

HOUSE FINANCE COMMITTEE  
August 2, 2008  
2:16 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [2:16:20 PM](#).

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 Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Representative Bob Roses; Representative Bryce Edgmon; Representative David Guttenberg; Representative Andrea Doll; Representative Woodie Salmon; Representative Max Gruenberg; Representative Paul Seaton; Representative Max Gruenberg; Representative Jay Ramras; Representative Sharon Cissna; Representative Beth Kerttula; Senator Con Bunde; Suzanne Armstrong, Staff, Representative Kevin Meyer; David Teal, Director, Legislative Finance Division; Randall Ruaro, Special Assistant, Office of the Governor; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; 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; Karen Rehfeld, Director, Office of Management and Budget; Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Pat Galvin, Commissioner, Department of Revenue; Tony Palmer, Vice President, Alaska Business Development, TransCanada; Tom Irwin, Commissioner, Department of Natural Resources; Clark Bishop, Commissioner, Department of Labor and Workforce Development; Larry Ledoux Commissioner, Department of Education and Early Development; Marty Rutherford, Deputy Commissioner, Department of Natural Resources

PRESENT VIA TELECONFERENCE

Clyde (Ed) Sniffen Jr., Assistant Attorney General, Department of Law; Tara Jollie, Director, Community and Regional Affairs, Department of Commerce, Community and Economic Development;

SUMMARY

HB 4001 An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize a fund; and providing for an effective date.

HB 4001 was HEARD and HELD in Committee for further consideration.

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 and HELD in Committee for further consideration.

2:18:53 PM

#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.

Co-Chair Meyer MOVED to ADOPT Amendment #1, 25-LS1757\E.28, Kane, 8/2/08:

Page 1, line 1, following "**program;**":

Insert "**authorizing a temporary power cost assistance program;**"

Page 1, line 9, through page 3, line 6:

Delete all material and insert:

"\* **Section 1.** AS 42.45.110(c) is amended to read:

(c) The amount of power cost equalization provided for each [PER] kilowatt-hour under [SUBSECTION] (b) of this section may not exceed 95 percent of the power costs, or the average rate for each [PER] eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

(1) [DURING THE STATE FISCAL YEAR THAT BEGAN JULY 1, 1999,] the power costs for which power cost equalization are [WERE] paid to an electric utility are [WERE] limited to minimum power costs of more than 12 cents a [PER] kilowatt-hour and less than 75 [52.5] cents a [PER] kilowatt-hour;

(2) each year [DURING EACH FOLLOWING STATE FISCAL YEAR], the commission shall adjust the power costs for which power cost equalization may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may not adjust the power costs under this paragraph to reduce the amount below the lower limit set out in (1) of this subsection; and

(3) the power cost equalization for each [PER] kilowatt-hour may be determined for a utility without historical kilowatt-hour sales data by using kilowatt-hours generated.

\* **Sec. 2.** AS 42.45.110(c), as amended by sec. 1 of this Act, is amended to read:

(c) The amount of power cost equalization provided for each kilowatt-hour under (b) of this section may not exceed 95 percent of the power costs, or the average rate for each eligible kilowatt-hour sold, whichever is less, as determined by the commission. However,

(1) the power costs for which power cost equalization are paid to an electric utility are limited to minimum power costs of more than 12 cents a kilowatt-hour and less than 52.5 [75] cents a kilowatt-hour;

(2) each year, the commission shall adjust the power costs for which power cost equalization may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may not adjust the power costs under this paragraph to reduce the amount below the lower limit set out in (1) of this subsection; and

(3) the power cost equalization for each kilowatt-hour may be determined for a utility

without historical kilowatt-hour sales data by using kilowatt-hours generated."

Renumber the following bill sections accordingly.

Page 3, following line 7:

Insert a new bill section to read:

"\* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

POWER COST ASSISTANCE. (a) For the period beginning October 1, 2008, and ending June 30, 2011, an electric utility that does not receive power cost equalization under AS 42.45.100 - 42.45.150 is entitled to receive five cents a kilowatt-hour for actual consumption for each residential customer of not more than 500 kilowatt-hours a month or a maximum of 6,000 kilowatt-hours a year.

(b) The assistance provided to the utility under this section shall be passed along directly to the residential customer in the form of a credit by the electric utility.

(c) The assistance provided under this section may only accrue to a single individual at a single residence with an individual meter for residential electric service.

(d) An electric utility that receives the assistance provided under this section shall comply with the provisions of AS 42.45.120.

(e) The Regulatory Commission of Alaska shall modify the tariffs of an electric utility that maintains a tariff with the commission to reflect the utility's participation under this section.

(f) The Alaska Energy Authority shall administer the program established in this section and may adopt regulations for that purpose.

(g) In this section, "electric utility" means a public, cooperative, or other corporation, company, individual, or association of individuals, including the lessees, trustees, or receivers appointed by a court, that owns, operates, manages, or controls a plant or system for the furnishing, by generation, transmission, or distribution, of electric service to the public for compensation but does not meet the requirements of AS 42.45.150(2)(B) and (C)."

Renumber the following bill sections accordingly.

Page 3, line 23:

Delete "\$170"

Insert "\$127.50"

Page 3, line 31:

Delete "\$170"

Insert "\$127.50"

Page 4, following line 12:

Insert new subsections to read:

"(d) An individual may elect not to receive the \$1,000 resource rebate authorized under (a) of this section. An individual who elects not to receive the \$1,000 resource rebate authorized under (a) of this section may provide notice of the election on a form provided by the Department of Revenue. Notice must be postmarked or received by the Department of Revenue not later than September 2, 2008.

(e) Notwithstanding any contrary provision of law, an individual who did not apply for the 2008 permanent fund dividend and is eligible for veterans' benefits under 38 U.S.C. 1315, 1513, 1521, 1541, and 1542 may apply for a \$1,000 Alaska resource rebate payment for 2008. The veteran or the spouse or dependent of a living or deceased veteran must apply to the Department of Revenue not later than October 1, 2008, and demonstrate that the individual would have been eligible to receive a 2008 permanent fund dividend under AS 43.23, except for not having applied for the 2008 permanent fund dividend previously.

(f) The veteran or the spouse or dependent of a living or deceased veteran who is denied or receives reduced payments or reduced health care benefits solely because the \$1,000 payment under this section received by the individual is counted as income is eligible for benefits under AS 47.25.120 - 47.25.300. Notwithstanding the limit in AS 47.25.130, the veteran or the spouse or dependent of a living or deceased veteran is entitled to receive the same amount as the individual would have received under 38 U.S.C. 1315, 1513, 1521, 1541, and 1542 had a \$1,000 payment not been received under this section."

Page 4, following line 29:

Insert a new bill section to read:

"\* **Sec. 9.** Section 4 of this Act is repealed June 30, 2011."

Renumber the following bill sections accordingly.

Page 4, line 30:

Delete "Sections 1 and 3"

Insert "Sections 1 and 4"

Page 5, line 1:

Delete "Section 9"

Insert "Section 8"

Page 5, line 2:

Delete "Sections 5 - 8"  
Insert "Sections 3 and 5 - 7"

Vice-Chair Stoltze OBJECTED.

SUZANNE ARMSTRONG, STAFF, REPRESENTATIVE KEVIN MEYER, explained the first change in the formula, which would alter the method for calculating Power Cost Equalization (PCE) and revert back to the formula currently in statute with the exception of a higher ceiling rate of 75 cents. The ceiling would return to 52.5 cents on June 30, 2011. Section 4, Page 2 would insert a new section into uncodified law entitled the Power Cost Assistance because it is not part of the equalization program. This exists for the period beginning October 1, 2008 and ending June 30, 2011. Page 3, Line 17 addressed the dollar value of the community heating cost point under the Low Income Home Energy Assistance Program (LIHEAP) program and similarly under the state heating assistance program \$1.27, which would increase the current value one and one half times. Page 3, Line 25 was a new section inserted under the resource rebate portion, allowing individuals to opt out of receiving the resource rebate through the Department of Revenue. Page 4, Line 1 included two new provisions. The first would allow individuals who received certain veteran's benefits under federal law to apply for the Alaska resource rebate program. The second provision would allow for these individuals to be held harmless if they lose their federal benefits.

