

HOUSE FINANCE COMMITTEE
August 1, 2008
9:19 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [9:19:29 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Andrea Doll; Representative Bryce Edgemon; Sarah Fisher-Goad, Deputy Director of Operations, Alaska Industrial Development and Export Authority and Alaska Energy Authority, Department of Commerce, Community and Economic Development; Amanda Ryder, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Clyde (Ed) Sniffen Jr., Assistant Attorney General, Department of Law; Johanna Bales, Deputy Director, Tax Division, Department of Revenue; Randall Ruaro, Special Assistant, Office of the Governor; Randall Ruaro, Special Assistant, Office of the Governor; Ron Kreher, Chief of Field Services, Division of Public Assistance, Department of Health and Social Services; Suzanne Armstrong, Staff, Representative Kevin Meyer

PRESENT VIA TELECONFERENCE

Meera Kohler, President CEO, Alaska Village Electric Cooperative; Scott Ruby, Community Development Section Chief, Division of Community Advocacy, Department of Commerce, Community and Economic Development,

SUMMARY

HB 4005 An Act amending the power cost equalization program, repealing the exclusion from eligibility for power cost equalization for certain power projects that take their power from hydroelectric facilities, and amending the definition of 'eligible electric utility' as it applies to the power cost equalization program and the grant program for small power projects for utility improvements; and providing for an effective date.

HB 4005 was HEARD & HELD in Committee for further consideration.

#HB4005
HOUSE BILL NO. 4005

An Act amending the power cost equalization program, repealing the exclusion from eligibility for power cost equalization for certain power projects that take their power from hydroelectric facilities, and amending the definition of 'eligible electric utility' as it applies to the power cost equalization program and the grant program for small power projects for utility improvements; and providing for an effective date.

[9:20:27 AM](#)

Co-Chair Meyer initiated the discussion about the bulk fuel revolving loan fund. He invited Sarah Fisher Goad, Deputy Director of Operations, Alaska Industrial Development and Export Authority and Alaska Energy Authority, Department of Commerce, Community and Economic Development to testify and welcomed Meera Kohler, President CEO, Alaska Village Electric Cooperative via teleconference. He requested that all amendments be submitted by the end of the day.

[9:23:52 AM](#)

Representative Hawker asked Ms. Kohler about her expressed need to add \$35 million dollars into the Revolving Loan Fund. His understanding was that Ms. Fisher-Goad thought that might not be necessary. He asked about gaps in the state program that might result in compromising the ability to meet bulk fuel requirements for rural Alaska.

[9:25:16 AM](#)

MEERA KOHLER, PRESIDENT CEO, ALASKA VILLAGE ELECTRIC COOPERATIVE testified via teleconference. She thought that there was a large demand for increased credit. She had done some prior brainstorming to figure out the exact monetary need. She provided the necessary background. The fuel orders are about 15 percent behind those of last year. She believed that 100 million gallons of fuel were delivered per

year. She speculated that the orders were behind because the villages could not afford additional fuel, or that they were waiting for the price of fuel to drop. The actual demand for fuel in communities is about 83 million gallons. The average cost for that fuel is \$230 million, with higher costs anticipated this year. She anticipated the difference to be \$184 million. She did not know how the difference would be made up.

She continued that between the state's two managing programs there are only \$13 million dollars available for loans. She theorized that if more money was available, the demand would be greater and more of the fuel would be ordered early and not need to be flown in. She expressed concern with the cut off dates, because she knew that orders need to be placed by the 15th of August in order for delivery by the 1st of October. If the cut off day is missed, then delivery by barge is no longer an option and the villages will be faced with flying in fuel. She stated that the Alaska Village Electric Cooperative (AVEC) would like to borrow money at a low interest rate. She was concerned about Cordova electric because they buy fuel on a month to month basis from their local supplier.

[9:29:00 AM](#)

Representative Hawker asked Ms. Fisher-Goad to respond to Ms. Kohler's assertion that prices have increased and, as a result, fuel is not being ordered.

SARAH FISHER-GOAD, DEPUTY DIRECTOR OF OPERATIONS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AND ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, noted that there are two issues for the committee to consider:

- The need for credit to purchase fuel, which would then be paid back by revenues coming into the community.
- Retailers in the communities sell the fuel for residential use, which is part of the revenue for the borrower to pay back.

