

HOUSE FINANCE COMMITTEE
March 5, 2008
1:41 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:41:27 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Harry Crawford
Representative John Harris

ALSO PRESENT

Jean Ostnes, Staff, Representative Craig Johnson; Steve Haagenson, Energy Coordinator, Alaska Energy Authority; Representative Craig Johnson; Sara Fisher-Goad, Deputy Director of Operations, Alaska Energy Authority; Emily Beatley, Staff, Representative Jay Ramras; Doug Wooliver, Administrative Attorney, Alaska Court System; Michael Pawlowski, Staff, Co-Chair Meyer; Sam Kito, III, Facilities Engineer, Department of Education and Early Development; Jason Hooley, Special Assistant, Office of the Lieutenant Governor.

PRESENT VIA TELECONFERENCE

Jim Hemsath, Deputy Director, Development, Alaska Energy Authority; Eric Yould, Energy Consultant, Wood Canyon Group; Mike Wright, Golden Valley Electric Association; Tom Staudenmaier, Eagle River; Jerry McCutcheon, Anchorage; Brad Evans, Acting Chief Executive Officer, Chugach Electric Association, Inc.; Uwe Kalenka, Chugach Electric Association, Inc.; Paul D. Kendall, Anchorage; Brigadier General Thomas Katkus, Commander, Alaska National Guard; Quinlan Steiner, Director, Public Defender Agency, Department of Administration.

SUMMARY

HB 336 "An Act directing the Alaska Energy Authority to conduct a study of and to prepare a proposal for an appropriately sized Susitna River hydroelectric power project; and providing for an effective date."

HB 336 was HEARD and HELD in Committee for further consideration.

HB 344 "An Act relating to distribution of the Alaska Administrative Code and Alaska Administrative Register; and providing for an effective date."

HB 344 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note by the Office of the Governor.

HB 348 "An Act relating to the adoption of regulations by the Board of Fisheries and the Board of Game."

HB 348 was SCHEDULED but not HEARD.

HB 359 "An Act relating to probation and the offense of minor consuming or in possession or control of alcohol."

HB 359 was HEARD and HELD in Committee for further consideration.

HB 373 "An Act extending specified public school bond debt reimbursement; and providing for an effective date."

HB 373 was REPORTED out of Committee with a "do pass" recommendation and with new indeterminate fiscal note by the Department of Education and Early Development.

HOUSE BILL NO. 336

"An Act directing the Alaska Energy Authority to conduct a study of and to prepare a proposal for an appropriately sized Susitna River hydroelectric power project; and providing for an effective date."

Representative Kelly introduced Steve Haagenson, the newly appointed Energy Coordinator for Alaska Energy Authority (AEA).

JEAN OSTNES, STAFF, REPRESENTATIVE CRAIG JOHNSON (SPONSOR), explained HB 336, which authorizes AEA to conduct a study of the Susitna River hydroelectric power project. She referred to previous studies done in 1982 and 1983. The current

fiscal note for \$1 million is intended for the first phase of the current study, Task Force 1.

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Co-Chair Meyer wanted to know if AEA was already using an \$880,000 allocation to study energy issues in the Railbelt region. Ms. Ostnes thought that report would meld with the study proposed by HB 336. There are engineers on contract who can immediately go to work. Co-Chair Meyer asked if AEA would still need \$1 million in addition to the nearly \$1 million already set aside. He asked if the intent was to also use Railbelt energy fund money for the Susitna study. Ms. Ostnes replied that the Sponsor wanted capital money but the source was not yet identified.

Representative Joule supported energy projects for Alaska. His concern about the Railbelt project is that there are other parts of the state that need alternative energy. He does not want the State to postpone looking at other regions and would prefer to have AEA look at energy alternatives that might impact places with higher energy costs.

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Ms. Ostnes believed that the Sponsor is interested in looking at the issue state-wide and hoped that the project would affect the rest of the state.

Representative Gara voiced concerns about building a hydroelectric project only to find out later that online energy was cheaper. He referred to the five-phase study ("Estimate for Susitna Hydro-electric Feasibility Study," Copy on File), anticipated to cost a total of \$2,750,000. Ms. Ostnes replied the Sponsor felt \$1 million would help the project move forward.

Vice-Chair Stoltze wondered how much of the work done through past studies is still relevant. Ms. Ostnes referred to a 1986 report by Gordon Harrison (Copy on File) that addresses the financial plan and why it didn't work. She referred to extensive work that had been done that needs updating. Vice-Chair Stoltze had concerns about costs of the study.