Representative Crawford referenced Page 3, Line 27, which states that a person may elect not to receive the \$1,000 resource rebate. He suggested amending Amendment #1, deleting Amendment #16 and divert the money refused to the Renewable Energy Fund. Co-Chair Meyer suggested addressing the recommendation as a separate amendment after determining the cost by the Department of Revenue.

[2:25:03 PM](#)

Representative Nelson noted two issues that were also included in her amendment. Amendment #10 would increase the Power Cost Equalization (PCE) cap from 75 cents per kWh to \$1.15 per kWh. She referenced information by Mr. Teal regarding anticipated FY09 rates before PCE in which 70 utilities would pay more than 75 cents per kWh hour. She requested that the amendment be amended. Co-Chair Meyer stated that he preferred Representative Nelson's amendment be addressed separately.

Representative Nelson felt that leaving the cap at 75 cents per kWh and then lowering the amount to 6 cents per kWh for Anchorage consumers does not support the philosophy of the PCE program.

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Representative Gara requested the PCE cap amount for CS draft version E. He asked if it was the actual cost minus a certain amount. Ms. Armstrong responded that the ceiling was \$.75 per kWh and the established floor was 120 percent of the urban average calculated under the bill. The state would pay the difference between 15.4 cents and 75 cents; the state would cover 100% of the cost if the actual cost was lower.

Representative Gara asked about the power cost portion. Ms. Armstrong referenced the handout: "FY09 Costs under Various Assumptions" (copy on file). She noted the House proposal predicted a cost of \$54,667,204 for payments to currently qualified utilities.

Representative Gara thought that subsidizing power costs for individuals in Anchorage who have the lowest electricity costs in the state would not be equitable. Rural costs would remain high despite PCE assistance. He asked how Anchorage could pay six cents per kWh when Lime Village would pay 40 cents per kWh. He discussed extending the equity of the proposal to rural Alaska. He thought that it would not be expensive to reduce those rural utility costs by decreasing the amount of money allocated to Anchorage. He agreed with the proposal made by Representative Nelson.

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Co-Chair Meyer asserted that the maximum benefit for non PCE recipients in Anchorage and Southeast areas is a maximum amount of \$25 dollars per month. He admitted that it moved from \$.52 to \$.75 per kWh based on public testimony. He wanted to see a balanced package. Other assistance would be available from LIHEAP and the resource rebate program.

Representative Gara asked the amount needed to extend full PCE coverage to \$1.17 per kWh for rural communities. Representative Nelson stated that at \$1.15 per kWh, it would be \$63.9 million.

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DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, informed that the numbers mentioned by Representative Nelson were provided by the Senate. He pointed out that the Senate bill is not currently before the House Finance Committee. Raising the ceiling to \$1.15 would instead cost about \$3 million.

Representative Gara thought that was reasonable. He proposed a friendly amendment, to fully cover rural Alaska. He asked how much money would subsidize the cost for individuals currently charged less than 11 cents per kWh. Co-Chair Meyer

answered that the bill's proposed floor was 12.8 cents per kWh and five cents per kWh would be allocated for individuals below the floor.

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Representative Kelly commented that the .52 cent cap has been in effect for over a decade. The reason that cap is not at the maximum is because if it was removed in the future, the shock would be significant. He stressed that structural changes within the PCE program should be handled carefully.

Representative Nelson pointed out that there were 70 utilities anticipating the 75 cent cap in FY09. They are not dying villages and school construction is at 210 percent capacity. She listed the amount many villages will pay. She maintained that in two years, there will be many individuals issuing a human cry to retain this program.

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Representative Crawford agreed with Representative Kelly that it could be a shock, but the bill attempts to get "people over the hump" while seeking other alternatives. He hoped to see many structural changes.

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Representative Hawker commented that the policy created must be efficient, equitable, and effective. When providing rate based indemnity, the incentive to reduce the cost of operations is removed. He thought that Amendment #1 was reasonable.

[2:44:28 PM](#)

Representative Gara proposed an easy fix that would cost the state only \$3 million dollars. If a change to Page 2, Line 26, from the urban subsidy of 5 cents per kWh to 4.75 cents per kWh was made, then a \$3 million dollar savings would be seen. Anchorage would continue to get a subsidy, but it would allow the dollars to extend full coverage to the higher cost areas. The renewable energy fund provides incentive. He respected the comments regarding the incentive of choosing alternative energy sources in the future. He reiterated that the amount necessary is only \$3 million dollars.

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Representative Nelson emphasized that the village residents are efficient. She compared electricity use in villages at an average of 300 kWh per month to Anchorage's use of 750 kWh per month. It is impossible to have a healthy economy

without clinics and schools, which are not covered by PCE. The villages will be paying twice as much as Anchorage at six cents.

Co-Chair Chenault pointed to the \$20 million dollars allocated for school's energy costs. He added that the municipal revenue sharing plan had been reinstated for community facilities. He stressed that the legislature has moved forward in addressing those needs.

[2:49:15 PM](#)

Representative Nelson voiced appreciation for the latitude provided by the Chair for the committee to discuss the issue. She read a letter from the Yupiit School District regarding district cuts of nearly \$900 thousand from the operating budget because of fuel delivery costs. She asserted that preparation for rates rising so drastically would have been impossible. She appreciated the discussion in light of the crisis. Co-Chair Meyer advised that Amendment #1 should not be amended but proposed that changes be inserted into Amendment #10.

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Representative Gara asked for an explanation of Line 17, Page 3. Ms. Armstrong explained that the dollar amount of the community heating cost points in the LIHEAP program was changed from \$170 dollars to \$127.50 dollars.

Representative Gara clarified that the legislature is increasing the individual's potential LIHEAP payment. Co-Chair Meyer responded that the additional \$10 million added to LIHEAP will now include eligible recipients in up to 225 percent of the poverty level.

Representative Gara asked if this would increase or decrease the individual potential payment. Ms. Armstrong stated that the change would increase from the current value by one and one half times.

Representative Gara asked what the additional appropriation for LIHEAP would be with this change. Co-Chair Meyer responded \$10 million dollars.

Representative Gara clarified that the \$40 million dollars discussed in prior meetings was for the former proposal. Ms. Armstrong agreed.

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Representative Gara directed comments on the appropriate amount of the rebate. Co-Chair Meyer noted that a family of

four at 225 percent poverty level had a \$60 thousand per year income.

Representative Nelson asked if a LIHEAP household, under this proposal, with an average of ten points, would get \$1270 dollars per year. Ms. Armstrong replied that Representative Nelson was correct; the benefit is awarded on an annual basis. Representative Nelson estimated that this amount would pay for only 200 gallons of fuel. Co-Chair Meyer wanted to see the "right package". He listed available benefits, which included PCE, LIHEAP, and the resource rebate.

Representative Nelson commented that home heating is the most expensive utility. For low income families, 40 percent of their budget is spent on home heating. She liked LIHEAP because it addresses the poorest of the poor and ensures that they do not fall through the cracks. She emphasized that LIHEAP applicants are some of the poorest individuals in the state.

Co-Chair Meyer disagreed because he felt the amendment would increase the amount significantly.

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Representative Gara opined that there was no doubt that the amendment was inequitable. The bill allocates \$65 million dollars to Anchorage. He proposed that instead of 5 cents per kWh change to 4 cents per kWh, which saves \$13 million. This proposal would provide little change for those in Anchorage while providing a big change rural Alaska. He urged the change as it would have very little effect on Anchorage and he encouraged full PCE cap at \$1.17 per kWh.

