

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL CO-CHAIR AFFAIRS STANDING COMMITTEE**

July 23, 2008  
10:02 a.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**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."

- MOVED CSHB 4002(CRA) OUT OF COMMITTEE

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."

- MOVED CSHB 4003(CRA) OUT OF COMMITTEE

**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  
07/22/08 (H) Heard & Held  
07/22/08 (H) MINUTE(CRA)  
07/23/08 (H) CRA AT 10:00 AM 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  
07/22/08 (H) Heard & Held  
07/22/08 (H) MINUTE(CRA)  
07/23/08 (H) CRA AT 10:00 AM BARNES 124

**WITNESS REGISTER**

JULIE KITKA, President  
Alaska Federation of Natives (AFN)  
Anchorage, Alaska

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

RALPH ANDERSON, CEO  
Bristol Bay Native Association (BBNA);  
Chair, Alaska Federation of Natives (AFN) Working Group  
Dillingham, Alaska

**POSITION STATEMENT:** Testified on behalf of BBNA and the AFN Working Group during the hearing on HB 4002 and HB 4003.

BRENDA REBNE, Vice President  
Corporate Affairs  
Ahtna, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of Ahtna, Inc., during the hearing on HB 4002 and HB 4003.

JANIE LEASK, President  
First Alaskans Institute (FAI)  
Anchorage, Alaska

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

BRYCE WRIGLEY  
Delta Junction

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

DICK BRICKLEY  
Fairbanks, Alaska

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

BUZZ OTIS  
North Pole, Alaska

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

BUD ROSEN  
North Pole, Alaska

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

PATRICE GRIFFIN, Director  
Head Start  
Child Development Division  
Rural Alaska Community Action Program (RuRAL CAP)

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

JERALD BROWN, Vice President  
Bering Straits Native Corporation (BSNC)

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

TONY WEYIOUANNA, SR., Member

Board of Directors  
Bering Straits Native Corporation (BSNC)  
Shishmaref, Alaska

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

DAN DUAME, Member  
Association of Alaska Housing Authorities (AAHA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of AAHA in support of HB 4002 and HB 4003.

PAUL D. KENDALL  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of himself during the hearing on HB 4003 and HB 4003.

KEN FISHER  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of himself regarding HB 4002, during the hearing on HB 4002 and HB 4003

BARB NICKELS, Program Director  
Bering Strait Development Council (BSDC)  
Nome, Alaska

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

ROBERT KITH, Chair  
Kawerak Board  
Elim, Alaska

**POSITION STATEMENT:** Testified on behalf of the Kawerak Board during the hearing on HB 4002 and HB 4003.

PETER NAOROZ, CEO  
Kootznoowoo, Inc.  
Juneau, Alaska

**POSITION STATEMENT:** Testified on behalf of Kootznoowoo, Inc., during the hearing on HB 4002 and HB 4003.

MEERA KOHLER, President/CEO  
Alaska Village Electric Cooperative (AVEC)  
Anchorage, Alaska

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

APRIL FERGUSON, Acting Chief Operating Officer (COO)

Bristol Bay Native Corporation (BBNC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of BBNC in support of  
HB 4002 and HB 4003.

TIEL SMITH, Manager  
Land and Resource Department  
Bristol Bay Native Corporation (BBNC)  
Anchorage, Alaska

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

HEIDI VEACH  
Copper Center, Alaska

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

DAVE TRANUHAN  
Bethel, Alaska

**POSITION STATEMENT:** Testified on behalf of himself in support  
of HB 4002 and HB 4003.

RICH STASENKO, Treasurer  
City of Shishmaref  
Shishmaref, Alaska

**POSITION STATEMENT:** Testified on behalf of the City of  
Shishmaref during the hearing on HB 4002 and HB 4003.

JIM WILLIAMS  
Metlakatla, Alaska

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

TOM LAKOSH  
Anchorage, Alaska

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

ANN MALLARD, Principal  
Eagle Community School  
Eagle, Alaska

**POSITION STATEMENT:** Testified on behalf of the Eagle River  
School district and herself during the hearing on HB 4002 and HB  
4003.

JASON METROKIN, Director  
Shareholder & Corporate Relations

Bristol Bay Native Corporation (BBNC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of BBNC in support of HB 4002 and HB 4003.

SARA WILLSON  
Juneau, Alaska

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

DOUG ISAACSON, Mayor  
City of North Pole  
North Pole, Alaska

**POSITION STATEMENT:** Testified on behalf of the City of North Pole during the hearing on HB 4002 and HB 4003.

MARY ANN PEASE, Consultant  
MAP Consulting  
Anchorage, Alaska

**POSITION STATEMENT:** Testified on behalf of Bristol Bay Native Corporation (BBNC) in support of HB 4002 and HB 4003.

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

**POSITION STATEMENT:** During hearing of HB 4002, answered questions.

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

**POSITION STATEMENT:** During hearing of HB 4002, answered questions.

#### **ACTION NARRATIVE**

**CO-CHAIR GABRIELLE LeDOUX** called the House Community and Regional Affairs Standing Committee meeting to order at [10:02:44 AM](#). Representatives Olson, Salmon, Cissna, Dahlstrom, Neuman, Fairclough, and LeDoux were present at the call to order. Representatives Doll, Guttenberg, Thomas, and Gara were also in attendance.

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

[10:02:59 AM](#)

CO-CHAIR LeDOUX announced that the committee would simultaneously hear 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."

CO-CHAIR LeDOUX said she would be limiting public testimony to two minutes per person.

[10:03:57 AM](#)

CO-CHAIR FAIRCLOUGH moved [to place HB 4002] before the committee. [No objection was stated.]

CO-CHAIR FAIRCLOUGH moved [to place] HB 4003 before the committee. [No objection was stated.]

The committee took an at-ease from [10:05:40 AM](#) to [10:06:53 AM](#).

CO-CHAIR LeDOUX explained that the committee was meeting during a break on the House floor.

[10:07:14 AM](#)

JULIE KITKA, President, Alaska Federation of Natives (AFN), asked Co-Chair LeDoux's indulgence in allowing her over the two-minute speaking limit, because of the range of issues she had to address and the size of her constituency.

CO-CHAIR LeDOUX granted her request.

MS. KITKA said AFN represents approximately 20 percent of the population in Alaska. Its members are concerned about high energy prices and how they impact all the communities in the state, not just the rural areas. Ms. Kitka relayed that AFN is committed to working with state, federal, and private entities to resolve issues. She noted that as major land owners in Alaska, AFN has resources that can be developed and is interested in bringing those resources to market. She said AFN

has developed incredible management capability and organizational reach over the last 35 years, in order to implement solutions and partnerships. Ms. Kitka said that capability and reach can extend to help solve "what is affecting not only Alaskans but all citizens of the United States, in fact, world-wide." The interest in helping find energy solutions extends beyond the state's federally recognized tribes to regional housing authorities and travel consortiums she said.

[10:10:42 AM](#)

MS. KITKA commended the House Community and Regional Affairs Standing Committee for taking on this issue, the magnitude of which is greater than any she has seen in her lifetime. She said AFN believes that the crisis at hand will restructure the state's and the nation's economy. The high price of oil is here to stay, she said; therefore, it is imperative to help Alaskans adjust to the high prices and get some support, and to get the different sectors in the state to work together to that end. She opined, "The state government is at the forefront in responsibility in helping bring us forward so that we have the proper resources and the proper institutional structures to deal with this change."

[10:12:32 AM](#)

MS. KITKA said the first steps to be taken must be to stabilize energy costs and provide immediate relief for individuals, families, and communities who are hard hit by high energy costs. Communities cannot be allowed to collapse under the extremely high costs. She emphasized the far-reaching effect of the high cost of energy, naming health clinics and schools - every sector in which people have invested state, federal, and private resources - as being at risk of imploding unless the support is there to "shore things up." Ms. Kitka said no one a year ago could have imagined today's energy situation, thus no one is prepared for it, and not everyone has the resources to absorb those costs without flinching. Ms. Kitka said a large part of the population does not have the cash resource to deal with an energy crisis.

[10:14:14 AM](#)

MS. KITKA relayed that AFN is asking the legislature to take bold measures, which would include the following: providing immediate relief for individuals and families, investing in the state, strengthening the power cost equalization program,

supporting the buying down of debt in rural utilities to stabilize utilities, putting caps on prices to keep fuel affordable, and expanding and supporting fuel purchasing transportation and cooperative purchase agreements. Ms. Kitka noted that another of her positions is as one of the seven commissioners of the Denali Commission. One of the programs the commission has had in the last 10 years is building bulk fuel storage tanks, as well as upgrading rural utilities. She said AFN supports the family fuel subsidy program and commends the governor and the administration for putting forward some proposals. She said AFN would be glad to work with the committee on any technical changes to those proposals.

MS. KITKA concluded by urging the legislature not to ignore investing in alternative and renewable energy, but rather to "beef up" a fund that could address that issue, because she explained there is a lot of lead time in alternative energy projects. She also urged the legislature to invest in the University of Alaska, because the best minds in the university need to begin working on long-term energy solutions, as well as scaling up some of the new development that can be used in Arctic conditions and small communities. An investment in the university, she said, will pay great dividends. Finally, she recommended that the legislature consider providing relief to air carriers.

[10:17:12 AM](#)

CO-CHAIR FAIRCLOUGH indicated that she and a couple other legislators may be available to meet with those who do not have the opportunity to share all their thoughts on this issue, after which she could report back to the committee.

[10:17:39 AM](#)

REPRESENTATIVE CISSNA mentioned an amendment that would allocate funds to distribute resources based on "heating degree days" and average regional costs of one gallon of heating fuel or British thermal unit (Btu) equivalent. She said there is a chart that shows a needs-based distribution per region and community, which would be "in addition to the base amount of the rebate that the people would get." She asked Ms. Kitka how AFN would react to such an amendment.

[10:18:59 AM](#)

MS. KITKA responded that AFN sees the need for support not only for electrical costs, but also for heating fuel costs. Trying to "equalize that through the state" and get base support for everyone would be welcome, she said. She reiterated how important this issue is for the legislature to address, and urged that body to "take this historic opportunity and anchor in supports."

[10:20:26 AM](#)

MS. KITKA, in response to Representative Salmon, explained that the fourth point listed on her handout - "Provide a family fuel subsidy to help meet the immediate crisis" - means an overall policy choice of providing direct relief to families and communities that will not have the cash to pay their bills. It not only applies to PCE, but also to home heating oil support and initiatives. The fourth point emphasizes relief to families, not just to institutions, governments, schools, and health clinics.

[10:21:23 AM](#)

RALPH ANDERSON, CEO, Bristol Bay Native Association (BBNA), Chair, Alaska Federation of Natives (AFN) Working Group, noted that the AFN Working Group is the group that came up with the points that were touched upon in Ms. Kitka's oral testimony and are expanded upon in her written testimony. He echoed Ms. Kitka's expressed appreciation of the legislature's attention to the energy crisis and her remarks about the widespread nature of the crisis. The Working Group was initiated from the premise that the high energy prices are here to stay, and he emphasized that accepting that is the only way to tackle the issues and come up with viable solutions. Today's crisis is not that there is a shortage of fuel, as was the case in the 70s, but that the price of fuel is so high. Mr. Anderson said he knows people in his region who are applying for jobs in Anchorage because they are "deathly afraid" of the fuel costs they will be facing. Programs, such as those through the Alaska Housing Finance Corporation (AHFC) and the PCE program are very helpful, he said.

[10:24:25 AM](#)

MR. ANDERSON next focused his remarks related to Bristol Bay. He said a regional summit was held in Bristol Bay on July 7, and a number of regional organizations participated. A number of recommendations were made. Regarding the proposed \$1,200

rebate, Mr. Anderson said BBNA would support the possibility of an index mechanism. He said in one village residents are paying \$8.00 a gallon for fuel, and in such a case, \$500 is not going to go very far.