She did not know how to address the two issues. The bulk fuel revolving loan program is not there to finance the entire fuel needs and purchases for an entire community. It is limited to smaller communities of 2,000 people or less. The larger communities would not be eligible for the program as it exists now. One of the issues is a discussion about fuel needs and how communities are paying for the fuel that is not being sold in some type of retail process versus what is needed for credit advancement and for community loans. Currently, a handful of communities do borrow the maximum

amount. To ability for cooperatives to purchase for multiple sights was newly established two years ago, although there haven't been any borrowers under that clause. The limit now for multiple sights is \$1.8 million.

[9:32:25 AM](#)

Representative Hawker did not hear any testimony that indicated that an individual or entity was not able to meet their fuel requirements. He felt that both testimonies offered only anecdotal information. He repeated his query regarding the mentioned inability of a community to be served. Ms. Fisher-Goad replied that, she would like to check with their credit department to clarify. She did not know of specific loan requests except those requests from AVEC.

[9:34:19 AM](#)

Representative Kelly encouraged that the bill be broken down into three parts. First, his understanding was that under the current program, there are enough funds available. Ms. Fisher-Goad replied yes, at the existing amount, but in conjunction with Mr. Hawker's questions she wanted to clarify with her credit department. Her agency is experiencing a "high traffic time".

Representative Kelly's second question was whether the high cost of fuel encouraged any new "players" to seek help. The third question was what the cost would be if the interest rate was separate. He asked if the interest rate were removed, would Ms. Kohler need the credit enhancement.

Ms. Kohler replied that the board would be approving an increase in their line of credit from \$5 million dollars to \$15 million. She stated that that was not enough for this year's fuel bill.

Representative Kelly asked if money was needed now for the current program, because of increased costs of fuel. He asked "does AVEC need us to let them in the door, and if so, what is the bill".

[9:38:14 AM](#)

Ms. Fisher-Goad thought Representative Kelly's approach would be helpful. With respect to "new players," her big concern was potential fuel cooperatives that might come in and ask for the maximum amount. The \$1.8 million would put a strain on the program as it exists now. She stated that "that type of borrower hasn't come into the program yet," but as soon as they do, it will be a bigger strain on the program.

Representative Kelly was supportive, because he did not want to see fuel flown to the remote areas. He favored helping to guarantee that the credit exists.

Ms. Fisher-Goad addressed that flying the fuel into the communities, in the past, concerned issues with barge deliveries and was not a credit issue, but rather logistical issue. Her understanding was that it has never been a credit issue.

[9:40:41 AM](#)

Representative Joule asked how long it would take to consolidate the necessary information. Ms. Fisher-Goad hoped to do this as soon as the committee process breaks. She hoped she would be able to provide information to the committee today.

Representative Joule asked if the small independents as well as the larger utility providers would receive this information. Ms. Fisher-Goad stated that she will do her best to acknowledge the borrowers that she has on a regular basis; as well as exploring any new borrowers. She wanted to contact a few other agencies and explore their credit needs.

Representative Joule informed that, in the past, some communities in his district have run out of fuel because they didn't have enough money. To fly the fuel, they had to pay 12 dollars per gallon. He appreciated the turn around time, because once this session ends, so does the mechanism to act.

[9:43:30 AM](#)

Ms. Kohler interjected that Rural Alaska Fuel Services serve about 17 or 18 communities with the bridge loan program and those communities are ordering less fuel for the same dollars. There is a need for those participating in the bridge loan program that is not being met.

Representative Hawker asked Ms. Fisher-Goad if the bridge loan program was under her jurisdiction. Ms. Fisher-Goad answered that the bridge loan program is a Department of Commerce and Community and Regional Affairs program. That program is for borrowers who do not qualify for the bulk fuel revolving loan program. It is a three year program where borrowers can build up credit. Representative Hawker clarified that the program is not under the jurisdiction of Ms Fisher-Goad, so this point must also be discussed.

[9:45:13 AM](#)

Representative Nelson referenced three letters in her packet addressing energy concerns. One was a resolution from the city of Napaskiak, stating that their electric coop uses 60 thousand gallons per year. For 2007 that amount cost \$184,000. A purchase order for 2008, for the same 60 thousand gallons is \$278,000. The city is very concerned about how they and their residents will afford these increased prices. She believed that these letters were not anecdotal. The AFN had five bullet points which recommended that the Legislature help to buy down the debt of rural utilities in order to reduce cost passed on to consumers. The third letter is from Del Conrad who does administer the bridge loan program stating that, "given the increased cost, the bulk fuel loan funds should be increased from \$2.7 million to \$5 million."