Co-Chair Meyer interjected that Anchorage is a large area and that one cent does add up to a considerable amount of money. Ms. Armstrong added that the allocation would not be limited to the Anchorage area; Fairbanks, Juneau, Homer, Mat-Su, Kodiak, Seward, Petersburg, Wrangell, and Ketchikan would also be included. The population density increases the number. Co-Chair Meyer agreed.

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Vice-Chair Stoltze observed the number of municipalities and noted that one half million people fell under the 5 cent per kWh. This would constitute 80 percent of the population. He understood equitable to mean that each legislative district would receive equal benefits. The goal was to allow 80 percent of the people to receive some of the benefit. Co-Chair Meyer was sympathetic to rural Alaska and wanted to see the package reflect equity.

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Vice-Chair Stoltze WITHDREW the OBJECTION. Representative Nelson OBJECTED.

[3:07:07 PM](#)

Representative Gara MOVED to AMEND Amendment 1 on Page 1, Line 14:

Delete 75 cents per kWh  
Insert 1.17 per kWh

Page 2, Line 26;  
Delete 5 cents per kWh  
Insert 4 cents per kWh

Delete Page 3, Line 17-23.

Co-Chair Meyer OBJECTED to the amendment to the amendment.

Representative Gara clarified that the original intent of Special Session was to help people in crisis. Co-Chair Meyer countered that there are people in Anchorage who are struggling to pay their electric bills.

Representative Hawker discussed the argument to redistribute the wealth from the customer of non PCE utilities to PCE utilities. He spoke to the poverty and wealth in his own community.

[3:14:59 PM](#)

Vice-Chair Stoltze asked how the amendment would reduce utilities for the non PCE applicants. Ms. Armstrong offered to run the numbers; she thought it would reduce the assistance around \$13 million dollars per kWh. Mr. Teal informed that on Page 6 of the spreadsheet the utilities that are not currently eligible for PCE are listed. For every penny reduction, each consumer's bill would be reduced by \$5. Every consumer would have a \$25 reduction in their monthly bill. If the reduction was dropped to 4 cents there would be a \$20 reduction in a monthly bill.

Representative Gara clarified that each penny per kWh would equal \$13 million dollars. He conceded that there should be a component of this program that benefits individuals regardless of their wealth. Co-Chair Meyer reiterated that the total benefit with the change proposed by Representative Gara would be \$240 per year versus \$300 per year.

[3:19:46 PM](#)

Representative Thomas stated that he would vote against the amendment. He thought that the bill would provide more advantages to all communities.

Representative Gara WITHDREW the change.

Representative Nelson maintained her OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 1.

IN FAVOR: Foster, Hawker, Kelly, Stoltze, Thomas, Meyer, Chenault.

OPPOSED: Gara, Nelson, Crawford

Representative Joule was not present for the vote.

The MOTION PASSED (7-3).

[3:22:22 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #2:

Page 4, following line 27:

Insert:

"(c) A retail dealer located in a municipality or community of 1,000 or fewer residents that purchases or receives a transfer of gasoline, diesel, or aviation fuel from a person that would have been subject to AS 43~40M10(c) except for the suspension established in (a) of this section, shall pass on to the end user 100 percent of the tax savings realized from the tax suspension provided under (a) of this section.

(d) While the suspension of the state motor fuel tax is in effect, a retail dealer described under (c) of this section shall annually submit a signed statement, under penalty of unsworn falsification, on a form or in a format prescribed by the Department of Revenue stating that

- (1) the retail dealer will pass on to end users 100 percent of the tax savings while the suspension under (a) of this section is in effect;
- (2) the retail dealer will not increase its price for motor fuel based solely in response to the suspension of the state motor fuel tax; and

Representative Hawker OBJECTED.

[3:22:41 PM](#)

RANDALL RUARO, SPECIAL ASSISTANT, OFFICE OF THE GOVERNOR, Mr. Ruaro explained that Amendment #2 is an attempt to ensure that gas retailers will pass on the eight cent fuel tax suspension savings.

Representative Hawker noted that this amendment is an attempt to address concerns that the tax suspension savings would be a benefit to the consumer, but he sees no evidence that it will be effective.

Co-Chair Meyer asked how many retailers this suspension would impact. Mr. Ruaro said the amendment would impact retailers operating in communities with a population of 1000 or less. He expected that it would have a positive effect.

[3:25:53 PM](#)

Representative Gara noted that not all the benefit can be expected to go to consumers. He is concerned about sending someone to jail for inadvertently failing to pass along the savings. He asked how to determine that a retailer was passing on the savings with variables like market forces, competition, etc.

Mr. Ruaro cited the case in Florida where failure to pass along the savings was a crime. There, the state reviewed the gross receipts of the suppliers. Subsequent analysis showed even greater savings passed along to consumers.

Representative Gara maintained that in two different situations in Alaska, different market conditions would cause suppliers to behave differently.

Mr. Ruaro explained his thinking. Competition in the urban market will pass the savings on to the consumers. Fuel stations that refrain from passing the saving will not sell as much gas. The amendment addresses the rural concerns by providing incentives to pass on the savings.

[3:30:05 PM](#)

Representative Gara appreciated the effort to encourage people to be more honest, but felt that there was not a sure method of enforcing the law. It is difficult to determine whether or not the law has been broken.

CLYDE (ED) SNIFFEN JR., ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW testified via teleconference, that there are some mechanisms in place that could help determine that the savings are being passed along. There is a provision in

the Amendment that allows the Department of Revenue to audit books.

[3:32:12 PM](#)

Representative Thomas commented on the constituents he served who live primarily in areas with populations less than 1000. These individuals are routinely checking the barge as the fuel arrives, to note the cost of gas. He asserted that these constituents would know immediately if the savings had not been passed along.

Representative Hawker believed that while the vendors in the smaller towns may be well observed they are also the least equipped to implement the detailed provisions listed here. He asked about the fiscal note associated with auditing the retailers' fuel books.

[3:34:01 PM](#)

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, responded that audits would not occur unless complaints are issued from consumers. He thought that any complaints would be resolved easily.

Representative Hawker agreed that the need to enforce this penalty is not anticipated. What is the point of putting it in statute if there is no anticipation of complaints and audits? The weight of evidence falls against this amendment.

[3:36:20 PM](#)

Representative Crawford voiced concern with Amendment #2. He disagreed with this amendment because he did not think it was a good use of the state's resources. The simplest way to get the \$40 million to Alaskans would be to issue a direct payment.

[3:39:26 PM](#)

Mr. Ruaro disagreed and pointed out the Unfair Trade Practices currently written on the books. The amendment is consistent with those statutes where a business is regulated and the government is allowed to check and make sure it is followed. A retailer would have to intentionally defraud to be found guilty under the bill.

Representative Kelly admitted that the administration has attempted to address the situation. He testified to the liability of the state. He did not want to give the impression that a person should call the state if they suspect that they are not benefiting from the gas tax suspension. Sending the message that the state is liable is

the wrong message to send. The effort of the administration was good but the result was not.

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Representative Hawker maintained his OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 2.

IN FAVOR: Meyer

OPPOSED: Gara, Hawker, Kelly, Nelson, Stoltze, Thomas, Crawford, Foster, Chenault

Representative Joule was not present for the vote.

The MOTION FAILED (1-9).

[3:44:31 PM](#)

Representative Hawker MOVED to ADOPT Amendment #3, 25-LS1757\E.1, Kane, 7/31/08:

Page 1, lines 5 - 7:

Delete **"relating to Alaska resource rebates, and increasing the amount of the 2008 permanent fund dividend by the amount of the rebate"**

Page 4, lines 1 - 12:

Delete all material.

Re-number the following bill sections accordingly.