[10:25:17 AM](#)

MR. ANDERSON, regarding PCE, said [BBNA] supports expansion, increasing the threshold from 500 to 750 kilowatts. He mentioned an "income disregard provision." Regarding heating fuel, he said BBNA would like to establish a base of 500 gallons of fuel as part of the PCE program. He proposed that the base cost of fuel be set at \$4.00 a gallon and be calculated on location or regional specific basis, and include an indexing mechanism.

CO-CHAIR LeDOUX

MR. ANDERSON said he would submit a copy of the Bristol Bay Energy Crisis Recovery and Implementation plan. He noted that he is the chair of the Bristol Bay Partnership, which is comprised of executives from the five major organizations in Bristol Bay. He indicated that some of the information he is providing today is the result of the partnership's work begun in January and approved in April.

[10:27:10 AM](#)

BRENDA REBNE, Vice President, Corporate Affairs, Ahtna, Inc., noted that Ahtna, Inc., is one of the 13 regional corporations established under the Alaska Native Claims Settlement Act (ANCSA). She said there are eight federally recognized tribes in her region, all of which are on the existing road system - the Parks and Glenn Highways.

MS. REBNE, in regard to HB 4002, said Ahtna, Inc., fully supports the governor's efforts to offer immediate relief to the residents of Alaska. She stated that Alaska residents are suffering, particularly the ones residing outside of urban centers and those experiencing a loss of quality of life due to the pressures of choosing between heating their homes and other necessities such as paying for food, transportation and clothing. She related that the vast majority of homes in the Ahtna, Inc., region are not heated by electricity, but rather utilize wood, oil stoves, and furnaces. While fuel and gas prices have almost doubled, incomes have not, she said. Ms. Rebne related that currently in Copper Center, heating fuel is

\$4.86 if a person buys 300 gallons at once. Even with an energy efficient stove, she said, the fuel might last two months, at a cost of a little over \$700 a month, on top of mortgage or rent. Ms. Rebne remarked that she thinks that number is low - that some people are paying up to \$1,100 a month just to heat their homes. She pointed out that with a median income in Copper Center of approximately \$31,000, and other factors, such as the cost of electricity, it is clear that a significant portion of a person's income is spent on basic energy use.

MS. REBNE stated, "While we recognize that the rebate program is likely a temporary fix, its immediate need by residents of Alaska cannot be minimized or stressed enough. With that said, it is our hope that this legislature will support this program, while continuing to pursue long-term solutions to the existing energy crisis in the form of enhancing proactive pursuits of alternative and renewable energy programs, both within and between the public and private sectors."

[10:29:51 AM](#)

MS. REBNE next discussed HB 4003, paraphrasing from her written testimony. She said while Ahtna, Inc., recognizes the value of the current PCE program and supports increasing the budget, it also asks the legislature to address the needs of the communities on the road system - and other communities - that currently do not benefit from the program. The residents not currently eligible for the PCE program often live on the road system, are several hundred miles from the urban hub zones, and must truck fuel in at great expense.

MS. REBNE echoed the testimony of Mr. Anderson that the cost of fuel is forcing people to move to urban areas. As people move away, she said, businesses already suffering from the high cost of energy are losing their economic base. Health care is also being negatively impacted. Clinics are generally nonprofit and must make difficult decisions related to keeping doors open and cutting programs. Ms. Rebne said this is unacceptable, considering the current financial richness of Alaska. She stated, "We support reinstating the eligibility of businesses and clinics while increasing the household limit from 500 kilowatt hours to [750 kilowatt hours] to at least meet the national average. We also urge this legislature ... to address the energy needs of those individuals and those communities that are currently under utilities not eligible for the PCE program."

MS. REBNE said Ahtna, Inc., supports the proposal submitted by BBNA, which she said is called the "Alaska Heating Cost Equalization Program." She said this program addresses the cost of diesel fuel for Alaskans paying home heating costs higher than the averages paid in Anchorage, Fairbanks, and Juneau. She stated, "While the PCE program only addresses the electrical portion of energy costs in rural Alaska for those under eligible utilities, this would be a first step and would go a long way towards recognizing the energy needs of all Alaskans and creating a truly equal ... program from which all Alaskans benefit."

MS. REBNE concluded that Alaska is currently in the position to make a financial commitment to its residents by envisioning the state's future energy needs and beginning the process of utilizing the state's resources in all forms of energy production. She invited the legislature to visit the communities that make up Ahtna, Inc., in order to better understand the energy challenges faced by road-based communities and to see first-hand the struggle its residents face to meet the demands of the high cost of energy.

[10:33:26 AM](#)

JANIE LEASK, President, First Alaskans Institute (FAI), told the committee that FAI is a statewide Native nonprofit organization with a mission to advance Alaska Native people through community engagement, information and research, collaboration, and leadership development. She related that FAI housed an Alaska Native Policy Center within its organization, and it is that center which prepared the majority of the testimony.

MS. LEASK stated support of immediate relief to Alaskans to help offset the cost of energy - specifically to rural Alaskans. Furthermore, she stated that FAI believes that action needs to be taken now, before first frost occurs in rural Alaska, while at the same time, the state should be looking for long-term solutions.

[10:35:24 AM](#)

MS. LEASK spoke of a non-scientific survey done in seven rural communities, using Anchorage as a baseline. The survey verified that those small communities are poor by Western standards and their cost of living is high. Rural villages, she said, use less energy and pay more for it; the median income is well below that of Anchorage and the state average. Ms. Leask said the

unemployment rate is above the state average; however, she said unemployment is not really counted in rural Alaska, because most people there are not out looking for jobs because there are none. With PCE, the rural villages surveyed pay from 0.19 to 0.30 cents per kilowatt hour (kWh), well above the 0.09 to 0.10 cents that Anchorage households pay. Without PCE, they would be paying about 0.50 cents per kWh. Regarding heating fuel, Ms. Leask reported that the state averages about \$5.51 per gallon, but the price in some areas can cost up to \$11.00 per gallon. The state average for a gallon of gas is \$5.35, while the villages surveyed can pay up to \$8.35 a gallon. Ms. Leask said certain goods were sampled as well, such a food basket, and she said the rural communities pay up to \$120 more to buy the same basket of goods. She pointed out that \$1,200 given to residents of Alaska will certainly have less purchasing power in rural Alaska than it does in any other area of the state. The cost of travel was also compared, she said, and it was found to be much higher for rural travelers to come into Anchorage, for example.

[10:39:00 AM](#)

MS. LEASK reinforced the comments of previous testifiers that people are forced to make choices on what to give up. Subsistence, she said, is absolutely critical in rural Alaska to help supplement the cost of food; store-bought food is becoming increasingly less affordable. She said it is easy for people to suggest that rural inhabitants simply move to more urban areas, but when populations move into urban areas, there is a cost and impact of infrastructure associated with such migration. Moreover, rural people do not want to leave their homelands, Ms. Leask stated. Thus, the state needs to "take the higher road" and work with both urban and rural areas of the state to figure out "what we collectively can do," because there is an interdependence between rural and urban communities, she concluded.

[10:40:52 AM](#)

MS. LEASK, in response to Representative Cissna, suggested that information regarding migration numbers could be found through the Alaska Native Tribal Health Consortium. She indicated that the migration has not just been happening this year, but has been occurring over time. She talked about schools closing and people moving to regional hubs, including Bethel.

[10:43:48 AM](#)

BRYCE WRIGLEY, testifying on behalf of himself, told the committee that he is a farmer in Delta Junction. He stated that it is difficult for him to testify against the proposed legislation, because it would put money in his pocket, but he questioned what good such a rebate would actually do. He pointed out that \$1,200 would buy about 230 gallons of fuel - enough to last a month and a half. He stated, "If we're really living that close to extinction, then we're only going to forestall the inevitable by about a month a half." Mr. Wrigley said he would rather see the \$32 million that the proposed program will cost be directed to a focused approach to developing a renewable fuel industry, especially that type of renewable fuel that can be "grown" in the state. He talked about the biomass of straw, grass, and hay. He said Alaska farmers can also grow much more grain that could be utilized in the state, but have been unable to export that grain because of a lack of transportation infrastructure. He asked, "So, if we ... grow more than we can use and we can't export it, why not use it for fuel as well?" Mr. Wrigley said barley is cheaper than fuel oil to heat, cleaner than wood; however, he indicated that personal prejudices about using feed for fuel prevent access to grants from Alaska Energy Authority (AEA) and Alaska Industrial Development and Export Authority (AIDEA). He said, "This idea is like a logger being opposed to cutting trees for firewood because it ought to be used for lumber."

MR. WRIGLEY noted that canola is being grown in Delta Junction currently, and this winter, the feasibility of making bio diesel will be investigated. Unfortunately, he said, such an effort requires money, and the grants available seem to be restricted to electrical generation. Because of the lack of access to those grants, he said, he has to proceed at much smaller scale and pace than desired in order to stay within budget.

MR. WRIGLEY stated his belief that a directive to use the \$32 million specifically to promote renewable energy on the farms in Alaska would actually benefit the people of Alaska more in the long run by providing a less expensive fuel alternative to high-price fuel oil.

[10:45:55 AM](#)

CO-CHAIR FAIRCLOUGH noted for the record that for the proposed \$1,200 distribution, there are three different fiscal notes totaling over \$1 billion.

[10:46:16 AM](#)

DICK BRICKLEY, testifying on behalf of himself, expressed appreciation of the legislature's efforts in addressing the serious [energy crisis] issue. He stated his support of the \$1,200 rebate, and said he views it as helping to cover some of the expenses that people have driving their vehicles, as well as the increased cost of food.

MR. BRICKLEY said Governor Palin mentioned she would like to come up with a significant energy plan for Alaska, and he stated that he is positive that can be done. He expressed his hope that the state would investigate hydro, wind, solar, natural gas, coal gasification, biomass, geothermal, and nuclear power options. That, he said, would pay tremendous dividends in the long run, even though the \$1,200 is needed now for immediate help. He encouraged the committee to "pass this," saying that the amount involved is a small drop in the bucket. People across the state are feeling the effects of energy cost inflation. Having heard the previous testifiers, Mr. Brickley said he realizes the problem is even worse in the rural communities.

The committee took an at-ease from [10:49:56 AM](#) to [10:50:34 AM](#).

[10:51:07 AM](#)

BUZZ OTIS, offered information regarding his personal history and work background, noting his involvement in community work and experience in the field of construction. He said he is currently working to help the City of North Pole in its economic development efforts, but thwarting that is the high cost of energy - a problem Mr. Otis said is experienced not only in rural areas, but also in the Interior and in "other places along the road system."

MR. OTIS said the idea of a cash payment is good, but he suggested the legislature should consider PCE for "immediate effect." He said along the road system, electricity costs are close to 25 cents per kWh, and it would be great if that could be subsidized in some way. Mr. Otis said he thinks another consideration should be to cap the price of fuel at the refineries at \$2.50 a gallon, with the state subsidizing the difference. He opined that Alaskans should not be paying some of the highest costs in the nation while the state enjoys its current surplus.

[10:54:10 AM](#)

MR. OTIS related that his wife owns a self-storage business and has noted that in the last couple weeks, three customers have announced they are leaving town - not because they want to, but because of the high cost of living in the area. He urged the legislature to help Alaskans, to explore ideas, to use vision, and to come up with short-, medium- and long-term solutions. Mr. Otis concluded by expressing appreciation for the work the legislature is doing.