[9:47:59 AM](#)

Representative Gara summarized the discussion. He understood that the cost of diesel will probably go up to nine dollars per gallon. He stated that the cap on the amount of loan money available hasn't changed, and with the rising cost of fuel, there might be a problem in getting fuel shipments to rural Alaska. He questioned if AVEC was trying to make more credit available to their members. Ms. Kohler explained that AVEC purchases the fuel themselves for all of the utilities for 53 villages, and she was not actively asking for help there. The potential problems would not surface until later, and that was her main concern. She wanted to make sure the state was prepared with a pool of money available to draw upon, in the event of emergency declarations. The electricity for AVEC's villages was not in jeopardy, but she was concerned that the bulk fuel needs for a number of small villages was.

[9:51:04 AM](#)

Representative Gara asked about the fuel delivery issue for the winter. He suggested that if the problem cannot be quantified, then give the cooperatives the loan money to buy the fuel, allowing the loan to be paid back. He asked about the risk of increasing the cap. Ms. Fisher-Goad responded that there are a couple issues, regarding Representative Gara's comments. She explained that while there was a portion of bulk fuel loan money that was paid back, there was another portion used for the communities' needs, and a portion used for the utility. The utility is based upon the rates charged to the rate payers. With respect to the retail portion versus communities' needs, there may be some additional information necessary. She thought that many bulk fuel loan payments were from other revenue sources. The concern, therefore, might not be in loan eligibility, but instead, in the ability to pay back the money within the year.

Ms. Fisher-Goad mentioned the letter read by Representative Nelson from the village of Napaskiak, explaining that those costs will need to be passed on to the rate payers. She stated that the ability to provide loans to communities is only one small part of the issue.

Ms. Kohler suggested that a working group be assembled to discuss the issue, and through comparison, identify the gap and find solutions to bridge it.

[9:55:33 AM](#)

Representative Kelly commented on the lack of time left in special session to entertain such requests. He speculated that the discussion was becoming too broad.

Representative Gara stressed time consideration. He wanted to know the real need in the communities and make sure that they got fuel, despite any shortcomings of the state agencies. He hoped that AEA would reach out to the affected communities to determine a proposal.

Representative Nelson commented that there should have been a working group already established. She was concerned that there are a number of villages seeing sky-rocketing prices in communities that do not have economists or lobbyists at their disposal. The state should be their advocate. The state agency that provides these loans should be able to estimate the need. She opined that loans should be determined and it ought to be a question that is answered quickly. The question should be answered today, when the amendments are due. Co-Chair Meyer agreed that there was not time for a working group. Representative Gara concurred.

[9:59:10 AM](#)

Representative Joule commented on his frustration with the needs of rural Alaska being addressed inadequately by the department. Additionally, there is the issue of making sure that the communities have fuel. He pointed out the number of school districts left out of the PCE program. Expenses for the school districts are increasing as well.

Representative Kelly asked what tools the administration has to address these issues. He asked if there was an emergency fund or supplemental budget available during the time that the legislature is out of session. Co-Chair Meyer informed that the supplemental budget for next March will not make fuel available for this September.

Representative Hawker agreed that a supplemental next March will not get the fuel needed this September. He warned that the issue of bulk fuel was "beyond paramount." He asserted

that the issue has been overlooked. He thought that it rests with Department of Commerce, Community and Economic Development.

[10:04:45 AM](#)

SCOTT RUBY, COMMUNITY DEVELOPMENT SECTION CHIEF, DIVISION OF COMMUNITY ADVOCACY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT testified via teleconference, that one of the programs that the division is in charge of is the bulk fuel bridge loan program, which provides funding for communities that cannot finance their fuel through any other means. Currently, that loan fund is \$2.3 million dollars. He had identified the additional need to be \$2.7 million for this year to fund communities that will not qualify through other lenders.

Mr. Ruby stated that currently, 16 communities have bridge loans; several others have contacted our contractor, Rural Alaska Fuel Services indicating that they may or may not need a fuel loan from the department. Until the department has completed applications, they are not really aware of the funding needs. Some communities are still attempting to get prices from the fuel companies. He agreed that it is important to provide financing for communities to purchase fuel to support the residents and the infrastructure. If fuel remains so expensive can anyone afford to pay the fuel provider and repay their loans?