Page 5, line 1:

Delete "Section 9"  
Insert "Section 8"

Page 5, line 2:

Delete "Sections 5 - 8"  
Insert "Sections 5 - 7"

Vice-Chair Stoltze OBJECTED.

Page 1, Lines 5-7, delete: "relating to the Alaska resource rebates and increasing the amount of the 2008 permanent fund dividend by the amount of the rebate"

Delete all material on Page 4, Lines 1-12. Renumbering the following bill sections accordingly, Page 5, Line 1, delete "Section 9" and insert "Section 8". Page 5, Line 2, delete "Sections 5-8" and insert "Sections 5-7".

Representative Hawker explained Amendment #3. He discussed the three "E's":

- efficient
- equitable
- effective

There is nothing written in this bill that would encourage people to switch to renewable energy. Once the oil wealth is gone, it's gone for good. If the money were spent with a policy and a plan, then much good could be done. There is a billion dollars worth of deferred maintenance on roofs of state buildings alone. There are a tremendous amount of state infrastructure improvements that could be done. "Throwing cash at people is not good policy but it is what politicians do when they don't have policy." Giving away money does not encourage any incentive to invest in changes that will benefit communities for the long term.

[3:51:24 PM](#)

Representative Thomas spoke to the other side of the amendment. His communities pay for electricity at 22 to 58 cents per kWh. Home heating fuel is being used throughout Southeast Alaska, unlike the natural gas available on the railbelt. This is the only part of the bill where everyone is treated equally no matter where they live. The villages in Southeast are shrinking due to high energy costs. The people deserve to benefit from the wealth of the state.

[3:54:27 PM](#)

Representative Gara agreed with most everything that Representative Hawker said but disagreed with him on the vote. There are other important needs in the state. The expense will be \$800 million. He announced that \$200 million of this resource rebate will go to families with incomes over \$100 thousand per year. He believed that there was a better use for that \$200 million. He tried to shave this proposal down to get money to the people who do need it but not to those who don't need it. But he couldn't find a way to get the committee to go along with his idea. Therefore he was supporting it in order to get the funds to those who really need it.

[3:57:22 PM](#)

Vice-Chair Stoltze told a story about Wally Hickel and his admiration of him.

Representative Kelly agreed that many people are not asking for the support check. The opinion most expressed by his constituents is that they would take the check if it was

passed out, but it is a poor way to do business. The cost would be at least one billion dollars. He would rather see the money spent on a road to Western Alaska, which he had been hearing about since he was young. The road would make a difference for energy costs. He would also prefer to build the Susitna Dam, or to build an electric intertie to Tok. These projects would provide long term impacts on energy. He was concerned about the loss of self-reliance in Alaska. Some people are helping themselves by installing wood pellet stoves and others efficient wood burning devices. Helping the poorest of the poor often turns into helping people with high income levels. He is worried about handing a check to his grandchildren - what kind of a message does this send to them? At statehood, the founders didn't have in mind using our resources to pay electric or fuel bills. The constitution was not set up for people to get the natural resource proceeds themselves, but to allow the state to build the infrastructure necessary to build the economy. He is unsure what his position is on the final bill, but he will support this amendment because he would rather have the money pay for infrastructure.

[4:05:38 PM](#)

Representative Crawford felt trepidation about this bill. He opposed Representative Thomas' bill offered earlier. The vast majority of his constituents have expressed opposition to this bill, but there are some who really need it. He is going to oppose this amendment for now, but he may not be able to support the final bill unless there are other changes made.

[4:08:33 PM](#)

Representative Hawker explained that this policy call was a classic dilemma, the choice between two unacceptable alternatives. He decided he would like to have a vote on the issue because he wanted to encourage a thorough debate about the state's policy. He advocated for a frugal government. He did not want to face the issue of comparing this expenditure with the many other projects that are truly a higher priority. He believed that the \$800 million expended here did not rise to the level of building schools or alternative energy projects.

[4:12:27 PM](#)

A roll call vote was taken on the motion to adopt Amendment 3.

IN FAVOR:           Hawker, Kelly, Foster  
OPPOSED:           Nelson, Stoltze, Thomas, Crawford, Gara,  
                          Meyer, Chenault

Representative Joule was not present for the vote.

The MOTION FAILED (3-7).

[4:14:41 PM](#)

Representative Thomas WITHDREW Amendment #4.

[4:15:07 PM](#)

Representative Thomas WITHDREW Amendment #5.

[4:15:28 PM](#)

Representative Thomas MOVED to ADOPT Amendment #6, #25-LS1757\E.13, Mischel & Kane, 8/1/08:

Page 1, following line 8:

Insert a new bill section to read:

"\* **Section 1.** AS 42.45.110(b) is amended to read:

(b) An eligible electric utility is entitled to receive power cost equalization

(1) for sales of power to local community facilities, calculated in the aggregate for each community served by the electric utility, for actual consumption of not more than 70 kilowatt-hours a month for each resident of the community; the number of community residents shall be determined annually by the latest figures of the United States Bureau of the Census or other population data that the Department of Commerce, Community, and Economic Development determines is reliable; and

(2) for actual consumption of not more than 500 kilowatt-hours a month sold to each residential and business customer."

Page 1, line 9:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 1, line 13, following "rate":

Insert "for a residential customer, and the retail commercial power rate, for a business customer,"

Page 2, line 19, following "rate":

Insert "for a residential customer, and the retail commercial power rate, for a business customer,"

Page 2, following line 21:

Insert a new bill section to read:

"\* **Sec. 4.** AS 42.45.110(d) is amended to read:

(d) An electric utility whose customers receive power cost equalization under AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost equalization and the amount of power cost equalization for each [PER] kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 70 kilowatt-hours a [PER] month for each [PER] resident of the community, and to reduce the cost of the first 500 kilowatt-hours for each business and each [PER] residential customer a [PER] month."

Renumber the following bill sections accordingly.

Page 2, line 24, following "residential":  
Insert "and business"

Page 4, line 30:  
Delete "Sections 1 and 3"  
Insert "Sections 1, 2, 4, and 5"

Page 4, line 31:  
Delete "Section 2"  
Insert "Section 3"

Page 5, line 1:  
Delete "Section 9"  
Insert "Section 11"

Page 5, line 2:  
Delete "Sections 5 - 8"  
Insert "Sections 7 - 10"

Vice-Chair Stoltze OBJECTED.

Representative Thomas explained that Amendment #6 would allow businesses to qualify for the benefits of PCE for consumption of not more than 500 kWh per month.

Representative Meyer asked for history as to why businesses were not included. Representative Nelson answered that businesses and schools were included for many years. They were excluded in the late 1990's, when the legislature lowered the ceiling and raised the floor for allowable residential PCE.

[4:17:24 PM](#)

Representative Kelly stated that this amendment would be a structural change to a temporary solution. The PCE program was meant to be temporary, until the problems of roads and transmission lines were fixed. The proposed structural change would best be handled during regular session with more time to think about it. He opposed the amendment.

[4:18:46 PM](#)

Representative Hawker argued that the amendment does result in a policy call that is more efficient, equitable and effective. He supported the amendment.

Co-Chair Meyer asked the cost associated with implementing the amendment.

[4:20:16 PM](#)

Vice-Chair Stoltze asked if Department of Commerce, Community and Economic Development could testify to the precise definition of technicalities regarding the term "business."

Representative Gara questioned if the sponsor would accept businesses from communities of 10,000 or less. Representative Thomas understood that when PCE was initiated, the businesses in Anchorage were not considered. It was easier to cut the rural without the votes than it was to cut the businesses from Anchorage. He wanted to reintroduce fairness.

[4:23:47 PM](#)

TARA JOLLIE, DIRECTOR, COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT testified via teleconference that the language is commercial as opposed to non residential. She offered to do some research on the language and report later.