10:54:40 AM

BUD ROSEN, related that he has lived in Alaska since 1967, and has employed a lot of people in the construction business. He said he has gone from hiring as many as 35 employees, plus subcontractors, to zero employees and just a few subcontractors. He observed that the price of oil is costing home owners almost as much as their house payments during the winter. He added, "So, we need to get a handle on getting our energy costs down."

10:56:25 AM

PATRICE GRIFFIN, Director, Head Start, Child Development Division, Rural Alaska Community Action Program (RuRAL CAP), testifying on behalf of RuRAL CAP, noted that that entity serves 806 children in rural communities throughout Alaska, as well as 500 children in its Parents As Teachers program and 30 children in its Anchorage Child Development Center. She thanked the legislature for the funding the Head Start programs received this year. She said the programs continue to see increases in operation costs with fuel price increases, and those increases affect Head Start's ability to pay for heat, electricity, and travel to rural communities. Ms. Griffin listed the many services that Head Start provides beyond preparing children for kindergarten, including: employment for hundreds of people; health screenings for children; teacher certification and the support of continuing education; parent education; and services promoting healthy families.

MS. GRIFFIN said she is testifying today regarding the effects of increased fuel and electricity costs, not only on Head Start, but also on the families involved in the programs it services. She said there have been situations when some of the Head Start communities have run out of fuel in the winter, and families and staff have been forced to drive on snow machines into local hubs, such as Bethel, to purchase fuel for their homes and for Head Start buildings in rural communities. The stress that

results from the rising cost of fuel, food, and electricity and the hard choices that those rising costs bring about does not contribute to the health of families. As a result of funding cuts and increased operation costs, Head Start programs have lost teachers, cut positions for children, reduced operating hours and days, slashed transportation services, reduced or eliminated employees' salaries and health benefits, and trimmed family support services.

[10:59:35 AM](#)

MS. GRIFFIN stated that any support that expands PCE "to include the community buildings" will provide the much-needed funds necessary for Head Start to continue its work. Without those funds, she warned, the cuts that would have to be made would cause a "domino effect to other parts of the state's delivery system," including increased demands on the social service programs and the education system. Ms. Griffin concluded:

We view our early childhood programs as an important component of the state's infrastructure, and endorse and support HB 4002 and [HB] 4003, ... [which allow] us to serve young children and families across the state educationally, economically, health-wise, and culturally.

[11:02:17 AM](#)

JERALD BROWN, Vice President, Bering Straits Native Corporation (BSNC), testified on behalf of BSNC. He noted that he is also a member of the Chamber of Commerce and the Nome Common Council, although he is not testifying on their behalf. Mr. Brown related that BSNC is headquartered in Nome and has over 600,000 shareholders in the Bering Straits Region. He said several years ago BSNC began looking for ways to correct energy inefficiencies - replacing inefficient boilers, tightening up the seal on buildings, and replacing windows and siding - but that was not enough. Approximately one year ago, the board of BSNC authorized the installation of solar panels on its corporate office building - a project that was completed in March [2008]. He said it is one of the largest solar panels outside of the railbelt in Alaska - about 17 kilowatts. Next, BSNC partnered with Sitnasuak Native Corporation - a village corporation in Nome - to invest \$6 million in a wind farm just outside of Nome. He reported that the project is well underway, and Nome expects to be generating power by October or November of this year. He offered further details regarding the wind

farm, noting that the final area selected for the farm will require a \$700,000 power line extension, and he asked the legislature to consider funding part of that extension cost.

11:05:53 AM

TONY WEYIOUANNA, SR., Member, Board of Directors, Bering Straits Native Corporation (BSNC), stated that BSNC supports "bringing back the full funding of the PCE program." He explained that means "to include everybody to receive the benefit, including the clinics." He offered his understanding that when the PCE program first started, the clinics were not included. Mr. Weyiouanna said BSNC supports the state's commitment to fund alternative energy projects throughout Alaska, and would like to encourage the state to consider providing funding or partnering with existing projects or those projects just starting up, such as the one previously mentioned by Mr. Brown. He relayed that BSNC supports the \$1,200 rebate program proposed by the governor. Furthermore, BSNC supports programs that would lower the cost of gas and oil, thereby decreasing the cost of utilities. Mr. Weyiouanna noted that he had submitted written testimony [included in the committee packet].

11:09:02 AM

DAN DUAME, Member, Association of Alaska Housing Authorities (AAHA), testifying on behalf of AAHA, noted that as a member of that association, he serves as the executive director of the Aleutian Housing Authority. He offered a background regarding AAHA: members and board of directors include 14 regional housing authorities created pursuant to AS 18.55; the Alaska Housing Finance Corporation (AHFC) is a member of AAHA's board and association; AAHA members serve residents in every part of the state; regional housing authorities have built well over 6,000 housing units since their inception in 1971 and collectively administer well over \$100 million in federal and state funds annually; the vast majority of housing in rural Alaska has been built by AAHA members; in addition to new construction, AAHA members provide a wide range of housing and housing related services, including the development of community infrastructure; and working with AHFC, AAHA is one of the largest employers in rural Alaska and plays a critical role in helping to sustain many local Bush economies.

MR. DUAME stated that given the role AAHA plays, it is obvious that it would have a strong interest in the legislation currently before the committee and the broader issues of both

short- and long-term energy policies. Mr. Duame stated that AAHA strongly supports both HB 4002 and HB 4003, as "one step that can be taken immediately to provide much needed relief from the escalating energy costs being faced by both urban and rural Alaskans - many of whom are our clients and beneficiaries." Mr. Duame said the resource rebate program, the additional appropriations of PCE, and the possible waiver of the state motor fuel tax are all appropriate uses of oil revenue.

MR. DUAME related that in the past week, the average price of gas in Anchorage and other communities on the road system ranged from \$4.45 to \$4.75 a gallon, while in Bethel, the price of gas, which was \$5.69 a gallon a week ago, has risen to about \$5.99 a gallon. Many of the smaller communities, he said, are "approaching levels that are truly crippling." He named other communities whose gasoline prices are as high as \$9.29 a gallon and whole heating fuel prices are as high as \$8.39. He noted that all of these prices reflect fuel or gas received before this fall's shipment, at which point the prices are hard to predict. Mr. Duame stated that many of AAHA's clients are faced with having to choose between eating and staying warm; making house payments is quickly becoming a secondary priority. He stated, "This fact has the potential for threatening to undermine the entire system under which we operate and in which we've invested hundreds of millions of dollars."

MR. DUAME emphasized that while AAHA supports the aforementioned measures for short-term relief, it believes that a statewide energy policy needs to be rapidly developed and implemented, which he said would outline a comprehensive strategy to reduce energy costs over the mid and long term. He said AAHA looks forward to the release of Governor Palin's long-term plan, as well as any action initiated by the legislature toward developing a comprehensive solution to Alaska's energy needs. The survival of Bush communities depends on the actions the legislature takes over the next months and years, he said.

[11:14:22 AM](#)

MR. DUAME named two related programs that have a significant impact on the overall objectives underlying both HB 4002 and HB 4003: the AHFC supplemental grant program and the weatherization rebate program, the latter of which was recently implemented. Mr. Duame opined that there is nothing more important or cost-effective in the short-term than conservation. He emphasized that the supplemental grant program has been an important program for AAHA, allowing its members to leverage

federal funds in particular, and is very much related to the ability to produce energy efficient homes. He said AAHA's hope regarding the weatherization program is that it will reduce usage by 30-50 percent. He concluded by strongly urging the legislature to support both the supplemental program and the weatherization program.

[11:15:37 AM](#)

PAUL D. KENDALL, testifying on behalf of himself, said he is "taken aback." He stated that the real issue is that "we're letting some corporation hold our people hostage." He said his concern is in regard to leadership. Mr. Kendall explained that society culls itself through the election process "in order to move on with the general consensus," but limiting dialogue [by limiting the amount of time each testifier gets to speak], when the issue at hand should be broadcast statewide, is "foolish."

MR. KENDALL said giving preference to corporations over people is an indication of where "our" problems lie. He stated, "... The real problem is that we're allowing some corporation to literally enslave us - literally place your children's lives in jeopardy, and we're sitting here in acquiescence to that. ... The men that I grew up with would never ... have stood for this for a moment."

MR. KENDALL stated, "The real resolve is that we are each owed to each other some annual energy allotment."

CO-CHAIR LeDOUX interjected that Mr. Kendall had testified when the legislature met in Anchorage, and asked him to conclude his testimony forthwith.

MR. KENDALL responded that this moment in time is a new moment. He remarked that he had waited all night to hear a certain speaker and missed it because that moment was not televised, "because your government wanted to hang out in Juneau." Mr. Kendall concluded that the chance exists to build a new society with world-wide recognition within just a few years at the most, based upon a new technology that is just "bulging to come forward." He mentioned electric vehicles and "a whole slew of energy devices." Mr. Kendall apologized for his contentiousness, adding, "... But sometimes we all have to do things we don't particularly want to do."

[11:20:07 AM](#)

KEN FISHER, testifying on behalf of himself, expressed appreciation that Governor Palin took the initiative to place [HB 4002] before the legislature. He said all too often only the negative is focused upon in terms of the legislature and its work, and he told the committee that he is here today to thank the legislature for the work it is doing on this issue.

MR. FISHER noted that the committee has heard that Alaskans are hurting financially because of high energy costs. He said the citizens of Juneau, for example, experienced the disruption of the city's hydro-electric supply, which resulted in a rate increase of 400-500 percent. However, another result of high oil costs, he said, is that the Alaska state treasury has experienced an increase in revenue. Mr. Fisher said he has heard that the people of Alaska are the owners of the state's vast natural resources, the Constitution of the State of Alaska charges the legislature to provide the utilization of all natural resources for the maximum benefit for the people of Alaska, and that the payments identified in HB 4002 represent a distribution of Alaska's resource wealth to its owners. He stated that the fact HB 4002 would distribute a small portion of Alaska's resource wealth to its owners - the citizens of Alaska - is a good thing.

[11:23:27 AM](#)

REPRESENTATIVE FAIRCLOUGH explained the procedure by which the testimony of citizens is heard. She explained for the public's benefit that the current meeting is being held as a balancing act with the meeting of the body; the House floor session is currently waiting upon the House Community and Regional Affairs Standing Committee meeting to finish. She thanked Co-Chair LeDoux for her handling of a stressful situation.

[11:24:39 AM](#)

BARB NICKELS, Program Director, Bering Strait Development Council (BSDC), testifying on behalf of BSDC, noted that the parent group for BSDC is the Alaska Regional Development Organization (ARDOR), which represents 20 tribes in the region. Ms. Nickels said she understands a concern she heard at a previous meeting that data be gathered that will allow the legislature to take a stance that is fair to all Alaskans. She remarked that the data will become available, but the [energy] crisis is a reality that is happening now.

MS. NICKELS stated that BSDC supports Governor Palin's proposal to provide the \$1,200 resource rebate to individuals to offset the high cost of energy. Rural Alaskans have found themselves in an energy crisis unlike anything urban Alaskans or those living in the Lower 48 have experienced, she said. The economy in the Bering Strait Region is primarily subsistence based, and fuel costs in that region have recently risen to well over \$7.00 a gallon, which will have a negative impact on the survival of community members this winter, as well as on their subsistence activities.

MS. NICKELS related that the lowest income members of the community are currently spending almost 40 percent of their income to pay for heating costs. She noted that a study shows that although fuel costs matter, they do not seem to be definitive drivers of migration, because migration trends are related to earnings. Ms. Nickels said she interprets that study to mean that the people who are hit the hardest by rising fuel costs are the least able to afford to move. However, she said people are moving during the long winter months. The effect of people temporarily migrating will have a negative effect on both urban and rural educational systems.