[10:08:54 AM](#)

Representative Hawker referenced the \$2.7 million dollar number. He asked if it had been included in the appropriation bills. Mr. Ruby did not know. Representative Hawker was speechless. He asked if the department was operating in crisis mode.

[10:10:36 AM](#)

Representative Nelson agreed with Representative Hawker. She did not think that the \$2.7 million had been included in any of the bills.

Representative Gara asked if the credit limits were high enough to deal with the 40% increase in the cost of fuel this winter. He asked Mr. Ruby's opinion about whether those needed to be changed.

Mr. Ruby agreed that there was a need to expand the credit limits. It is unlikely that the need would exceed \$750,000 per community.

Representative Gara emphasized that there is a time constraint in solving this problem. He requested that Mr.

Ruby work with others to come up with a policy proposal to address the issue immediately. Both the head of AEA and the Commissioner of DCED need to be involved in tackling the problem. He was frustrated with the lack of action to address the problem.

[10:14:56 AM](#)

Representative Nelson said just because we expand the program doesn't mean that people will apply for those loans.

Representative Kelly noted that time is running out.

AMANDA RYER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, observed that the Administration is working on an amendment for the bridge loan program.

Representative Nelson suggested the Bulk Fuel Revolving Loan would also need an increase. To receive a Bridge Loan an applicant must first apply for the Bulk Fuel Revolving Loan Fund. She maintained that many villages are being overlooked.

Ms. Ryder observed that \$2 million will also be appropriated from the general fund for the Bulk Fuel Revolving Loan Fund.

[10:18:42 AM](#)

Vice-Chair Stoltze expressed confusion regarding the role of the "energy czar", Mr. Haagenson. He had expected that Mr. Haagenson would be the "point man" on key energy issues.

Ms. Fisher-Goad recalled that Mr., Haagenson had testified earlier in the special session. He is the Energy Coordinator as well as Executive Director of the Alaska Energy Authority (AEA). He is the appropriate person to address policy questions. Mr. Haagenson is working to develop a long-term energy plan.

[10:24:11 AM](#)

Vice-Chair Stoltze reiterated concerns that Mr. Haagenson's presence has not been strong. He asserted that Mr. Haagenson should have been the person who put together a cohesive policy.

Representative Gara asked Ms. Ryder if there might be additional funds to capitalize the bridge and bulk loan funds. He asked about the cap on the fund. Ms. Ryder explained the \$500 thousand dollar cap on the loans.

Representative Gara voiced frustration with the AEA program. His complaint was that the AEA is so focused on a long term plan that they are not addressing day to day issues.

Co-Chair Meyer reminded the committee of the other issues that would be discussed today.

[10:26:57 AM](#)

Representative Hawker understood that the administration realizes that there are issues that need to be resolved. He associated himself with the ramblings of Vice-Chair Stoltze. When the special session commenced, he queried about the larger issue regarding the entirety of the issues. He wanted to discuss the policy with Mr. Haagenson, as well. He stated that it was his understanding that Mr. Haagenson was on vacation during special session, thereby putting his needs above those of the state of Alaska. He regarded this action as "management by crisis." He recommended an oversight hearing in the state. He recalled the legislature asking that the energy issues be taken up in the early summer, but the administration declined. He claimed that the members are set up with five hours to resolve what has just been identified as the question. It is not a deliberate process. He wanted the departments to be aware that the committee must have their amendments in today by 4:00 pm.

[10:30:12 AM](#)

Co-Chair Meyer thought the amendments should be made to the appropriation bill. He did not know that changing the cap would fall under this call; he believed that it was a statutory change. He acknowledged that the process is frustrating.

Representative Nelson pointed out that the legislators have had different attitudes regarding the roll that the administration takes. She acknowledged that it is frustrating. She asked about the prepaid meters. The cost would be \$80 thousand dollars to purchase the prepaid meters depending on the size of a village. It is a good tool. The residents are allowed to prepay their power cost as well as pay down any debt. A letter from Mr. Haagenson responded that the request for the prepaid meter does not fit under HB 152. She expressed understanding that the request did not comport with the requirements in the renewable energy fund. She asked for a 50/50 match for those communities interested in the power set meters, which would help bring down usage. She asked if the department would favor the legislature funding the power set meters. She feared, for the bulk fuel component that January will be too late. She added that her question to the administration regarding the prepaid meters was as stand alone legislation, not as part of HB 152.

