 4003 were held over.]

**ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 3:57 p.m.