MS. NICKELS said school systems receive state monies based on a formula derived from a student count taken in October. Villages, as well as other areas in the state, see much higher energy costs after October. She reported that people in rural areas are coming to Anchorage, Nome, and other hub areas to live temporarily during the high energy cost months, which affects the student-teacher ratio and throws off the school's budget, thereby reducing the quality of education each student receives. The move itself disrupts a student's school year.

MS. NICKELS relayed that ARDOR provides planning assistance to communities to create local economic development plans, and from those plans a regional comprehensive economic development strategy (CEDS) is made. As plans are updated, alternative energy and other energy solutions are made top priority. What is missing in order to bring such plans "full circle" is a state economic plan, of which energy is also a key issue.

MS. NICKELS said ARDOR fully supports an expanded PCE program that would encompass all customers, including businesses, schools, and clinics. She indicated that ARDOR would also like to see "the buy-down of the rural utility that will lower rates to customers," which she said was "promoted during AEA's visit." She said she heard yesterday that there was not a definitive

answer on whether or not a tax could be assessed to the individual customer, and she expressed her hope that some research will be done so that a definitive answer is found and "this viable option can be placed in the bill." Ms. Nickels continued:

It's evident that a long-term solution is eminent, and ... ARDOR is totally supportive of and is currently assisting and researching alternative energy solutions and conservation efforts for our region. However, help is needed now for mere survival this coming winter for all of our community members and fellow Alaskans.

MS. NICKELS concluded by expressing her pride in being both part of a rural community and a partner working toward alternative energy solutions for Alaska.

[11:28:56 AM](#)

REPRESENTATIVE CISSNA said what is not being talked about is what happens when members of a community are lost. She warned that those members who leave could be those who keep the electricity running or provide phone service. She asked Ms. Nickels if this issue has been studied yet.

MS. NICKELS responded that there are many studies in progress, but people don't realize the impending domino effect on people's way of life in both urban and rural communities. She urged everyone to consider what all the effects might be when voting on "this bill."

[11:30:44 AM](#)

ROBERT KITH, Chair, Kawerak Board, testifying on behalf of the Kawerak Board, told the committee that Kawerak is a nonprofit group that provides BIA services, some state and federal grants, and represents approximately 20 tribes in the Bering Straits Region. He offered a brief personal history, noting that his mother migrated out of Elim in about 1955, and he returned to Elim in 1980, after spending most of his early years in Fairbanks. He said he thinks the region has not experienced large numbers of its inhabitants moving to Anchorage, although he said he has seen a lot of migration out of Elim because of the job market. The job market in Nome is much better than it is in Elim, because of "Noble Gold," he observed.

MR. KITH revealed that he serves as president of the Elim Tribal Council, which owns the [health] clinic and Native store, is part of the Alaska Native Cooperative Association (ANCA), and owns another building used for the Boys and Girls Club. Of the three buildings in Elim, the one losing the most money is the clinic. He said [the Council] receives federal money related to leasing and the clinic; however, he estimated that the council spent \$10,000 over that which it received from the federal government in order to keep the clinic's doors open. The store, he said, sells gas and oil, which last year cost \$4.79 and \$4.35, respectively, while the most recent shipment this year has been priced at \$7.25 and \$8.09, respectively. He said the council delayed the raising of the gas prices by two weeks, because the commercial fishing season was just opening, and the council wanted to lessen the impact on its fishermen and those engaged in subsistence activities.

MR. KITH stated his belief that the proposed \$1,200 would help mitigate the impact of high fuel prices in the short term. He said he would support more investment of the legislature's time next session to consider this issue in more detail. He said the aforementioned Native store has worked with the Alaska Energy Authority in the past regarding a new tank farm, during which many parties were involved, thus, he said, he appreciates what AEA has done in the past and the investment that they are making. He also noted that he had sat on a housing board and appreciates the work of AHFC. Mr. Kith said Canada has invested quite a lot in energy efficient homes, and Alaska has borrowed from the Canadians in that respect.

MR. KITH said many people have talked about different ideas for what can be done, but he thinks "the devil's in the details." He explained that it takes time and careful planning to avoid making mistakes and bad investments. He said that is why he would like the legislature to continue with "this type of meeting, but with less time crunch." In closing, Mr. Kith acknowledged that other regions have suffered more than Elim has.

[11:36:36 AM](#)

PETER NAOROZ, CEO, Kootznoowoo, Inc., testifying on behalf of Kootznoowoo, Inc., told the committee that entity is "a village corporation for the community of Angoon." He relayed that in the past he worked as a staff member for a legislator and joined Kootznoowoo, Inc., three years ago, and at that point in time the issue of energy "was our number one priority." He reported

that Kootznoowoo, Inc., has been working on several projects in Angoon with tribal brethren, state government, and federal government. Those projects take time, he said, but today's issue is an emergency situation.

MR. NAOROZ stated his support of "those speakers who went before me on the subject of these two bills that you're looking at." He posed three analytical questions. First, "Is this the ideal way of dealing with this issue?" He said the answer is, "Absolutely not." Second, "Is it enough money?" He suggested, "Probably not." Third, "Is it the right thing to do?" He answered, "At the end of the day, it's absolutely the right thing to do."

MR. NAOROZ opined that teamwork is needed from the various members of the team, including the state, federal government, tribal entities, village corporations, and [Governor Palin's administration]. With that teamwork, he predicted, "we have a very good chance of getting there." He said he knows that Southeast Alaska is "abundant in energy." He stated, "Our project is a much smaller project than it could be if the intertie was done." He indicated the importance of the state's defining its role so that the private sector and corporations such as Kootznoowoo, Inc., can "figure it out and contribute."

[11:39:11 AM](#)

MEERA KOHLER, President/CEO, Alaska Village Electric Cooperative (AVEC), testifying on behalf of AVEC, noted that cooperative is member-owned - a non-profit group that serves 53 villages throughout Alaska, with a combined population equaling approximately 44 percent of Alaska's Native population. Ms. Kohler relayed that at its last meeting, the AVEC Board, in response to fuel costs totaling approximately \$26 million, adopted a resolution declaring a fuel cost emergency. For comparison purposes, Ms. Kohler noted that the fuel cost the previous year was about \$14 million and \$8 million about five years ago. There is no avenue through which to collect those increased costs except through electric rates; therefore, it is predicted that the average revenue per kWh - just under 40 cents five years ago - will, with the current cost of fuel, be close to 65 cents per kWh. That increase represents almost double the current total cost of power in Anchorage, she pointed out. Those costs of power "punch us through the 52.5 cent per kWh ceiling in PCE," she said. She acknowledged that considerations are being made to raise the ceiling; however, she reminded the committee that PCE only affects about 30 percent of the kilowatt

hours that are sold in PCE communities. The other 70 percent of sales are completely borne by the consumers - any residential user consuming more than 500 kilowatt hours, all commercial customers, and the schools - which is a huge impact in AVEC's communities, she said. Ms. Kohler pointed out that whereas the Lower 48 is currently suffering from high gasoline prices alone, Alaska is feeling the additional impact of high electric and fuel oil prices.

MS. KOHLER said AVEC's resolution suggests that the legislature consider capping "the cost of fuel through electric utilities to something akin to about three times the cost in Anchorage." She noted that the cost of electricity in Anchorage is currently about \$3.50 per million Btu, while "our cost" is about \$35 per million Btu. She said, "If the state were to impose a fuel cost cap, then the benefit would flow directly to all consumers throughout the state." She said a number of consumers derive a large percentage of their electricity from diesel fuel, with "no relief whatsoever from any avenue - PCE does not affect them." A fuel cost cap would bring that relief directly to those utilities and those consumers.

MS. KOHLER stated, "We are faced with the enormous problem right now: How are we going to pay for our fuel?" She mentioned a state loan program, the grand total of which is approximately \$12 million, and she said that money is available for all fuel purchases. She stated, "Our fuel purchase alone is \$26 million." She named Nome, Bethel, Kotzebue, Naknek, and Dillingham, and said the individual fuel costs in those communities are well over \$5 million this year, as compared with less than \$1 million just a few years ago. Ms. Kohler continued:

What's happening is, we're having to increase our lines of credit to draw down monies. So, we're borrowing money at [a] 5-plus percent interest rate, so that translates to an additional cost per kWh of about 2 cents. So, we are hoping that there is going to be some immediate relief opportunity available, so we can buy our fuel and pass those benefits on to our consumers.

MS. KOHLER said her question to the committee is if its members are actively contemplating modifying the bills to include some cost relief for fuel cost purchases, as well as debt relief "for the utilities." She explained, "Because for us that also translates to about 3 or 4 cents a kWh."

11:44:02 AM

REPRESENTATIVE CISSNA asked if "increasing the program" or "having it cover more than it did" would "do anything in this."

MS. KOHLER answered, "It does help." She explained that the original program, as it was first implemented in 1984, covered the first 700 kilowatt hours, compared to 500, for all consumers. Now, she said, it only covers the first 500 for residential consumers. She said, "So, the small commercial enterprises were getting some relief. Even though it's only 700 kilowatt hours, in a village where you have very small commercial enterprises, it makes a big difference." Ms. Kohler concluded:

There is, of course, a fairly large cost associated with that. When the program was modified in '99, the number of kilowatt hours eligible for PCE dropped dramatically as a result of the changes, so the kilowatt hours eligible will probably go up by about 25 percent if that were enacted.

11:45:49 AM

APRIL FERGUSON, Acting Chief Operating Officer (COO), Bristol Bay Native Corporation (BBNC), testifying on behalf of BBNC, noted that she had testified during the hearings in Anchorage, and explained that she is once again before the legislature because BBNC believes "we" are in a crisis - an emergency situation. She said she appreciates the work that the legislature is doing regarding this issue.

MS. FERGUSON said she is pleased to have heard the previous testimony of Misters Rosen and Otis; the concerns they expressed are shared by BBNC. She stated that BBNC is concerned about the effect of the energy crisis not only on its shareholders, but also on its employees. She said the immediate effects are apparent "from many of our subsidiaries that we have working here in state." The current uncertainty in the fuel market and the violent changes in pricing are forcing people to move. When people leave the state, that results in the loss of talent and manpower.

MS. FERGUSON stated BBNC's support of HB 4002 and HB 4003. She described the bills as short-term mechanisms in stabilizing the

state's economy "while we all work out the details and develop the plans that we hope will save it."

MS. FERGUSON related that BBNC owns a subsidiary company in Prudhoe Bay, called, Kakivik, whose employees inspect pipes and work a two-week rotational work week. She stated, "It's fierce competition to find a qualified workforce." She explained that the work is technical; BBNC spends approximately \$5,000 to train each employee before even putting that employee to work." Approximately one quarter of those employees live outside the state of Alaska and fly to Prudhoe Bay every two weeks, coming to work for Kakivik from all across the Lower 48. She stated, "It really is a bidding war to get those people to come up here right now." She explained that there are not enough trained personnel to do the work "in Alaska or throughout the whole United States," and it is becoming more difficult to provide sufficient incentives to get the job force to come to Alaska to work. Ms. Ferguson noted that employees who live in remote areas of Alaska are also migrating into urban centers because of the high cost of living.

MS. FERGUSON stated her belief that one of the state's most valuable resources is its senior citizens. She warned that costs are being raised which are causing a migration of seniors out of the state. She indicated that it is not desirable to lose the state's seniors, and said the state should "create mechanisms" that would encourage seniors to stay in Alaska. Ms. Ferguson relayed the importance of the university system and the military in Fairbanks, for example, and warned that without incentives for them to stay or the infrastructure to keep them there, "we're going to lose them." She talked about the connection between outward migration and national security - "people moving in your ports, your harbors, your airports." She echoed Representative Cissna's previous remarks that those people with the ability to keep things working are going to disappear.