Ms. Fisher-Goad stated that the intention was to clarify that the request could not be evaluated under the HB 152 process. There have been grants managed for utilities to provide the meters. She offered to work with Representative Nelson with respect to which utilities would be looking for specific grants and what the cost would be.

[10:34:55 AM](#)

Representative Nelson commented on the senate package. She wanted to know which version the administration supports; each has different variables.

Vice-Chair Stoltze commented that if the bulk fuel issue does not fit into this call, the legislature should pass the bill and add another call. He suggested that if an issue is identified that has serious ramifications, let the administration know that the legislature wants this call amended as part of a responsible energy package.

Co-Chair Chenault sought clarification regarding the issue at hand.

[10:37:10 AM](#)

Co-Chair Chenault recalled that the original plan did not include PCE. He had not seen any bills from the administration addressing PCE or LIHEAP. The issues have been brought forth by the legislature. He encouraged that the ideas be heard. During the budget process, every department is represented. He warned that issues must be addressed in a timely manner. The department has been poorly represented during this special session.

[10:39:44 AM](#)

Representative Gara noted the electrical portion of the bill involving a credit to each utility of five cents per kWh. He had received concerns that those who rent might not receive any benefit. He asked if the intent language could help to pass the saving to the renters.

Ms. Fisher-Goad responded that they would need to inquire from utilities on how to categorize single meter and multi-family housing. The nickel credit for the non PCE eligible communities is targeted to residential. She wanted to speak with the Alaska Housing Finance Corporation (AHFC) first. She asked Representative Kelly to add any available information.

[10:42:46 AM](#)

Representative Gara responded that it made sense to give the benefits to everyone in some form of "rough justice."

Representative Kelly pointed out that a single meter on a multi-unit building is categorized as commercial and would not qualify for the rebate.

Co-Chair Meyer moved the agenda along to the motor vehicle tax and how it would be implemented. How would the eight cent tax savings be passed on to the consumer?

[10:45:14 AM](#)

Representative Gara was concerned that much of the tax would not be passed along to the consumers. His concern was that the refineries would not pass the savings on to the consumers.

CLYDE (ED) SNIFFEN JR., ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, explained that the tax is paid by the retailer, as part of the bill paid to the refiner. The opportunity to refrain from passing on the savings lies with the retailer and not the refiner.

[10:48:53 AM](#)

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, affirmed that Mr. Sniffen was correct. She explained how the fuel tax is passed along to the consumer. The concern is with the retail level because the tax is not separately identified on any receipt for the consumer. The refineries can set own their prices.

Co-Chair Meyer asked Mr. Sniffen about his ideas concerning the gas tax benefit reaching the consumers with the help of an amendment. Mr. Sniffen was working to ensure that the eight cent tax makes it onto the gas pump. He planned to introduce an amendment later in the day. The first amendment included several different concepts. It required an affidavit by the retail gas station that they had posted the tax amount at the pump. The amendment would also include the authority to audit to determine whether or not those costs have been passed on to consumers. The last component of the amendment would allow a retail gasoline station owner to post a sign on their premises or on the pump informing that they have made a pledge to pass on this savings to the consumers. This would also increase public awareness that the tax had been suspended, and promote competition to make sure the savings were passed along.

[10:53:33 AM](#)

Representative Hawker said that Ms. Bales is exactly correct about how the tax works. What is not mechanical is establishing the rate making process at the gas pump. There is nothing in this legislation to stop the wholesaler from

raising their prices to compensate for the eight cent tax disappearing. Merchants who are higher on the supply chain will all have the opportunity to take advantage of the lower price to increase their own profits. Experience in other states shows an inefficiency factor of 20 to 40 percent. This could be a form of corporate welfare. It would be more efficient to come up with other ways to directly provide relief.

[10:58:08 AM](#)

Mr. Sniffen agreed that we need to rely on market forces to regulate prices, because it is too difficult for government to do that. He understood and appreciated all of Representative Hawker's concerns.