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STEVE HAAGENSON, ENERGY COORDINATOR, ALASKA ENERGY AUTHORITY, spoke in support of HB 336. He defined hydroelectric projects as stable-priced power. He said sizing is critical and also having the right water resources to run the project. He thought hydroelectric would be cleaner and cheaper. The bill will allow the State to evaluate the project to the next level in order to determine

whether to go further. He felt the people of Alaska deserve to evaluate hydroelectric and compare it with other available technologies.

Vice-Chair Stoltze asked what percentage of the population would be affected by the project. Mr. Hagensom said a significant portion of the population.

Representative Joule asserted the need to look at all alternatives for energy in order to strategically develop Alaska's resources. He wondered if there were alternatives outside the Railbelt.

Mr. Haagenson anticipated that his general approach would be to meet with all Alaskans and ask them what they think the solutions are for technology and fuel source. He would try to quantify the demand for power that would be used for electricity, transportation and heating, and then determine the best options for each area of the state.

REPRESENTATIVE CRAIG JOHNSON, SPONSOR, added that Susitna is not the final answer, but one of the pieces of the puzzle. He has been in contact with developers of mining projects whose most glaring need is electricity. He cited examples of plans the Susitna project would affect.

There was a discussion about energy rates and funding options.

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Representative Gara suggested that the study include a comparison of the price of power under the Susitna project with the price of power under a gas line project. He asked about the difference between the \$1 million on the fiscal note and the \$2,750,000 cost for the total study. Representative Johnson clarified that the study was meant to be done in phases. The first phase, which would cost approximately \$1 million, would determine the feasibility of continuing the project.

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SARA FISHER-GOAD, DEPUTY DIRECTOR OF OPERATIONS, ALASKA ENERGY AUTHORITY, viewed HB 336 as a specific study of Susitna and explained the costs of the phases of the study. She referred to Co-Chair Meyer question about the earlier \$800,000 study. She mentioned alternative energy projects in rural Alaska.

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Representative Gara restated his question about comparing the prices of different types of power. Ms. Fisher-Goad

agreed those comparisons need to be done. She said the \$1 million fiscal note responds to the structure of HB 336. A Senate bill has a different approach. If the Committee chose to amend to include a broader study, the fiscal note would follow.

JIM HEMSATH, DEPUTY DIRECTOR, DEVELOPMENT, ALASKA ENERGY AUTHORITY (Testified via teleconference), explained that the \$1 million for Task Force 1 would accomplish a review of existing information, including an engineering analysis of what has already been done. This stage of the study would also look for flaws, update the estimates, and update the costs in order to understand what the cost of power would be. Task Force 1 will be able to determine if the Susitna project is feasible. If the project is feasible, then a comparative study of different forms of energy would be done. The goal is to be as focused as possible to minimize capital expenditure.

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Representative Gara asked if part of the goal of the study is to update past estimates to today's dollars. Mr. Hemsath answered in the affirmative, but added that the study would also explore changes in technology and code over the last twenty years, and take a critical look at the engineering assumptions of the first studies.

Representative Hawker referred to the fiscal note and asked for a budget analysis of who will be used in the study and how much they would be paid.

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Mr. Hemsath responded that the million dollar figure is a cap. His experience leads him to believe a lot can be accomplished for that amount of money. At AEA there are a number of term contracts put in place specifically for analysis of energy needs, so they have the capacity to efficiently develop the engineering estimate in-house. The million dollars would evaluate what has been done and review it for changes in technology and code that were not known in 1983, including seismic activity.

Ms. Fisher-Goad assured the Committee that in the past, AEA has used appropriations appropriately and with fiscal responsibility.

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Co-Chair Meyer also wanted a better breakdown of the expenses and costs of the proposed project.

ERIC YOULD, ENERGY CONSULTANT, WOOD CANYON GROUP (Testified via teleconference), spoke in support of HB 336. He had worked on the Susitna project in the 1980s. He thought a new cost estimate is important. In addition, the State needs to look at other energy projects that could provide energy to the Railbelt, specifically coal, natural gas, other hydropower projects, geothermal, wind and tidal options. In his opinion, the alternative assessment is critical to the success of the Susitna project. He pointed out that the Federal Energy Regulatory Commission will require a study of alternatives in order to get a license. The National Environmental Protection Act also requires a study of alternatives. Susitna was withdrawn by the governor in 1985 because of the costs of oil, which undermined the economics of Susitna and dried up excess revenue that could have come to the State.

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Representative Gara wanted information on the fisheries impact of the project. Mr. Yould replied that extensive fisheries studies had been done.

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MIKE WRIGHT, GOLDEN VALLEY ELECTRIC ASSOCIATION (Testified via teleconference), spoke in support of HB 336. Railbelt utilities rely heavily on fossil fuels for electric generation. The volatile price of oil has a significant impact on the cost of electricity. CO² emissions from burning fossil fuels are also a consideration.