MS. FERGUSON, in response to a request for clarification from Representative Cissna, specified that the purpose of her travel to Juneau was solely to address the energy crisis issue. In response to a follow-up question, she said, "We're going to try to go to the finance committees, we're going to go to the urban legislators, [and] we're going to personally meet with as many people as we can. If there are opportunities or venues for testimony, we will go to them, and also speak our issues for them."

REPRESENTATIVE CISSNA recommended that the committee hold "a gathering" to hear these people who have come so far at such great cost.

MS. FERGUSON, in regard to a previous question from Representative Neuman, noted that BBNC has hired energy experts and consultants and has had the benefit of advice from Chuck Logsdon. She said Mr. Logsdon is helping BBNC to draft proposal amendments for both PCE and the home heating fuel [bills]. She noted that Mary Ann Pease - an energy consultant, is involved. She reminded the committee that Mr. Logsdon was the chief economist for "Oil & Gas" for the State of Alaska for 25 years. Both individuals have been working intensively, she said, "so that we can also be part of the solution to this." She added, "And we would like to make their expertise available to you, too."

[11:52:55 AM](#)

TIEL SMITH, Manager, Land and Resource Department, Bristol Bay Native Corporation (BBNC), testifying on behalf of BBNC, stated that he joins in support of those calling for immediate relief of the urgent energy crisis in Alaska. He said BBNC is one of the few regional Native corporations that, since its inception, has been able to pay regular and increasing dividends to its shareholders. However, even those dividends, combined with the PFD, cannot deflect the current energy crisis and its effect on rural Alaska. Mr. Tiel said it is because of background and current occupation that he is compelled to address "a piece of what is happening."

MR. TIEL noted that he grew up in Dillingham, worked seasonally off the coast of King Salmon, and currently serves those who live in the Bristol Bay Region year-round. As a life-long fisherman in Bristol Bay, he said he has just returned from the salmon fishing season. He said this year was the first in many that the fishermen have had a chance to fish the main season at its state-leased "net locations" rather than being pulled into the crowded special harvest areas in the Naknek River; however, that good fortune was impacted by the high cost of fuel. He noted that while gasoline prices in urban areas are around \$4.50 a gallon, it is rising past \$6.00 a gallon in the King Salmon and Dillingham areas. That factor, combined with the limit restrictions placed upon fishermen by processors, has made a season mediocre that could have been of economic benefit, he said. Mr. Tiel pointed out that many fishing operations use their profits to purchase winter heating oil reserves, which he

said is a basic necessity. Often, rural Alaskans do not know what the price of heating oil will be until the fall barge arrives; however, historically the price is noticeably higher than the summer price. Many families, he warned, will be challenged to purchase enough heating oil to sustain them through the coming winter.

MR. TIEL said that it is not just fuel costs which are impacted. He explained, "There is a whole spiraling web of related services that have boosted prices to accommodate for the high cost of fuel." Mr. Tiel, reemphasized that rural areas are more adversely affected than urban areas, because he said jobs are limited and incomes are low, while the cost of living continues to increase. Current fuel prices, he noted, are "widening the divide," and no one sees an end to the situation in the near future.

MR. TIEL expressed his support of the proposed \$1,200 economic rebate legislation as one method by which to "deliver an immediate and needed solution." He also strongly urged the legislature not to take too long to come to a decision, because "families need to fill their tanks with oil in time for the quickly approaching winter." In conclusion, Mr. Tiel said he, along with others, realizes that long-term solutions need to be explored, but he said the current legislation is needed to fill "the urgent need present today."

[11:58:26 AM](#)

HEIDI VEACH, testifying on behalf of herself, noted that she has a small farm at the Tonsina North Agricultural Development. She said she is in favor of the proposed \$1,200 economic rebate; however, she expressed concern regarding the dates in the bill. She explained, "I'm not sure why there is a necessity to have an August 15 date ... if you don't want the money for some reason." She noted that the application period is [not until] October 1 to November 30, but she emphasized that the current conditions in the Copper River valley have included rain and frost in the past week, and people are already in need of using the amount of fuel usually not consumed until about October 1. She questioned why applications for the rebate could not be made available in September, so that relief can come immediately to people.

MS. VEACH stated that one of her biggest challenges currently is the price of gasoline, which she needs in order to drive to work. She reported that jobs are available, she said, but because of low wages, long commutes, and high fuel costs at

\$4.86 a gallon, many jobs are not being filled. She noted that even though it is on the road system, Gakona [Elementary] School has closed this year because of people leaving the rural area. Ms. Veach concluded by reiterating that although she supports the rebate, she would like it to be available sooner.

[12:01:37 PM](#)

DAVE TRANUHAN, testifying on behalf of himself, stated his support of HB 4002 and HB 4003 as a short-term answer to utilize while the state works on its long-term energy plan. Mr. Tranuhan said he has lived in Western Alaska for approximately 60 years, and is now a retired senior citizen in his 80s. He reported that some of the seniors in his community last winter were forced to choose between "heat or eat," and he predicted that this year would be worse. He said he knows friends who have closed down all the rooms but one in their houses because they could not afford to heat the entire house. Mr. Tranuhan said all Alaskans need assistance. He said, "What is making the state very wealthy is making Alaskans less wealthy and some destitute." He observed that there is a migration into and out of Bethel, Alaska, and that movement is caused by high energy costs. Energy affects all costs - every utility, he said. Mr. Tranuhan encouraged the legislature to support the short-term assistance to all Alaskans. He said the legislature will never find an answer that is totally fair across the state, because the cost of living is much higher in rural Alaska. He remarked, "The further you go out, the higher the cost of energy." Mr. Tranuhan reported that the least expensive gasoline available in his community is running about \$6.00 a gallon. Mr. Tranuhan thanked the committee for taking testimony statewide, and in particular, thanked Representative Salmon for his e-mails regarding this issue. Furthermore, he expressed his appreciation for "the governor's notion for presenting this."

[12:05:36 PM](#)

RICH STASENKO, Treasurer, City of Shishmaref, testifying on behalf of the City of Shishmaref, said the city must provide heated water for its school and will have a difficult time staying within its fuel budget because of the rising cost of energy. He opined that raising rates is not a reasonable option, because community members are already dealing with higher utility costs. Mr. Stasenکو acknowledged that the state has given a revenue-sharing increase, but said while he appreciates it, the increase is not enough to meet the increasing costs [of energy]. Therefore, Mr. Stasenکو requested

that the state offer a subsidy for the fuel purchased by the city. He explained that fuel is delivered to Shishmaref by barge, and the cost for this winter's fuel is still undetermined. He said the city ordered 23,000 gallons of fuel this year, 9,000 gallons less than the amount ordered last year, because the city cannot pay the quoted price for their usual amount. Furthermore, Mr. Stasenکو indicated that what was ordered will not be "what we get landed," because the price is anticipated to be even higher. He said he would like the state to "look at these communities that have to deal with this budget shortfall."

MR. STASENKO spoke about security as it relates to energy. He related that people have siphoned gasoline out of snow machines and four-wheelers, a problem which Mr. Stasenکو indicated could be exacerbated by the rising cost of fuel, and he noted there is a shortage of police and village public safety officers (VPSOs) in the community.

MR. STASENKO, regarding long-term solutions, said geothermal energy is available where there are hot springs. In conjunction with the topic of hot springs, he noted that there are communities that are being forced to move because of global warming and soil erosion, and those communities face challenges finding suitable ground that does not have permafrost. He stated, "There are these areas that have geothermal potential, and I don't think anybody's looking at locating or creating communities and developing geothermal energy as a long-term kind of solution."

MR. STASENKO said he appreciates the \$1,200 rebate as a means to offset the stress on people and to possibly prevent problems that could occur in the short-term. He also expressed appreciation for the work of and efforts made by the legislature.

[12:09:59 PM](#)

JIM WILLIAMS, testifying on behalf of himself, said he considers every resident of Alaska to be his business partner, because the population of the state jointly owns the mineral resources of the state. The royalty oil coming down the pipeline is being sold at a vast profit "elsewhere," he said. He opined that some of that royalty oil should be provided to the refiners in the state at cost, whereby the refiners and distributors could make a profit, while passing the savings "for the difference of the crude oil cost" on to consumer - carte blanc. Mr. Williams said

the only way the state will survive is to decrease the cost of diesel, gasoline, and oil - a measure he opined the state has within its capacity to carry out.

[12:13:27 PM](#)

TOM LAKOSH, testifying on behalf of himself, said he is disappointed that amendments have not been offered for the bills before the committee. He said the posting of legislation on the legislature's web site is insufficient, because many words are cut off on his web browser. He continued:

When I suggested amendments to properly apportion the monies available for those who actually need it, I was told that there's not enough time to write proper legislation. I would suggest that that's unconstitutional with respect to the resource rebate program, because there's a constitutional requirement to use resources for the maximum benefit of the people where it is clearly discerned that the primary duty of the state is to protect the health, welfare, and education of the citizens of the state. It is necessary to assure that the proper levels of funding for all of those programs are, indeed, funded first, and where there are additional programs that agencies have to administer and have been told to limit their budgetary requests or have otherwise been curtailed through legislation or vetoes, those must first be considered to the maximum benefit of the people before a wholesale rebate program, like the one suggested in [HB] 4002 would be passed.

[12:16:21 PM](#)

REPRESENTATIVE DAHLSTROM asked Mr. Lakosh for the name(s) of the person(s) who had told him there was no time to "do a bill properly."

MR. LAKOSH recollected that it had been Co-Chair Fairclough, during the hearing in Anchorage, who had mentioned that there was an immediate need to get the bill through the legislature [to benefit] the people who are in dire need. He continued:

It is abundantly clear that you could, in fact, change the law very easily. In [HB] 4003 you have listed as the recipient of funds the Department of Health & Social Services. You could just put the \$800 million

in that, and have them administer the whole program if this is for the people who actually need the subsidies instead of the public at large, [of] which a large percentage do not need subsidies to bear the cost of energy.

REPRESENTATIVE DAHLSTROM stated that she was present at the meeting to which Mr. Lakosh referred, and she interpreted the comments differently. She offered her belief that no amendments to the bill have been moved yet.

MR. LAKOSH expressed his hope that the primary function of government to provide for health, safety, education, and welfare be considered first, prior to the wholesale distribution of the resource wealth.

CO-CHAIR FAIRCLOUGH spoke to assure Mr. Lakosh that she had never intended to say that the legislature could not amend the bill. Regarding Mr. Lakosh's suggestion to turn the money over to the Department of Health & Social Services, she said many people would have to be consulted to get that done, and she does not know if there are time constraints during this special session that would prohibit the committee from doing that. She confirmed Representative Dahlstrom's remark that no amendments had yet been offered.

[12:19:21 PM](#)

ANN MALLARD, Principal, [Eagle Community School], testifying first in her capacity as principal, noted that schools no longer receive PCE credit, and she stated her belief that the state should add schools back on the list of recipients of those credits. She reported that the Eagle Community School pays 65 cents per kWh, which she said really cuts into the amount of money the district has. Ms. Mallard, although acknowledging that the subject of her next request is not included in [HB 4002 and HB 4003], asked that the legislature fully fund the district's transportation costs, sharing her understanding that the present level at which the legislature covers that expense is 80 percent.

MS. MALLARD, next testifying on behalf of herself, said she and her husband have kept track of their bills since moving to Eagle, Alaska. She relayed that without PCE credit, she and her husband would pay the same rate as the school per kWh; however, with PCE, they pay approximately 27 cents per kWh. She said that helps, but noted that she and her husband have made a

concerted effort to conserve their energy consumption. Ms. Mallard said when people ask her how she can afford to live in Eagle, they do not realize that she walks to work, and she and her husband have increased their use of wood to heat their home and are planning to cook with wood.