RANDALL RUARO, SPECIAL ASSISTANT, OFFICE OF THE GOVERNOR, said there is a middle ground that the amendment will attempt to achieve between sole reliance on market forces and complete regulation to ensure that the savings will pass through. If there is a retailer or distributor who doesn't pass the savings through, they will lose business.

Co-Chair Meyer agreed that the competition in the urban areas will mean that the market forces will be effective.

[11:00:49 AM](#)

Representative Gara expressed that where there is a competitive market, the savings will pass through. The best way to help may be to add the money to the electricity rebate. This is a way to ensure that the money gets to the consumers and is not taxable. People in non-state housing may not receive the benefits if the landlords don't pass the savings along. There is no way to make the gas station owners pass the savings to the consumers. There is no way for them to know what the mathematical formula is for passing the savings along.

[11:04:52 AM](#)

Co-Chair Meyer suggested that there are other benefits to the eight cent suspension that have not been brought up. One possible benefit might be for the public transit system and the prices that are charged.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, noted that public transportation is not charged the tax.

Co-Chair Meyer explained that he had been in communication with the trucking industry. Apparently, they intend to pass the savings on as part of the cost that they charge for shipping goods, which will ultimately affect the consumer.

Mr. Burnett described anecdotal evidence that a tax suspension does benefit the consumer by referencing a time in the 1990s when aviation fuel tax was suspended in Alaska, and the plan was successful.

[11:06:59 AM](#)

Vice-Chair Stoltze believed that even the small businesses without local competition would want to pass savings on to the consumer. The penalties will not accomplish much. He recommended reducing the tax and allowing the market to work.

RANDALL RUARO, SPECIAL ASSISTANT, OFFICE OF THE GOVERNOR, noted there are key sectors that contribute greatly as taxpayers. Many Alaskans purchasing fuel will benefit from a tax suspension. Building contractors who purchase fuel to build highways will benefit from a gas tax suspension. There are unseen benefits to suspending the gas tax that benefit specific segments of the economy.

[11:09:40 AM](#)

Representative Crawford commented that if there is a reliance on markets then those markets will not allow the retailers to charge more than what it can bear. The only guarantee that the money will go to those paying the tax, would be to issue a tax rebate. Otherwise, if the tax is reduced, the eight cents will get engulfed in the market stream. He asserted that a rebate would be the only way to ensure that the people who pay the tax receive the benefit. Mr. Ruaro affirmed that a savings pass through could not be guaranteed. There is the market effect addressed earlier by Mr. Sniffen.

Representative Crawford thought we would see similar prices at various service stations. The fuel stations, in his experience, choose a price that the market will bear on any particular day. Co-Chair Meyer noticed subtle differences among retailer's prices. Representative Crawford clarified that he did not mention Costco which has a different pricing structure. All the other fuel stations choose the same price. Co-Chair Meyer pointed out that the consumer will go to the lowest priced station. He believed that the savings will be passed on.

[11:13:31 AM](#)

Representative Hawker echoed concerns with achieving the goal of the proposed gas tax suspension. He indicated that rural Alaska has been hit with high utility costs; South Central is different and has been impacted by the cost of gas. He thought that was the unresolved challenge of the

package before the committee. All citizens should benefit from the wealth of the state. The legislature must address the inflating costs of motor fuel. He reiterated his concern with the eight cent tax suspension plan's lack of efficiency.

[11:17:27 AM](#)

Representative Nelson requested the finance committee address the utility needs of rural school districts. The issue is for future contemplation, but she wanted to introduce the issue, as it was brought to her attention recently. A request for actual energy costs for FY09 included heating oil costs, electricity costs, and sewer and water costs. A projection of estimated costs for each school district, and a comparison of costs to see if supplemental needs might be there for the legislature to address. She wanted to bring this forward on behalf of the rural school districts and their exorbitant costs.

Representative Hawker pointed out that, commencing in January, legislation was passed convening a commission to evaluate a solution to the district cost factor. The energy cost is a specific issue that will be addressed by the task force to address the long term issue of disproportionate energy cost to rural schools.

[11:20:03 AM](#)

Representative Gara commented on the proposed flat payment. His concern was that if a person received a one thousand dollar check once, they might expect it again. Some suggest that the increasing permanent fund dividend (PFD) will minimize those expectations. Instead of issuing a separate payment, the additional amount could be added to the PFD, because it is accepted that the amount can change from year to year.