TOM STAUDENMAIER, EAGLE RIVER (Testified via teleconference), advised consolidating all the management systems, tying the grid together, and eliminating debt.

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JERRY MCCUTCHEON, ANCHORAGE (Testified via teleconference), spoke in opposition of HB 336. He listed some of the problems with past projects. He thought the re-study should be done by the Army Corps of Engineers.

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BRADLEY EVANS, ACTING CHIEF EXECUTIVE OFFICER, CHUGACH ELECTRIC ASSOCIATION, INC. (Testified via teleconference), testified in support of HB 336. He was concerned about dependence on natural gas and thought the current system could not continue to handle energy needs in the Railbelt. He supported doing a study to find the right answers for diverse energy sources. Chugach has conducted many studies regarding alternative energy that they would be glad to share with AEA.

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UWE KALENKA, CHUGACH ELECTRIC ASSOCIATION, INC. (Testified via teleconference), testified in support of the bill. He was concerned about heavy dependence on natural gas for energy. He wanted the range of energy alternatives studied, including the Susitna hydroelectric project. He maintained that the project is overdue.

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PAUL D. KENDALL, ANCHORAGE (Testified via teleconference), spoke in favor of the Susitna hydroelectric project. He suggested holding a hearing to educate the public on energy issues. Energy is a vitally important issue. Leadership sets the tone. He recommended an incremental expansion design for Susitna.

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PUBLIC TESTIMONY CLOSED.

HB 336 was HEARD and HELD for further consideration.

HOUSE BILL NO. 359

"An Act relating to probation and the offense of minor consuming or in possession or control of alcohol."

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Co-Chair Chenault MOVED to ADOPT Work Draft for HB 359 (25-LS1377\L, Luckhaupt, 2/22/08). There being NO OBJECTION, it was so ordered.

EMILY BEATLEY, STAFF, REPRESENTATIVE JAY RAMRAS, (SPONSOR), explained HB 359. Under current minor consuming statute, the Court is required to put a convicted person on probation for one year from the date of conviction, or until the person reaches the age of 21, whichever is later. Probation in this case is automatic. House Bill 359 adds a new section under statute which gives the courts the authority to terminate probation of those convicted of minor consuming under certain conditions. Currently minors under probation are not allowed to enter into the military, which has become the largest issue connected with HB 359. Other individuals will benefit from the proposal.

Representative Gara said the bill terminates probation early but does not get rid of the conviction. He wanted more information on how the military views probation. Ms. Beatley said each branch of the military has different issues with

probation. A person can't enlist in the Marine Corps as an alternative to probation, for example.

Representative Gara asked how long probation was for a minor consuming. Ms. Beatley said minor consuming does not become a class B misdemeanor until the third offense, when it is considered habitual; at that time it falls under the Division of Juvenile Justice. For first and second consumers, the probation is mandatory and lasts until age 21, which could be a very long probation. The courts have no authority to terminate that probation.

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Representative Hawker pointed out areas that he thought needed amending in the bill. Of the criteria that could be used to lift the probation, he had difficulty with page 2, lines 14-15, "continuance of the probation which interfere with the rehabilitation and growth of the person." He thought the language too subjective and indefinable. Ms. Beatley replied that the language intends to give discretion to the court in determining what "rehabilitation and growth" would be.

Representative Hawker thought the line preceding, "The person has substantially complied with the other conditions of probation," would be sufficient. If anything was added, he thought it should be a positive statement, such as "Continuance of probation would not be in the best interest of the person."

Co-Chair Meyer agreed and asked for help drafting less subjective language.

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Representative Gara asked if the bill applies to repeat or also to first offense. Ms. Beatley replied that it applies to first and second offenses. The third offense is a class B misdemeanor and would fall under Juvenile Justice; the first and second fall under district court.

Representative Gara stated that he also has a problem with the language "rehabilitation" in the second to last line.

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Representative Thomas ruminated over how young soldiers should be dealt with after coming home from a tour of duty. He thought probation on top of their other difficulties was too much. Ms. Beatley said that part of the reason the bill came about was that good kids make mistakes. The bill offers them a chance to apply for termination of probation.

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BRIGADIER GENERAL THOMAS KATKUS, COMMANDER, ALASKA NATIONAL GUARD (Testified via teleconference), testified in favor of HB 359. Without the bill there are no options for a person with this history moving forward into the military. A person on active probation cannot join. The bill gives options to those who may have made a mistake early in life. There are less people fully qualified to join the military because of early issues.