[4:24:38 PM](#)

SARAH FISHER-GOAD, DEPUTY DIRECTOR OF OPERATIONS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AND ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, commented on potential costs for all commercial customers in PCE eligible communities. She stated that those customers have not been in the program since FY99. If they came back into the program, with a ceiling of 72.5 cents; the estimated cost would be \$18 million dollars. The state has not had commercial customers in this program for about ten years.

[4:26:31 PM](#)

Co-Chair Meyer questioned changing PCE to include non PCE members. Ms. Fisher-Goad offered to run estimates on those numbers.

Representative Kelly clarified the legislature is not adding a single utility or community to the PCE program. Additionally, he clarified that the subsidy was allocated for 500 kWh; the maximum benefit available to a residential consumer in a non PCE community is \$25 dollars. In a PCE community, the 75 cent ceiling results in \$115 dollar subsidy increase. Ms. Fisher-Goad clarified that the maximum was \$295 per month. Typically the PCE eligible communities are not reaching 500 kWh.

[4:32:47 PM](#)

Co-Chair Meyer addressed the issues and questions regarding Amendment #6. He asked if mining would qualify for PCE. Ms. Fisher-Goad responded that most of the high users self generate. Golden Valley Electric has four commercial customers.

[4:34:24 PM](#)

Representative Thomas WITHDREW Amendment #6.

[4:34:36 PM](#)

Vice-Chair Stoltze MOVED to ADOPT conceptual Amendment #7, #25-GH4060\C.3, Bullock, 8/1/08:

Page 1, line 1:

Delete "**motor fuel tax**"

Insert "**state motor fuel tax and municipal taxes on the sale of motor fuel**"

Page 1, following line 2:

Insert a new bill section to read:

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

LEGISLATIVE INTENT. (a) It is the intent of the legislature that

(1) secs. 2 and 3 of this Act will result in a decrease in the cost of motor fuel to the people of the state by reducing the taxes applicable to the sale or transfer of motor fuel; and

(2) during the suspension period described in secs. 2 and 3 of this Act, no new tax be imposed by the state or a municipality on the sale or transfer of motor fuel.

(b) For the purposes of (a) of this section, "new tax" means a tax on the sale or transfer of motor fuel

that would be applicable after the effective date of this Act and that was not levied or collected before the effective date of this Act."

Page 1, line 3:  
Delete "**Section 1**"  
Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 2, following line 5:  
Insert a new bill section to read:  
"**\* Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:  
SUSPENSION OF MUNICIPAL TAXES ON THE SALE OF MOTOR FUEL. Notwithstanding any other provision of law, a municipality may not levy and collect a tax on the sale of gasoline, diesel, or aviation motor fuel for the 12 consecutive calendar months immediately following the month of the effective date of this Act."

Renumber the following bill section accordingly.

Representative Gara OBJECTED.

Vice-Chair Stoltze explained the amendment which is directed at a large segment of energy users and identifies motor fuel sales tax. The sales tax is the most regressive tax. The attempt of the amendment is to suspend sales tax. This is a policy mandate. He pointed out that individuals in his district spend the largest portion of their income on motor fuels. The amendment had been written to a different version of the bill. Originally, he wanted to see this amendment attached to coincide with the suspension period. The other intent was to have this amendment apply to home heating fuel. The amendment would also impact marine and aviation fuel costs.

[4:39:01 PM](#)

Representative Gara asked which communities have a motor fuel tax. Vice-Chair Stoltze replied that it is rolled into sales tax statewide and has a large effect on the per gallon price.

Representative Gara thought that many communities already have policy and he would prefer not to interfere. Co-Chair Chenault stated that he was "caught in the middle". The Borough sales tax is three cents.

[4:41:41 PM](#)

Co-Chair Chenault commented that while he could appreciate the intent of the amendment, he knew that the sales tax in his borough was used for education. This method helps minimize property taxes. In Kenai the 3.5 cent tax is used to fund their government. He spoke in favor of the idea because he saw the need with the price of gas so high. The majority of complaints that he heard from his constituents included the high price of gas and the need to commute for work. He would not support the amendment but he agreed with the concept of limiting the amount of sales tax that cities charge.

[4:43:49 PM](#)

Representative Hawker reported that he also represents an area that has a large sales tax and is dedicated to education. He agreed in theory, but could not support the amendment because it would shift the burden of the energy cost to the schools or property tax payers.

[4:45:29 PM](#)

Representative Thomas explained that the amendment appears to be an unfunded mandate. He thought that communities were going to issue a cap on the amount of tax they are able to collect with the rising prices. He said he cannot support the amendment.

Vice-Chair Stoltze disagreed that the amendment would punish communities. The high costs of fuel were unexpected. He maintained that the excess money was not budgeted in for schools. He termed it a significant step toward lowering gas prices. He shared a personal story of high gas prices. He emphasized that this would be a significant way to lower gas prices.

[4:51:06 PM](#)

Representative Gara maintained his OBJECTION.

A roll call vote was taken on the motion to adopt Amendment 7.

IN FAVOR: Stoltze, Meyer

OPPOSED: Kelly, Nelson, Thomas, Crawford, Foster, Gara, Hawker, Chenault

The MOTION FAILED (2-8).

[4:52:34 PM](#)

Representative Kelly MOVED to ADOPT Amendment #8, #25-LS1757\E.6, Kane, 8/1/08:

Page 1, line 1, following "Act":

Insert "**establishing the Alaska energy efficient home heating loan fund and a loan program using the loan fund balance;**"

Page 1, following line 8:

Insert a new bill section to read:

"\* **Section 1.** AS 18.56 is amended by adding a new section to read:

**Sec. 18.56.415. Alaska energy efficient home heating loan fund.** (a) There is established in the corporation the Alaska energy efficient home heating loan fund consisting of money appropriated to it by the legislature and deposited in it by the corporation.

(b) Subject to appropriation, the corporation may provide to qualified residents zero-interest loans from the Alaska energy efficient home heating loan fund to assist in installing in dwellings wood, wood-pellet, or barley-fired stoves, or other energy efficient heating systems that meet criteria adopted by the corporation.

(c) The corporation shall  
(1) administer the Alaska energy efficient home heating loan fund; and  
(2) adopt guidelines and procedures for the fund and for administering the loan program, both as established under the provisions of this section."

Page 1, line 9:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 4, line 30:

Delete "Sections 1 and 3"

Insert "Sections 2 and 4"

Page 4, line 31:

Delete "Section 2"

Insert "Section 3"

Page 5, line 1:

Delete "Section 9"

Insert "Section 10"

Page 5, line 2:

Delete "Sections 5 - 8"

Insert "Sections 1 and 6 - 9"

Co-Chair Meyer objected.

Representative Kelly explained that the amendment was to provide an alternative home heating loan fund. It is an attempt to help those who are trying to help themselves. Time did not permit the inclusion of this within the existing program.

Representative Kelly WITHDREW Amendment 8.

Co-Chair Meyer said he would like address this during regular session.

Representative Kelly realized how difficult it was to include it in a regular program.

[4:56:10 PM](#)

Representative Kelly WITHDREW Amendment 9.

[4:57:12 PM](#)

Representative Crawford spoke strongly in favor of Amendments 8 and 9 and requested that they be brought up again. Representative Kelly agreed.

[4:58:35 PM](#)

Representative Gara agreed with Amendment 9. He thought Amendment 8 could be introduced. The policy could be established, even though it would not be effective until the Alaska Housing Finance Corporation (AHFC) could determine the amount of money needed and the legislature made a decision to fund it. He thought that it was a good idea to help individuals help themselves.

Co-Chair Meyer explained that the amendment should remain withdrawn due to the absence of AHFC.