MS. MALLARD expressed her hope that the legislature would consider allotting the \$1,200 rebate per household, rather than per person, and also to use "some need-based criteria." Regarding weatherization and rebates, she told the committee that she has tried to spur interest in the minimum of three families that it would take to have an "energy rater" brought to Eagle. She indicated that the cost of bringing in an energy rater is \$500 up front. She added, "And then, to be eligible for the ... second mortgage and that kind of thing is kind of out of the reach of most of our families. So, even if there were energy raters available through the AHFC supplemental programs, we're not getting a lot of takers, just because of the upfront costs." She asked the legislature to consider providing low- or no-cost loans for "retro fits and those kinds of things," that would be a big help to some who need individual solutions - not necessarily community solutions - since Eagle is such a small community.

MS. MALLARD ended by asking that the legislature subsidize the rate of fuel, so that other entities, perhaps even rural residents, would pay only what they paid last year - the rest of the balance being picked up by the state as a rebate, perhaps like PCE.

[12:24:30 PM](#)

JASON METROKIN, Director, Shareholder & Corporate Relations, Bristol Bay Native Corporation (BBNC), testifying on behalf of BBNC, said he would offer an abbreviated version of his written testimony in the interest of time. He characterized the proposed \$1,200 energy rebate as a helpful policy decision, but one that would only help keep many residents afloat. He said while the rebate may be a short-term solution to get people through the winter, Anchorage and other urban centers are not prepared for the migration of rural residents if they are forced to leave to escape the high cost of living in a village.

MR. METROKIN said BBNC shareholders and Bristol Bay residents are beneficiaries of the PCE program. He asked the legislature to consider an amendment to PCE that would allow for indexing the current 52.5 cent per kWh cap, in order to meet fluctuations

in North Slope/West Coast oil prices on a monthly basis. He explained that this would allow for appropriate equalization of power costs that keep in line with the dramatic rise in oil prices. He called this a "medium-term" solution, which he said recognizes that when the cost of fuel increases because of the price of oil, so, too, do state revenues that provide for increased funding of PCE.

MR. METROKIN related that BBNC has supported energy solutions for the region over the years, having participated in wind studies in several communities with the help of the U.S. Department of Energy, AEA, AVEC, and other communities. He stated, "While there is hope for wind energy in our region, it is not happening over night." He said BBNC has engaged in conversation with Naknek Electric regarding that company's geothermal project, and has toured Bristol Bay, "gaining an understanding of the alternative energy options that are realistically on the horizon." However, Mr. Metrokin explained the problem is that "it will take some years to get these projects beyond feasibility and into development for lowering energy costs." He reported that as an ANCSA for-profit corporation, BBNC has joined forces with its regional non-profit, health corporation, housing authority, community development quota (CDQ) group, and the Lake & Peninsula and Bristol Bay Boroughs to form a regional Bristol Bay partnership. The group has come to the table to address the aforementioned and other energy solutions for the region, in conjunction with the statewide leadership of the Alaska Federation of Natives - again having addressed energy as a number one problem. In closing, Mr. Metrokin urged the committee to support HB 4003 and HB 4003, and to consider an amendment to HB 4003 as it pertains to indexing the current 52.5 cent per kWh cap to meet fluctuations in oil prices.

[12:27:53 PM](#)

SARA WILLSON, testifying on behalf of herself, said while listening to all the preceding testimony, she wrote down two phrases: "immediate problem" and "PFD-type payment." She presented three arguments related to HB 4003. First, she suggested an alternative to using fossil fuels for a short-term fix would be to use "those funds" to conduct research and develop alternative fuels, such as hydro, geothermal, and wind. Second, she pondered whether other states would question Alaska's need for federal funding if the state were able to provide each of its [qualifying] residents with \$1,200. Third, she said the use of the term "PFD-type payment" makes her wonder

if the proposed payment could create an expectation of an annual payment to help with fuel costs.

12:31:19 PM

DOUG ISAACSON, Mayor, City of North Pole, mentioned a chart by AEA and suggested that "charges" and "percent of the income" are actually much greater than the chart shows. For example, Mayor Isaacson noted that the City of North Pole has 49 accounts with Golden Valley Electric Utilities and is paying double what it paid last year. He explained that a fuel surcharge has been added. He stated that North Pole is the energy resource production for the Interior and for much of Alaska. The area has two refineries: Flint Hills, which is royalty oil driven, and produces about one-fourth of the area's heating oil; and Petro Star, an Arctic Slope Regional Corporation (ASRC), which has a contract with ConocoPhillips Alaska, Inc., and which produces three-quarters of the area's heating oil. Petro Star also produces a lot of the [JA-1] fuel that is barged into communities. He said, "Two different solutions; you can't just use royalty oil to fix them both." He indicated that Golden Valley Electric Utilities operates a 60 megawatt diesel power generator. He continued:

We cannot turn off the 60 megawatt power plant in North Pole, even if we got Healy clean coal going on, which you know is slated for a court date in June, and so, I asked -- you don't predicate any solutions based on that power plant getting on line, but we are paying exorbitant prices for electricity alone.

I strongly support a fuel cost cap for utilities if that's how we can get it, because we need regional support.

MAYOR ISAACSON said he, personally, is opposed to the proposed \$1,200 rebate; however, he emphasized how strongly his constituents support the rebate, saying they fear there will be no other help. He concurred with Mayor Jim Whittaker's remark that the local government is "feeling the rural community's pain." He added, "... We get it; we really do." He continued:

Our heating oil costs are four times the amount of the Cook Inlet area. This has astronomically doubled. When we double our cost, we are really doubling our cost. We're not literally hamstringing our people - we're bankrupting our people. The City of North Pole

operates off of a sales tax revenue, primarily. We've already had businesses shutting down. One of them, owned by one of your own members of the legislature, cited his reason this last week as, "declining economic circumstance," and also, "high cost of energy."

We are a small little town of 2,000, [with a ] service area of 35,000. We have over 17,000 cars driving our main roads each day as they go to the three schools, and so forth. If you want to be able to help reduce costs to schools, if you want to keep people employed, [and] if you want to be able to make sure we don't have an economic crisis, I strongly urge this committee to consider a regional cost equalization that would include all areas that are relying upon non-natural gas sources for heating oil or energy production - electricity and so forth.

[12:35:53 PM](#)

The committee took an at-ease from [12:36:25 PM](#) to [1:40:31 PM](#).

[1:40:34 PM](#)

CO-CHAIR LeDOUX called the House Community and Regional Affairs Standing Committee back to order to continue public testimony on HB 4002 and HB 4003.

[1:41:10 PM](#)

MARY ANN PEASE, Consultant, MAP Consulting, testifying on behalf of the Bristol Bay Native Corporation (BBNC), expressed concern that Alaska's economy may be negatively impacted if the legislature does not act judiciously in response to the state's energy crisis. Ms. Pease announced that her testimony would focus on two approaches: PCE and "home heating equalization." She continued:

As winter approaches, Alaskans statewide are facing the economically uncomfortable prospect of a winter with unprecedented costs for energy, particularly for heating their homes and businesses. Nowhere is that impact greater than here in Western Alaska where all communities are dependent on local electric and fuel sources that are burdened not only by the high cost of

the product itself, but also the transportation cost to get it there.

On behalf of those communities, I want to urge you to pass HB 4002 and HB 4003, to provide a small measure of assistance to rural residents faced with the economic dilemma of buying energy or other necessities - but not both.

MS. PEASE, regarding PCE, stated her belief that an easy solution would be to seasonally adjust the 500 kilowatt hours per month "allocated to an eligible electric utility for sales of power for actual consumption to each residential consumer." She mentioned that she had done all the calculations. The second component regarding PCE, she said, would be to consider adjusting the 52.5 cents per kWh cap and to "recognize the effect of the dramatically changing oil prices on the fuel costs."

MS. PEASE noted that Alaska North Slope oil production is falling; therefore, "programs to increase the use of alternative sources of energy, as well as conservation and development of new sources of oil and gas" will be needed to ensure affordable power to all parts of the state.

MS. PEASE, regarding home heating, asked the committee to consider an amendment "that would propose 500 gallons of heating fuel to eligible Alaskan residents at a price equal to the Btu equivalent in Anchorage, Fairbanks, and Juneau." She indicated that her notes show how simple it would be to administer such a plan. The intent of the proposed amendment would be to provide a minimum lifeline amount of heating fuel to Alaskans who do not live in urban Alaska. Ms. Pease said some people in rural areas do not have a PCE utility, and her proposed plan would focus on the fuel oil component, which makes up a large portion of those rural residents' home heating costs.

MS. PEASE stated, "The short-term solution is definitely improved by HB 4002 and [HB] 4003, but we need to invest in infrastructure and mandate a renewable mix with fossil fuel for our electric utilities - a strategy that should be part of the overall energy plan for our state. Alternatives may take the form of wind, hydro - even propane that we extract from the North Slope - but the key message is that the current reliance on fuel oil must be diversified." She commended the legislature for its leadership on this critical issue.

[1:45:15 PM](#)

CO-CHAIR LeDOUX closed public testimony and opened committee discussion, beginning with HB 4002. She announced that at its last hearing, the committee had read amendments for the record, but they had not been moved for adoption.

[1:46:14 PM](#)

REPRESENTATIVE OLSON [moved that the committee] adopt Amendment 1, labeled 25-GH4057\A.3, Cook, 7/21/08, which 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.

REPRESENTATIVE DAHLSTROM seconded that motion.

CO-CHAIR LeDOUX objected for purposes of discussion.

REPRESENTATIVE OLSON explained that Amendment 1 would tag the rebate to the 2008 PFD, both for qualifications to receive the rebate and as a vehicle to deliver the funds to the citizens. He noted that Amendment 1 includes a title change.

[1:47:06 PM](#)

REPRESENTATIVE SALMON related his understanding that the legislation already accomplishes the aforementioned.

REPRESENTATIVE OLSON deferred to representatives from the administration.

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RANDY RUARO, Special Staff Assistant, Office of the Governor, related his understanding that Amendment 1 deletes the existing text of the legislation and replaces it with text that provides that the payment method will be an additional line item on the 2008 PFD. The amendment doesn't change who is eligible and who isn't as the [qualifying] applicants would be those who [qualify] for the 2008 PFD.

REPRESENTATIVE OLSON clarified that the intent with Amendment 1 is to utilize [the residency requirements of] something that is already in place in order to avoid having the residency and participation requirements tested in court. For one who qualifies to receive a 2008 PFD check, that check would be increased by \$1,200 to cover the proposed resource rebate.

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REPRESENTATIVE SALMON asked then if the legislation still includes the application requirement of six months.

CO-CHAIR LeDOUX clarified that [adoption of Amendment 1] would result in those who receive a 2008 PFD receiving an additional \$1,200.

REPRESENTATIVE OLSON confirmed that interpretation, adding that [Amendment 1] is a one-shot deal until there is a permanent long-term [energy] plan. By including the resource rebate in the PFD, it can't be extended, he said.

[1:50:05 PM](#)

REPRESENTATIVE DAHLSTROM highlighted that another benefit of [Amendment 1] is that the state is saved \$580,000 that it would've cost to send separate checks.

[1:50:20 PM](#)

MR. RUARO interjected that the total savings [with the adoption of] Amendment 1 is estimated to be approximately \$56 million

because the 45,000 individuals [who would've qualified under Section 1(e)(2)(A)-(E) of HB 4002] would be eliminated.