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Representative Gara wondered why the military cares whether someone is on probation for something that is not a crime, since first and second offenses are not criminal offenses. Gen. Katkus said a person cannot be on probation for a crime; the military reads this violation as a crime.

Representative Gara wondered if the standard was the same for all four branches of the military. Gen. Katkus said the National Guard abides by Army standards. Representative Gara asked if there was any flexibility. Gen. Katkus replied that the military cannot waive regarding probation. There was a discussion about conditions under which criminal conviction could be waived.

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QUINLAN STEINER, DIRECTOR, PUBLIC DEFENDER AGENCY, DEPARTMENT OF ADMINISTRATION (Testified via teleconference), spoke in favor of HB 359. He thought it would have significant impact.

Representative Thomas queried what the average probation time was. Mr. Steiner responded that probation is automatic until 21 on this particular offense. If it were a misdemeanor for a juvenile for some other kind of offense, the probation could vary. Co-Chair Meyer thought this was a loophole that needed to be looked at. Representative Gara was amazed that one drink could result in a mandatory five-year probation.

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PUBLIC TESTIMONY CLOSED.

Representative Hawker said he would work on an amendment with staff.

Co-Chair Chenault referred to the fiscal notes.

DOUG WOOLIVER, ADMINISTRATIVE ATTORNEY, ALASKA COURT SYSTEM, said there was an error on one of the notes.

Co-Chair Chenault wondered if there should be a fiscal note from Department of Health and Social Services or Department of Corrections. Ms. Beatley said the bill specifically targets first and second offenders, neither of which falls under Corrections or Juvenile Justice. Co-Chair Chenault wanted more information.

Co-Chair Meyer said fiscal note #1 by Judiciary could be ignored.

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Representative Gara asked if Public Defenders represents people with first and second minor consuming charges. Mr. Steiner answered that they do not currently represent people because the statute was set up that way. They do get inquiries. Representative Gara queried whether any public agency represents the kids if they do not have money. Mr. Steiner was not aware of any.

Representative Gara questioned the legality of imposing probation for something that is not a crime. Mr. Steiner replied that it appears to be legal. He referred to a case where mandatory probations had been challenged.

HB 359 was HEARD and HELD in Committee for further consideration.

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HOUSE BILL NO. 348

"An Act relating to the adoption of regulations by the Board of Fisheries and the Board of Game."

HB 348 was SCHEDULED but not HEARD.

HOUSE BILL NO. 373

"An Act extending specified public school bond debt reimbursement; and providing for an effective date."

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MICHAEL PAWLOWSKI, STAFF, CO-CHAIR KEVIN MEYER, explained HB 373 as an extension of the existing school bond debt program from November 2008 to November 2010.

Representative Hawker asked, regarding the indeterminate fiscal note, if there are other bonds that might require a similar extension. Mr. Pawlowski said several bonds are being modified at the local level.

Co-Chair Meyer pointed out that Anchorage district is unique in that their elections are in April, while most are in October.

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SAM KITO, III, FACILITIES ENGINEER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that currently there are no pending issues impacted by not extending the deadline. Anchorage is the only district that could potentially be impacted if the current debt authorization extends through November 2008. If it expired and wasn't renewed until the next Legislature, an April bond issue might be affected.

Representative Thomas asked a question about a Juneau school.

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Representative Hawker MOVED to report HB 373 out of Committee with individual recommendations and attached new indeterminate fiscal note by the Department of Education and Early Development. There being NO OBJECTION, it was so ordered.

HB 373 was REPORTED out of Committee with a "do pass" recommendation and with new indeterminate fiscal note by the Department of Education and Early Development.

HOUSE BILL NO. 344

"An Act relating to distribution of the Alaska Administrative Code and Alaska Administrative Register; and providing for an effective date."

JASON HOOLEY, SPECIAL ASSISTANT, OFFICE OF THE LIEUTENANT GOVERNOR, explained HB 344 as an attempt to save the State some money. The bill allows local governments to opt out of receiving paper copies. All the material on the paper is available online; that access is not impacted by the bill. The Lt. Governor's Office currently spends over \$22,000 annually to distribute the materials. The fiscal note reflects uncertainty regarding how many municipalities will opt out.

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Co-Chair Meyer referred to the fiscal note.

Co-Chair Chenault asked for clarity if SB 257 was the companion bill. Mr. Hooley replied that it was.

PUBLIC TESTIMONY CLOSED.

Co-Chair Chenault Representative Hawker MOVED to report HB 344 out of Committee with individual recommendations and with zero fiscal note by the Office of the Governor. There being NO OBJECTION, it was so ordered.

HB 344 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note by the Office of the Governor.

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ADJOURNMENT

The meeting was adjourned at 3:39 PM.