[5:00:37 PM](#)

Representative Nelson MOVED to ADOPT Amendment #10, #25-LS1757\E.11, Luckhaupt & Kane, 8/1/08:

Page 1, line 1, following "Act":

Insert "**establishing the Alaska energy efficient home heating grant fund and a grant program using the grant fund balance;**"

Page 1, following line 8:

Insert a new bill section to read:

"\* **Section 1.** AS 18.56 is amended by adding a new section to read:

**Sec. 18.56.415. Alaska energy efficient home heating grant fund.** (a) There is established in the corporation the Alaska energy efficient home heating grant fund consisting of money appropriated to it by the legislature and deposited in it by the corporation.

(b) Subject to appropriation, the corporation may provide to qualified residents grants of up to \$1,000 from the Alaska energy efficient home heating grant fund to assist in installing in dwellings wood, wood-pellet, or barley-fired stoves, or other energy efficient heating systems that meet criteria adopted by the corporation.

(c) The corporation shall  
(1) administer the Alaska energy efficient home heating grant fund; and  
(2) adopt guidelines and procedures for the fund and for administering the grant program, both as established under the provisions of this section."

Page 1, line 9:  
Delete "**Section 1**"  
Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 4, line 30:  
Delete "Sections 1 and 3"  
Insert "Sections 2 and 4"

Page 4, line 31:  
Delete "Section 2"  
Insert "Section 3"

Page 5, line 1:  
Delete "Section 9"  
Insert "Section 10"

Page 5, line 2:  
Delete "Sections 5 - 8"  
Insert "Sections 1 and 6 - 9"

Vice-Chair Stoltze OBJECTED.

Representative Nelson explained that this amendment deletes 75 cents as the cap for PCE eligible communities and increases it to \$1.15. More than seventy communities have electricity costs well over the cap of 75 cents.

[5:02:48 PM](#)

Representative Nelson WITHDREW Amendment 10.

[5:03:10 PM](#)

Representative Nelson MOVED to ADOPT Amendment #11, #25-LS1757\E.10, Kane, 8/1/08:

Page 2, line 5:  
Delete "75 cents"  
Insert "\$1.15"

Co-Chair Meyer OBJECTED.

Representative Nelson explained that amendment #11 changes the calculation of PCE floor to take into account the proposed 5 cent reduction in electric rates for the non PCE users. If the floor is tied to the weighted average of urban utilities, then the floor should reflect the rate actually paid by the consumers in the PCE communities. Co-Chair Meyer summarized the intent as spreading the floor and the ceiling to the amount before the non PCE was added. Representative Nelson concurred.

Ms. Armstrong explained how the formula is structured. She noted that it does not apply to the current formula. She explained the lower limit is 12 cents according to the way the statute is written.

[5:05:53 PM](#)

Co-Chair Meyer asked if this is in conflict with a previous amendment. Ms. Armstrong explained that there is no equalization that occurs after the formula is calculated. There is no potential for equalization after the calculation occurs.

Representative Nelson said her intent was to bring the rate down 5 cents for PCE and non PCE users.

Co-Chair Meyer clarified that the intention is to lower the floor from 12.8 down to 7.8. He said there would be a cost associated with lowering the floor. Representative Nelson spoke to the intent of PCE program. She felt that the program was helping rural Alaskans but not addressing the disparity. Having made her point, she chose to withdraw the amendment because it was confusing.

Representative Nelson WITHDREW Amendment 11.

[5:07:59 PM](#)

Representative Nelson MOVED to ADOPT Amendment 10, which would delete "75 cents" and insert "\$1.15.". Co-Chair Meyer OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Nelson, Crawford, Foster, Gara  
OPPOSED: Kelly, Stoltze, Thomas, Hawker, Meyer, Chenault

The MOTION FAILED (4-6).

[5:09:45 PM](#)

Representative Nelson MOVED to ADOPT Amendment #12. Co-Chair Meyer OBJECTED.

The proposed changes were:

Page 3, line 23:

Delete "\$170"

Insert "\$300"

Page 3, Line 31:

Delete "\$170"

Insert "\$300"

Representative Nelson explained that the figures are related to LIHEAP. She noted she was attempting to increase the number for possible future need.

Representative Kelly referred to the debate on Amendment 1. He said his reasons against the amendment are the same as stated during the discussion on Amendment 1.

Representative Gara MOVED to ADOPT conceptual amendment to Amendment 12 -increasing the point system to \$170 as written in the CS. Vice-Chair Stoltze OBJECTED.

Representative Gara explained his reasoning. He suggested raising the amount of the cap and argued for it. The money would only be available for those in serious need. Heating costs for some Alaskans will be substantial.

[5:14:50 PM](#)

Vice-Chair Stoltze spoke to his objection. He commented on \$2000 a month for fuel heating and felt that this number might reflect inefficient heating. He questioned the accuracy of the \$2000 per month heating bill. Representative Nelson said that \$11 per gallon is accurate. Vice-Chair Stoltze thought the number was too high and irrelevant.

Representative Nelson stated that the rates were accurate before the weatherization program was implemented.

[5:16:33 PM](#)

Co-Chair Chenault observed that the dollar amount being discussed is "per point." The legislature cannot address every need, but the best package will be developed.

Co-Chair Meyer commented that most rural homes would qualify for the full 35 points. He maintained that those individuals who need energy assistance would get help.

Representative Nelson argued that raising the cap would keep it from being written in statute. The cap has never been written in statute. The intention of the amendment is to help the poorest people if the price of oil continues to rise.

Co-Chair Meyer said that if the price of oil continues to rise, then this issue will be visited next session.

A roll call vote was taken on the motion to amend Amendment 12.

IN FAVOR: Nelson, Crawford, Foster, Gara, Hawker  
OPPOSED: Stoltze, Thomas, Kelly, Chenault, Meyer

The MOTION FAILED (5-5.)

[5:21:26 PM](#)

Representative Nelson WITHDREW Amendment 12.

[5:21:57 PM](#)

Representative Nelson MOVED to ADOPT Amendment #13, #25-LS1757\E.5, Mischel & Kane, 7/31/08:

Page 1, line 1, following "Act":  
Insert "**amending the bulk fuel bridge loan fund;**"

Page 1, following line 8:  
Insert a new bill section to read:  
"\* **Section 1.** AS 29.60.660(c) is amended to read:  
(c) Loans made from the bulk fuel bridge loan fund to one borrower in a fiscal year  
(1) may not exceed **\$750,000** [\$500,000];  
and  
(2) shall be repaid within one year after the date of the award."

Page 1, line 9:  
Delete "**Section 1**"  
Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 3, following line 5:

Insert a new bill section to read:

"\* **Sec. 5.** AS 42.45.250(e) is amended to read:

(e) Loans made from the bulk fuel revolving loan fund to one borrower in any fiscal year

(1) may not exceed **\$750,000** [\$500,000], or, if the borrower is a cooperative corporation organized under AS 10.15 or an electric cooperative organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more than one community, may not exceed the lesser of **\$750,000** [\$500,000] multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, or \$1,800,000;

(2) shall be repaid in one year or less; and

(3) may not exceed 90 percent of the wholesale price of the fuel purchased."

Renumber the following bill sections accordingly.

Page 4, line 30:

Delete "Sections 1 and 3"

Insert "Sections 2 and 4"

Page 4, line 31:

Delete "Section 2"

Insert "Section 3"

Page 5, line 1:

Delete "Section 9"

Insert "Section 11"

Page 5, line 2:

Delete "Sections 5 - 8"

Insert "Sections 7 - 10"

Vice-Chair Stoltze objected.

Representative Nelson explained that the amendment amends the bulk fuel bridge loan fund. The loan amount would be increased from \$500.000 to \$750.000.

[5:23:13 PM](#)

Co-Chair Chenault requested the administration's opinion regarding the increased loan and the appropriate amount.