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REPRESENTATIVE CISSNA expressed concern with those in need not receiving help when they desperately need it. She related that her constituents have told her they didn't feel they needed the rebate, but instead wanted it to go to those who do. Therefore, [Amendment 1] flies in the face of the majority of responses she has received. Drawing from her experience prior to the issuance of the PFD and afterwards, she also expressed concern that people receive the PFD without essentially understanding where it comes from and what it's all about. By combining the resource rebate with the PFD, she opined that it "becomes a bigger trip, ... a bigger toy that's purchased" and is disconnected with the fact that [the legislature/state] is trying to focus on long-term solutions.

[1:53:26 PM](#)

REPRESENTATIVE OLSON said that the only portion of the administration's proposal that he is addressing with Amendment 1 is the portion that addressed the [resource rebate] that would be provided to people on a per capita basis. He related that although he agrees with Representative Cissna, it isn't anything the legislation, HB 4002, contemplates.

[1:54:25 PM](#)

REPRESENTATIVE CISSNA opined that the way in which this matter is addressed could start right away and be an incentive for people to actually begin reviewing the problem. She further opined that [Amendment 1] takes away the incentive [to address the energy problem].

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REPRESENTATIVE DAHLSTROM said although she agrees with Representative Cissna's intent, she takes a different approach. She related her belief that if citizens know that they are receiving a [resource rebate], they can make arrangements to have things done in their households. She further related that issuing a separate check for the resource rebate versus combining that rebate with the PFD isn't going to ensure people spend the money any differently. Furthermore, Amendment 1 would save the state money that could be used to address long-term

projects. The [resource rebate], she opined, has nothing to do with the PFD other than it will be issued on the same piece of paper.

[1:56:47 PM](#)

REPRESENTATIVE SALMON pointed out that Amendment 1 deletes Section 2, which repeals Section 1 on June 30, 2009.

REPRESENTATIVE OLSON said that is because the [resource rebate] is a "one-shot deal through the 2008 permanent fund ...."

CO-CHAIR LeDOUX pointed out that the language in Amendment 1 only speaks to the 2008 PFD.

[1:57:49 PM](#)

CO-CHAIR FAIRCLOUGH stated her support of Amendment 1. She recalled the testimony from throughout the state that related the immediate need for the state to react [to the energy needs] of communities in a broad-based fashion. One of the only ways the state has successfully passed the challenges within the court system is with the permanent fund eligibility requirements. Many have testified about other ways in which this committee and the legislature as a whole can address long- and short-term energy crisis needs. However, bureaucracy, politics, and government are somewhat bound by rules and structures regarding how [proposals/plans] can move forward. The aforementioned requires time, a thoughtful process, and legal review. To perform the aforementioned in a 30-day session is very difficult, she opined. Co-Chair Fairclough then reminded the committee that the legislation before it is a resource rebate not the energy issue. Amendment 1 takes away the questions in rural Alaska related to the requirements for a phone number and physical address because people have already applied for the 2008 PFD and there already exists a database, process, and [staff] in place. She pointed out that the resource rebate before the committee creates an almost \$500,000-plus bureaucracy to implement a one-time program. Furthermore, it tasks two different departments to do the same thing. She characterized the aforementioned as a poor use of the state's money. Recalling the committee discussion regarding those who owe the state or others funds, Co-Chair Fairclough opined that using the existing PFD structure, eligibility rules, and appeals processes would make it much more likely that this particular "intervention" could happen immediately without court challenge.

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CO-CHAIR FAIRCLOUGH noted that the one thing Amendment 1 lacks is the ability to expediently place the resource rebate in the hands of Alaskans. She then asked if there is a way in which to put the PFD out in the first two weeks of September rather than in October.

2:03:59 PM

JERRY BURNETT, Director, Administrative Services Division, Department of Revenue, explained that the problem with such is that the books don't close on the fiscal year until August 31. Therefore, the dividend can't be calculated. Furthermore, the division does an annual cycle of eligibility. It's impractical to calculate the amount of the dividend based on earnings prior to late August, early September. Mr. Burnett said that the PFD can't go out much quicker than the already planned October 2 date for the first set of direct deposits due to the calculation date.

CO-CHAIR FAIRCLOUGH recalled that Mr. Burnett has said that the 2008 PFD database would be used to issue the resource rebates under the program proposed by the administration. She inquired as to the difference.

MR. BURNETT explained that if a resource rebate was issued in August, not everyone who's eligible would be captured. Furthermore, at that point the division wouldn't know all of the people who are going to be eligible for the 2008 PFD. Therefore, perhaps 85-90 percent of those who would be eligible would be paid in August, and then others would be paid as they are determined to be eligible throughout the rest of the year.

CO-CHAIR FAIRCLOUGH surmised that there really isn't a clear number of PFD recipients in October, when checks begin to be issued.

MR. BURNETT clarified that in August, the eligibility determinations for 10-15 percent of the PFD applications turned in have not been completed, often that is because the department is still waiting for information it has requested from the applicants. By mid-September there is enough information to determine, within a couple of hundred, [who will receive the PFD]. He suggested that if the determination is made in August, the numbers would be off by 1,000 or more in the total eligibility count. The aforementioned changes the department's

ability to accurately determine the amount of the dividend. He noted that there are other governmental processes, and they can "only be accelerated so much."

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CO-CHAIR FAIRCLOUGH asked if the administration supports Amendment 1.

MR. BURNETT offered his understanding that the administration is not opposed to Amendment 1 and can support it, although there are some concerns about the disabled veterans issue and some other issues. The administration would like to discuss those concerns with the next committee of referral to find a solution.

CO-CHAIR FAIRCLOUGH related her understanding that the issue with the disabled veterans has been a problem for years as disabled veterans haven't applied for the PFD because it would disqualify them from receiving federal benefits. The resource rebate program was crafted to capture those disabled veterans who hadn't applied for the 2008 PFD.

MR. RUARO responded that is correct, adding that [the administration] would work to try to find a solution in the next committee of referral.

CO-CHAIR FAIRCLOUGH highlighted that she and Co-Chair LeDoux spoke about bringing forward the issue with disabled veterans, if the administration desired that it be fixed. If two checks are going to be issued and there's an additional cost for the second check, she questioned whether the [first check] could be issued based on last year's PFD and then "gin up" with everybody with the second check.

MR. BURNETT pointed out that the aforementioned would require two checks for many people and wouldn't save administrative costs over the original proposal. "In order to do this practically, under this amendment, we really need to do it all at once and we'd be doing a lot of the payments through direct deposits under this set of circumstances," he explained.

CO-CHAIR FAIRCLOUGH said she appreciates that for someone who receives direct deposit. However, [the committee has heard] that people need to "advance the purchase of fuel to get into smaller communities."

[2:10:58 PM](#)

CO-CHAIR LEDOUX returned to the remark that the administration will seek a solution for disabled veterans, and asked if the solution will only be in the context of this legislation or in the context of the entire PFD program.

MR. RUARO answered that the intention is to develop a solution in terms of the legislation before the committee. He noted that he wasn't sure that anything beyond the aforementioned could be achieved, given the scope of the call.

CO-CHAIR LeDOUX returned to the issue of when the earliest check could be delivered. She recalled that PFD applications are due by March 31, and thus by September 1 the department has all the applications. Therefore, the department is merely trying to obtain additional information from applicants.

MR. BURNETT replied yes, adding that applicants may have had allowable absences that need to be explained or nonallowable absences that require additional information. In many cases, the signature page for individuals who have filed online hasn't been received. Therefore, on September 1 there will be some number of applications [that require additional information]. In further response to Co-Chair LeDoux, Mr. Burnett specified that those [applications requiring further information] are in the low thousands. He confirmed that the division has a good idea regarding how many will be verified, and added that there is a general pattern. However, he noted that the longer the timeframe, the more accurate the information.

CO-CHAIR LeDOUX surmised then that the division could come up with a "pretty darn good estimation" of the PFD by September 1.

MR. BURNETT answered that the division can have a good estimate. However, it won't be until September that the final year-end earnings, expenditures, and et cetera are available. To the extent an estimate is done, the PFD would be underpaid.

CO-CHAIR LeDOUX opined that it's probably a small amount compared to the benefit of obtaining the PFD earlier rather than later for some people.

MR. BURNETT said that's correct for calculation purposes. However, he said he wasn't sure how much earlier some of the other processes, such as when checks can be mailed or arrangements have been made for printing, have been scheduled.

2:16:26 PM

REPRESENTATIVE NEUMAN related his support for Amendment 1. He then thanked Mr. Ruaro and Mr. Burnett for their work with the committee on this legislation. He reminded the committee that Amendment 1 addresses the ability to garnish for child support payments or other payments to the state. Furthermore, Amendment 1 saves the state money while making government more efficient.

2:17:37 PM

REPRESENTATIVE CISSNA inquired what the earliest time would be in which the rebates would be issued.

MR. BURNETT answered, "I know we can send it out in October. I don't know for sure how much earlier than that it could be gotten out." He offered to work with staff to determine how early the [resource rebate] could be issued.

CO-CHAIR LeDOUX related her understanding the PFD check includes language specifying that the check is "kind of an estimate."

MR. BURNETT echoed earlier testimony that when the division has an estimate of how many people it will pay, it has an idea of how many applicants who haven't been qualified will qualify, how many will win their appeals, how many under 18 will apply in future years, and which funds need to be reserved. The aforementioned has been done, he said. He then reminded the committee that the more eligibility that has occurred, the more accurate the estimate.

CO-CHAIR LeDOUX posed a scenario in which one year the PFD is \$5 less than the estimate. She asked if, in such a scenario, there is a true-up line so that it's on the next year's PFD.

MR. BURNETT explained that if the division underestimates the payment and a balance is carried forward, the amount that's carried forward is simply added to the amount available for payment in the next year.

CO-CHAIR LeDOUX opined, "It kind of sounds like to me that if you really wanted to get these things out in early September, that it would be a doable thing."

MR. BURNETT reiterated that there are a number of administrative processes and he doesn't know which could occur more quickly.

[2:20:07 PM](#)

REPRESENTATIVE CISSNA commented that the timing is probably the critical thing in her mind. She opined:

It goes straight back to that original question that we had several meetings ago and that is: What is this? Is it a rebate on the grand amount of money we've been making and we're going to share it with the people of Alaska or is it a rebate that's based on the energy costs that people are ... being driven into lower classes than they started out in because of the energy costs? And so, our state is getting more and more wealthy, and our citizens are getting less and less. ... It almost sounds like it would be the same, but the way you say it says a huge amount to the people of the state and it also frames amendments that are still there and one of those amendments may go away with this. But, the amendment I plan on making is directly tied to the fact that we're talking about the fact that people have been paying out a huge amount and they're going to pay out more and exactly what that's doing to the state.

REPRESENTATIVE CISSNA, drawing from recent testimony, opined that the legislature should address what people are paying and take care of those who are paying a large portion of their incomes [for energy].

[2:22:20 PM](#)

REPRESENTATIVE OLSON opined that it's a matter of personal philosophy and related that he would never tell anybody how to spend their money or what to spend it on. He said he believes a good portion [of the proposed resource rebate] will go toward energy-related issues, fuel, or gasoline.

REPRESENTATIVE CISSNA said she doesn't disagree, but highlighted that cooler temperatures are already occurring and the money is needed now. Therefore, providing the money in October will be too late. She noted her agreement with Co-Chair LeDoux that perhaps the division could be looser with the estimate of the PFD because people would likely prefer to receive the funds earlier, although it may be short \$10 or so.

[2:24:24 PM](#)

CO-CHAIR LEDOUX inquired as to when people could realistically expect to receive the resource rebate if HB 4002 were to pass as written.

MR. BURNETT answered that if the funds were available, the division would issue approximately 580,000 checks for \$1,200 in August, with the remainder being sent out on a weekly basis throughout the remainder of the calendar year.