Representative Thomas commented on motor fuel tax. The Alaska Truckers Association (ATA) has complained about the cost of moving freight around the state. He has not heard support for the eight cent tax suspension from that group. He opined that businesses should not be exempt from PCE. Those savings will go immediately back to the consumers. Co-Chair Meyer commented that it would also be hard to determine whether the business would pass the savings on to the consumer. Representative Thomas responded that a shrewd consumer, one that is searching for the best price, would know if the business is passing on the savings.

[11:24:32 AM](#)

Co-Chair Chenault stated that is not only the energy rebate that might generate questions as to why it is not received

each year, but also the three gallon ceiling on the home heating fuel when that program is no longer in effect. Each of the programs will end up being long-term. Anything enacted today, will be subject to reversal.

[11:26:26 AM](#)

Representative Joule agreed that there is some cause for concern, however, the weatherization program as created by the legislature, with the rebate could drive and reduce some of the costs. There is the risk that there might be an expectation, however, it is also important that the legislature take credit for the good things that they do. The legislature will take a considerable amount of time dealing with long term issues. He was less concerned that some of the programs would continue to be implemented than he was in the widespread interest in renewable and alternative plans for energy. He cautioned over reaction of the high costs of long term plans. Alaska has the opportunity to look into renewable and alternative energy to proactively guide the state without fearing the cost.

[11:30:15 AM](#)

Co-Chair Meyer commented on the version of the "omnibus bill" put forward by the Senate. He liked the Low Income Home Energy Assistance Program (LIHEAP) because it helps the low income people. The senate is proposing that the state pay for any amount over three dollars per gallon. He did not agree with the proposal, as it would encourage the seller to mark up the prices knowing that the state will pick up anything over three dollars. The committee had opted to bump up the amount received.

RON KREHER, CHIEF OF FIELD SERVICES, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, referenced the heating assistance program and stated that the greatest challenge was addressing the growing cost of fuel for heating homes. Under the LIHEAP program alone, many needs to assist with heating costs were not met. Raising the income limits would not have been his first choice because of the challenge of meeting the needs of the lowest income families. Two thirds of those served now by LIHEAP are less than 100 percent of poverty. If the opportunity to serve families at 225 percent of the poverty level will also benefit low income working families, then the effort is laudable and one he is interested in implementing.

[11:35:08 AM](#)

Representative Gara asked for the comparative cost between the fuel proposals on the senate side versus the cost of the proposal at hand. Co-Chair Meyer understood that was approximately \$200 million dollars. Mr. Kreher stated that

the amount would be about \$20 million dollars to implement the provisions in the house bill. Co-Chair Meyer corrected that the total was \$40 million.

Representative Gara thought that the two components were each \$75 million dollars. He wondered if an additional \$20 million would be enough to extend the program. Mr. Kreher explained that as income limits are increased, households receive less money.

Representative Gara asked if the money added by the state was only for those above the federal limit. Mr. Kreher answered that the requested funding would serve the entire population from 0 percent of income up to 225 percent. Representative Gara liked LIHEAP because he believed that it was fair because it applies to all communities.

[11:38:33 AM](#)

Co-Chair Meyer recounted the point system. Mr. Kreher stated that the heating assistance program is driven by a series of points. The urban areas tend to get fewer of these community heating cost points. The points are derived by climactic conditions and heating degree days, etc. Representative Hawker reported at previous meeting that the final benefit for Anchorage was too low. The report was incorrect and as a result was rerun to come to the proper amount.

Representative Gara requested the correct number. Mr. Kreher explained that the report dropped off the first four digits of the number, and the correct number was indeed over one million dollars as opposed to forty four thousand dollars.

[11:43:38 AM](#)

SUZANNE ARMSTRONG, STAFF, REPRESENTATIVE KEVIN MEYER, discussed the changes made by the Senate Finance Committee. The major change is in the calculated floor for the PCE portion of the bill. The senate has calculated the floor at a lower amount.

Representative Gara asked the fiscal note of the two bodies. Co-Chair Meyer assured that raising the ceiling and lowering the floor would create a higher fiscal note. Ms. Armstrong notified that Mr. Teal was preparing a comparison.

11:45:13 AM

HB 4005 was HELD in Committee for further consideration.

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[11:46:47 AM](#)

ADJOURNMENT

The meeting was adjourned at 11:46 AM