[5:23:59 PM](#)

AMANDA RYDER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the loan cap increase would cost the state

more money. The bulk fuel bridge fund would need about \$2.5 million more and the bulk fuel revolving loan fund would require an additional \$5.5 million. As the cap rises and larger loan are obtained, increased funds will be necessary for both funds.

Co-Chair Chenault asked about potential increase in administrative costs.

Ms. Ryder said that there would be an anticipated increase estimated at \$200 thousand to operate a \$5 million program. She did not have definitive numbers, but would get those to the committee as soon as possible.

Co-Chair Chenault asked about administrative costs and whether they would be recouped through the revolving loan fund.

Ms. Ryder explained how administrative costs are appropriated from the fund. Without an appropriation the Department of Community and Regional Affairs (DCRA) will have to absorb the administrative expenses.

Co-Chair Chenault restated his question. Ms. Ryder reported that the bulk fuel bridge loan fund is a zero interest fund, and is designed as a last resort. It differs from a revolving loan fund which, earns interest and supports itself.

Ms. Ryder said that the administration had requested about four percent from the fund for administrative costs.

[5:28:14 PM](#)

Representative Hawker had difficulty accepting the administration's need for an increase in administrative costs. The amount of borrowers has not increased, only the amount available to loan. He encouraged attention to the fiscal note.

[5:30:19 PM](#)

Representative Hawker took issue with the amount the increased administration needs would cost. He thought "implement" would be a better choice of words than "cost."

[5:31:11 PM](#)

Ms. Ryder agreed that better terminology would be to anticipate additional "needs" resulting from the proposed increase in loan funds.

Representative Hawker observed that the amendment would affect the title of the bill and the drafters of the bill should be notified.

Representative Nelson suggested changing the title now.

[5:32:39 PM](#)

Representative Hawker moved to adopt a conceptual amendment to Amendment 13 to amend the language on Line 2 to reflect both components of the bill. This amends the bulk fuel bridge loan fund and the bulk fuel revolving loan fund. There being NO OBJECTION, it was so ordered.

[5:33:50 PM](#)

Representative Kelly asked if the administration supported this.

Ms. Fisher-Goad stated that the Alaska Energy Authority (AEA) agrees with amending the bulk fuel revolving loan fund to increase the cap. Ms. Ryder commented that DCRA has no objection to raising the cap, but they request additional funding.

There being NO OBJECTION, Amendment 13 was adopted.

AT-EASE: [5:35:34 PM](#)

RECONVENE: [6:53:12 PM](#)

Representative Gara MOVED to ADOPT new Amendment #14, #25-LS1757\E.7, Bullock & Kane, 8/1/08:

Page 1, line 7, following "tax":

Insert "**during certain months based on the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast**"

Page 3, following line 5:

Insert new bill sections to read:

"\* **Sec. 4.** AS 43.40.010(c) is amended to read:

(c) **Except as provided in AS 43.40.013,**  
[EVERY] dealer who sells or otherwise transfers motor fuel in the state shall collect the tax at the time of sale, and remit the total tax collected during each calendar month of each year to the department by the last day of each succeeding month. Every user shall likewise remit the tax accrued on motor fuel actually used by the user during each month. If the monthly tax return is timely filed, one percent of the total monthly tax due, limited to a maximum of \$100, may be deducted and retained to cover the expense of accounting and filing the monthly tax return. At the time the remittance is made, each dealer or user shall submit a statement to the department

showing all fuel **that** [WHICH] the dealer or user has distributed or used during the month.

\* **Sec. 5.** AS 43.40 is amended by adding a new section to read:

**Sec. 43.40.013. Temporary suspension of tax collection.** (a) The collection of the tax required to be collected under AS 43.40.010(c) is suspended for the calendar month immediately following the end of a 30-day period during which the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast is more than \$80.

(b) The department shall adjust the average price per barrel in (a) of this section based on the percentage increase in the Consumer Price Index for urban wage earners and clerical workers for Anchorage, Alaska, during the previous calendar year, as determined by the United States Department of Labor, Bureau of Labor Statistics.

(c) The department shall adopt regulations necessary to implement this section and a procedure for notifying persons responsible for the collection of the tax levied and collected under this chapter."

Renumber the following bill sections accordingly.

Page 4, lines 13 - 29:

Delete all material.

Renumber the following bill sections accordingly.

Page 5, line 1:

Delete all material.

Renumber the following bill section accordingly.

Page 5, line 2:

Delete "Sections 5 - 8"

Insert "Sections 4, 5, and 7 - 10"

Co-Chair Meyer OBJECTED.

Representative Gara explained the amendment. The budget is roughly balanced at \$70 dollars per barrel. When the price of oil is over \$80 per barrel, the gas tax is applied to all sales and when the price of oil is less than \$80 per barrel then the gas tax is suspended.

[6:56:58 PM](#)

Representative Crawford disagreed that the suspension of the gas tax makes sense at any price. He did not see that the

consumer would benefit from a suspension. He did not support the amendment.

Co-Chair Meyer clarified that Representative Gara was not in support of the gas tax suspension either, but a variable means of implementing it instead.

Vice-Chair Stoltze wanted the clean and simple version of the gas tax. He reiterated that the motorists are in need of help. He opposed the amendment.

[6:59:41 PM](#)

Mr. Burnett voiced concern with administering the tax under the proposed amendment. It could potentially be as volatile as oil prices are. The larger issue is the confusion for the consumers. He noted the competitive disadvantage to the merchants who buy a large inventory and sell it over time. A smaller player is likely to have a competitive disadvantage. It is an administrative problem.

Representative Gara WITHDREW Amendment #14 (new). He commented that his intention was not to over charge consumers. "To most effectively relieve consumers' burdens, take the \$40 million and give it to the gas retailers instead of the refiners." That is the way to get \$40 million to consumers.

Co-Chair Meyer noted that he liked the amendment because it is only in effect when necessary.

[7:02:46 PM](#)

Representative Crawford MOVED to ADOPT Amendment #15:

Page 4, before Line 1 add Sec. 8. The uncodified law of the state of Alaska is amended by adding a new section to read:

MOTOR FUEL REBATE. (a) To provide residents of the state with a rebate equivalent to the state motor fuels tax, the amount of the 2008 permanent fund dividend shall be increased. (b) Subject to appropriation, sum of \$40,000,000 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).

Page 4, line 12

"The resource and motor fuel rebates are [is] a one time payment to qualified Alaskans."

Page 4, line 13 through 29

Delete all information

Page 5, line 1  
Delete all information

Vice-Chair Stoltze OBJECTED.

Representative Crawford explained that this amendment does not suspend the motor fuel tax; instead it takes the revenue and gives it to Alaskans via the permanent dividend fund.

[7:03:49 PM](#)

Vice-Chair Stoltze clarified the intent to collect the tax from Alaskan motorists and redistribute the revenue statewide. He wanted to see the fuel customers receive the actual benefit.

[7:04:57 PM](#)

Vice-Chair Stoltze expressed familiarity with the redistribution principle. Co-Chair Meyer commented that the legislature did not know what the actual benefit of a gas tax suspension would be to the consumer. He wanted to keep the eight cent suspension.

Representative Crawford advised that the money be placed into the PFD payment, which would provide another \$40 million for the Alaskan consumer.

Representative Gara commented that the proposed amendment was more efficient than the gas tax. Roughly 30 percent of the gas tax will be eaten up by the commercial sector. This is the more efficient way to give the money back to Alaskans. There is no evidence that the eight cents will be distributed back to consumers in the rural areas.

Co-Chair Meyer asked how much money would be allocated per person under this amendment. Representative Crawford answered \$59 per person.

[7:08:24 PM](#)

Vice-Chair Stoltze stated that the legislature cannot give the money to the people unless it is taken away first. He preferred not charging it in the first place.

Representative Gara noted the similarities in the redistribution of \$1200 as a resource rebate.