MR. RUARO pointed out that the estimate from the Division of Finance is the end of August and possibly the first week of September. The difference, in terms of time, between HB 4002, as written, and HB 4002, as amended by Amendment 1, could be about 27-30 days.

MR. BURNETT interjected that the division is willing to [issue the checks earlier], it's a matter of what can be done and how soon it can be done.

[2:26:14 PM](#)

CO-CHAIR FAIRCLOUGH said that Amendment 1 minimizes the risk of a challenge of the [resource rebate] program. She related that she supports Amendment 1 because it uses the eligibility requirements and database of the PFD, which is tried and true and has withstood challenges in the past.

[2:30:54 PM](#)

REPRESENTATIVE CISSNA remarked that the risk factor exists on all legislation the legislature passes. She stressed that the state has problems that will change Alaska permanently, and this is start of [addressing those problems]. Representative Cissna said she's not in favor of Amendment 1 because of the timing of the check.

REPRESENTATIVE DAHLSTROM called the question.

[2:32:32 PM](#)

CO-CHAIR LEDOUX removed her objection to Amendment 1.

There being no further objection, Amendment 1 was adopted.

[2:32:56 PM](#)

CO-CHAIR FAIRCLOUGH moved to report HB 4002 out of committee, as amended, with individual recommendations and the accompanying amended fiscal notes.

REPRESENTATIVE CISSNA objected.

[2:33:12 PM](#)

REPRESENTATIVE CISSNA pointed out that she had an amendment that was read across.

The committee took an at-ease from 2:34 p.m. to 2:35 p.m.

[2:35:38 PM](#)

CO-CHAIR FAIRCLOUGH withdrew her motion.

[2:35:48 PM](#)

REPRESENTATIVE CISSNA moved that the committee adopt Amendment 2, which 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 objected.

CO-CHAIR LEDOUX said that since there was no second on the motion to adopt Amendment 2, Representative Cissna couldn't speak to it. She further stated that since there was no second, Amendment 2 wasn't [available] for discussion.

REPRESENTATIVE CISSNA asked to make another comment.

CO-CHAIR LEDOUX said that Representative Cissna could not make another comment.

REPRESENTATIVE CISSNA remarked that as a member of the committee she would like to make another comment about the process.

CO-CHAIR LEDOUX said that Representative Cissna could make a comment or object, but she was going to call for a vote.

[2:36:34 PM](#)

CO-CHAIR FAIRCLOUGH moved to report HB 4002, as amended, out of committee with individual recommendations and the accompanying revised fiscal notes.

REPRESENTATIVE CISSNA objected.

2:37:00 PM

REPRESENTATIVE NEUMAN objected, adding that although he intends to vote against this legislation, he understands the need to help Alaskans. He reminded the committee that he has asked the Office of Management & Budget to provide a list of the funds for which the state is committed to provide. He highlighted that he hasn't been able to receive that information. Representative Neuman emphasized his belief that the state will be in deficit in the next four or five years and the only answer will be to not issue PFDs and to institute an income tax. "To say that we have a lot of extra money in this state is just wrong," he remarked. He emphasized that there is a lot of dept in this state. Representative Neuman said that he couldn't [support] spending another \$1.2 billion when the state doesn't know the amount of the billions of dollars it owes. He characterized this as a tough vote for him because he has to face those such as seniors who can't pay their heating fuel bill. Representative Neuman then emphasized that if this legislation took \$1.2 million and invested it in a gasline to Valdez, hundreds of jobs in Alaska could be created. Furthermore, if these funds were used to build a gasline in Western Alaska, he suggested that many jobs could be created and resource development costs would be lowered while the energy costs in Western Alaska could be lowered. However, the aforementioned hasn't be discussed or reviewed. Until such a discussion has occurred, Representative Neuman indicated that he [can't support this legislation]. He related his desire to use the [\$1.2 million] to create jobs, and fund long-term investments in Alaska that will save energy.

2:43:28 PM

REPRESENTATIVE NEUMAN then pointed out that there isn't even a total of what will be spent for the five or six bills introduced [this special session]. He issued an appology as follows:

I'm sorry that as your legislator, I just don't feel that it's appropriate that we can do this when we don't have an account on how much debt we already owe in this state. I don't think that we have all these

extra billions of dollars. And I will really be sorry when votes come up to have to try and charge an income tax or take your permanent fund dividend away and I'm really going to be sorry when we have to start cutting these programs, programs to the needy .... ... State spending has gone [up] 12 to 14 percent in our operating budget [in] ... the last 5 or 6 six years, another ... 23 percent last year; we cannot sustain that.

[2:45:05 PM](#)

REPRESENTATIVE CISSNA, speaking to her objection, said she objects to forwarding HB 4002, as amended, without having the opportunity to introduce [Amendment 2] along with the attached chart. Representative Cissna relayed that [a colleague] who could've really explained the chart was told that the [amendment] wasn't going to be heard. Representative Cissna opined that HB 4002, as amended, is in opposition to what she understood the governor was asking the [legislature] to do. Amendment 2 was something that might have met what the governor wanted and more. Representative Cissna reiterated that she can't support HB 4002, as amended.

[2:46:45 PM](#)

CO-CHAIR LEDOUX said she doesn't believe Representative Cissna's colleague was ever told the committee wouldn't hear an amendment. She further said that her colleague may have been told that it was unlikely that there were the votes to pass the amendment. Co-Chair LeDoux then pointed out that Representative Cissna could introduce legislation that the committee could review, if that legislation qualifies under the governor's call. Regardless of what one thinks of appropriateness, Co-Chair LeDoux opined that the legislation deserves the ability to have a vote of the full legislature.

[2:48:05 PM](#)

REPRESENTATIVE SALMON, drawing from his knowledge of the problems in rural Alaska, related that some are on the verge of being desperate. He announced that he supports the \$1,200 [resource rebate] because it's the only immediate relief for this winter.

[2:49:59 PM](#)

A roll call vote was taken. Representatives Salmon, Dahlstrom, Olson, LeDoux, and Fairclough voted in favor of the HB 4002, as amended. Representatives Neuman and Cissna voted against it. Therefore, CSHB 4002(CRA) was reported out of the House Community and Regional Affairs Standing Committee by a vote of 5-2.

[2:50:43 PM](#)

The committee took an at-ease from 2:50 p.m. to 2:54 p.m.

[2:54:10 PM](#)

CO-CHAIR LeDOUX announced that the committee would now focus discussion on HB 4003.

CO-CHAIR FAIRCLOUGH offered her understanding that Co-Chair LeDoux had taken public testimony on HB 4002 and HB 4003 simultaneously and subsequently closed public testimony. She said she did not have comments to make pertaining to [HB 4003], but questioned whether the administration may wish to offer remarks for clarification.

[2:54:43 PM](#)

JERRY BURNETT, Director, Administrative Services Division, Department of Revenue, noted that the amount of \$800 million, which is associated with the resource rebate, would probably be amended to a different number in the next committee of referral if the House Community and Regional Affairs Standing Committee does not amend it. He indicated that number would be "somewhere in the neighborhood of \$744 million."

[2:55:09 PM](#)

REPRESENTATIVE NEUMAN said that for the reasons he stated previously, he would most likely be a "no" vote on the legislation. He said he knows many people who do not have electricity, but run power off a generator, and "they will receive nothing out of this." He said the increases in PCE will affect those who are already getting money, while those who are not getting assistance will continue in that vein. He questioned what is being done to provide solar panels, loans, or grants, or power line extensions, for example, noting that some of his constituents live close to a power line, while no money is being allocated to help connect them to it. He said it is certainly a Native tradition and, he thinks, an Alaskan

tradition to help each other - to figure out how those who are getting nothing can get something. He said Alaska's debt keeps adding up - there is no way to even know how to add it up - and there is no plan. He said as a legislator, he has tried to find out how much the state is in debt and he cannot get an answer.

[2:58:49 PM](#)

REPRESENTATIVE OLSON said he will support the legislation, but only because he thinks it is important enough to bring it before the whole legislative body for consideration and a vote. He said he would wait to see if the bill gets to the House floor, at which point he would add his comments.

[2:59:12 PM](#)

REPRESENTATIVE CISSNA said she will vote in favor of the legislation, but that she identifies with the comments made by Representative Neuman. She specified that it is not the legislation itself that she finds problematic, but rather the committee process. She said the legislature focused for some time on legislation related to AGIA, and now that that legislation has passed, it is rushing through the energy issues without taking the time "to do what needed to have been done." Furthermore, she said before the legislature ever heard these bills, it needed to know "what else was in the package and what the big picture was." She stated that in her 10 years in the legislature, this issue is of number one importance because it affects the entire state. She noted that it costs \$12,000 a day "to have us here in this room." She said she thinks the legislature should "do more," which is why she does not think the committee "should have been passing either of these bills."

[3:01:34 PM](#)

CO-CHAIR LeDOUX, for the benefit of the public, remarked that there have been five days of testimony on this issue. Other than the PPT and the gas pipeline bill, she said she cannot recall another bill hearing that included more public testimony.

[3:02:07 PM](#)

CO-CHAIR FAIRCLOUGH moved Conceptual Amendment 1, to ask the legal department to provide the legislature with new language in HB 4003 to match the changes already made in CSHB 4002(CRA). She specified Sections 2, 3, and 5, and said the eligibility requirements and attached fiscal note would be changed.

[3:03:11 PM](#)

MR. BURNETT responded that he has already prepared a draft fiscal note for the Department of Revenue, based on that amendment, and would get that to "our folks."

[3:03:33 PM](#)

CO-CHAIR FAIRCLOUGH said she is trying not to affect the importance of the Alaska Energy Authority and PCE provided for in the legislation. Those topics need to go forward so that there can be a fuller discussion in the House and Senate Finance Committees, she opined.

[3:03:48 PM](#)

CO-CHAIR LeDOUX asked if there was any objection to Conceptual Amendment [1]. There being none, it was adopted.

[3:04:06 PM](#)

CO-CHAIR LeDOUX said she will vote to move the legislation out of committee, but said she has problems with PCE "and the communities that it doesn't include." For example, some of the villages in Kodiak are not eligible for PCE, although they are paying a substantial amount for energy. Other areas across the state are experiencing similar problems. Co-Chair LeDoux said she thinks the legislature should reevaluate the entire PCE program to make it fairer to all communities around the state; however, she said the legislation currently before the committee is not the appropriate vehicle in which to do so.

[3:05:36 PM](#)

CO-CHAIR FAIRCLOUGH stated that when the governor and her administration decided to give these bills to the legislature, that "started a clock ticking that has a whole bunch of bureaucracy tied to it." She opined that the reason that the House Community and Regional Affairs Standing Committee is trying to "streamline" to get the bills passed out of committee is because there are only 30 days in the special session, and only 14 of those days remain. Holding the bill back would result in Alaska being left with nothing, she said. She offered further details.

[3:07:31 PM](#)

CO-CHAIR LeDOUX, [although no motion had been made and no objection was stated], asked if Representative Neuman maintained his objection.

[3:07:46 PM](#)

REPRESENTATIVE CISSNA noted that in her six years on the House Community and Regional Affairs Standing Committee, many issues have been addressed for weeks, involving work groups. She concurred with the previous comments of Representative Neuman regarding the legislation.

[3:08:33 PM](#)

A roll call vote was taken. Representatives Cissna, Salmon, Olson, LeDoux, and Fairclough voted in favor of the bill. Representative Neuman voted against it. Therefore, CSHB 4003(CRA), with an amended forthcoming fiscal note, was reported out of the House Community and Regional Affairs Standing Committee by a vote of 5-1.

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [3:09:15 PM](#).