Representative Crawford stated that all sales would have records from the Highway Trust Funds; good reason to leave gas tax in place. To get the money back to the people, this proposal is the best.

[7:11:09 PM](#)

A roll call vote was taken on the motion to adopt Amendment 15.

IN FAVOR: Crawford, Gara, Foster

OPPOSED: Stoltze, Thomas, Hawker, Kelly, Meyer, Chenault

Representative Joule and Representative Nelson were not present for the vote.

The MOTION FAILED (3-6).

[7:12:06 PM](#)

Representative Crawford MOVED to ADOPT Amendment #16:

Page 4, following line 12 Insert a subsection to read "(d) Notwithstanding AS 43.23.015, and other provisions of law, an individual may elect to contribute from that individual's 2008 permanent fund dividend to the renewable energy grant fund established under AS 4245.045 an amount equal to one half of the Alaska Resource Rebate described in this section. An election to contribute under this subsection may be made only on a form provided by the Department of Revenue that is received by the department on or before September 2, 2008. An agency or individual who applied for the 2008 permanent fund dividend on behalf of another individual may not elect to contribute from that dividend. Notwithstanding an election to contribute under this subsection, the Department of Revenue may not pay any money from a 2008 permanent fund dividend to the renewable energy grant fund if the dividend has been claimed or assigned, in whole or part, under AS 43,23,065-43.23.073."

Co-Chair Meyer OBJECTED.

Representative Crawford explained that this voluntary reallocation of the resource rebate would go to renewable resource fund.

[7:13:13 PM](#)

Co-Chair Meyer pointed out that this was discussed in Amendment #1. He asked for testimony from Department of Revenue.

Co-Chair Meyer asked if there was currently a way to check off for this fund. Mr. Burnett replied there is not currently a check off on the Permanent Dividend Fund for this fund.

[7:14:20 PM](#)

Co-Chair Chenault asked if there was a reason why a person could not write their own check if their preference was to donate the money. Mr. Burnett advised that there was no difference. It would be a tax deductible donation. The issue is that it is late in the administrative process and the checks would have to be manually processed. The Department does have a check off for charitable donations. The change would be difficult to implement for FY08.

[7:16:16 PM](#)

Representative Hawker had his questions about the practical mechanics of the proposal answered by Mr. Burnett. Mr. Burnett explained the manual process of each of the payments received.

Vice-Chair Stoltze asked whether this was the mechanism included in Representative Thomas' bill. Representative Thomas clarified that the legislation would go into effect next year. Mr. Burnett informed that the legislation passed during the last session allows for check offs for qualified charitable organizations. This amendment would not automatically be added to that check-off list, because it was for non profits that meet certain criteria. The addition would not be a problem for future dividends, yet at this late date the change would be difficult.

Vice-Chair Stoltze asked if this amendment would qualify. Mr. Burnett did not think it would qualify.

Representative Hawker asked why the limit was one half of the rebate rather than the entire amount. He felt that if an individual was interested in donating their rebate check they may as well donate the whole check. Co-Chair Meyer agreed and recommended removing it.

[7:20:15 PM](#)

Vice-Chair Stoltze WITHDREW the OBJECTION. Representative Hawker OBJECTED.

A roll call vote was taken on the motion to adopt Amendment 16.

IN FAVOR: Thomas, Crawford, Gara

OPPOSED: Foster, Hawker, Kelly, Stoltze, Chenault, Meyer

Representative Nelson and Representative Joule were not present for the vote.

The MOTION FAILED (3-6).

[7:21:20 PM](#)

Representative Thomas MOVED to ADOPT new Amendment #6:

Page 1, following line 8:

Insert a new bill section to read:

"\* **Section 1.** AS 42.45.110(b) is amended to read:

(b) An eligible electric utility is entitled to receive power cost equalization

(1) for sales of power to local community facilities, calculated in the aggregate for each community served by the electric utility, for actual consumption of not more than 70 kilowatt-hours a month for each resident of the community; the number of community residents shall be determined annually by the latest figures of the United States Bureau of the Census or other population data that the Department of Commerce, Community, and Economic Development determines is reliable; and

(2) for actual consumption of not more than 500 kilowatt-hours a month sold to each residential and commercial customer."

Page 1, line 9:

Delete "**Section 1**"

Insert "**Sec. 2**"

Renumber the following bill sections accordingly.

Page 1, line 13, following "rate":

Insert "for a residential customer, and the retail commercial power rate, for a commercial customer,"

Page 2, line 19, following "rate":

Insert "for a residential customer, and the retail commercial power rate, for a commercial customer,"

Page 2, following line 21:

Insert a new bill section to read:

"\* **Sec. 4.** AS 42.45.110(d) is amended to read:

(d) An electric utility whose customers receive power cost equalization under AS 42.45.100 - 42.45.150 shall set out in its tariff the rates without the power cost equalization and the amount of power cost equalization for each [PER] kilowatt-hour sold. The rate charged to the customer shall be the difference between the two amounts. Power cost equalization paid under AS 42.45.100 - 42.45.150 shall be used to reduce the cost of all power sold to local community facilities, in the aggregate, to the extent of 70 kilowatt-hours a [PER] month for each [PER] resident of the community, and to reduce the cost

of the first 500 kilowatt-hours for each commercial and each [PER] residential customer a [PER] month."

Renumber the following bill sections accordingly.

Page 2, line 24, following "residential":  
Insert "and commercial"

Page 4, line 30:  
Delete "Sections 1 and 3"  
Insert "Sections 1, 2, 4, and 5"

Page 4, line 31:  
Delete "Section 2"  
Insert "Section 3"

Page 5, line 1:  
Delete "Section 9"  
Insert "Section 11"

Page 5, line 2:  
Delete "Sections 5 - 8"  
Insert "Sections 7 - 10"

Vice-Chair Stoltze OBJECTED.

[7:22:56 PM](#)

Ms. Fisher-Goad elaborated that the term "commercial" is the term most often used when discussing utilities rather than the before stated "business." This amendment would allow these commercial customers eligibility to PCE.

Representative Hawker understood that the amendment would only extend the PCE program for commercial customers in those communities under 10,000 people, while communities over 10,000 would not be eligible for PCE benefits. Representative Thomas thought that the communities above 10,000 have been eligible for the discounted rate. He would like to see more equity. Representative Hawker reiterated the concern.

Co-Chair Meyer asked if the amendment was written correctly. Representative Hawker replied that it was written correctly.

[7:26:26 PM](#)

Representative Kelly clarified that for more than a decade these customers were excluded, in times when oil was high and low and adding in the commercial class. Ms. Fisher-Goad did not think that there was a community larger than 10,000 that was eligible for PCE.

Co-Chair Meyer asked if this fell under the section of PCE up for review in two years. Ms. Fisher-Goad believed that it would not be subject to Amendment#1; she believed that it would be a permanent change and not subject to any sunset.

Co-Chair Meyer supposed that the legislature could always review this amendment again.

[7:28:40 PM](#)

Representative Crawford asked if this amendment would have any effect for non PCE recipients. Ms. Fisher-Goad replied yes. Co-Chair Meyer followed-up that the seafood processors in Dutch Harbor would qualify. Ms. Fisher-Goad stated that any PCE communities through Page 5 would be eligible. The Legislature has funded PCE at 100 percent for FY2008, with the intent of funding PCE at 100 percent going forward. If in the future PCE was again prorated, the commercial customers would be prorated along with the residential customers.

[7:30:34 PM](#)

Representative Hawker supported the amendment. He asked for consideration of other PCE changes that do have sunset. He urged consideration of a sunset. Representative Thomas supported the language. Ms. Fisher-Goad suggested a conceptual amendment allowing for sunset on June 30 2011, which is consistent with other PCE policy.

Representative Thomas commented on the conceptual amendment.

[7:31:53 PM](#)

Representative Hawker MOVED To ADOPT conceptual amendment to New Amendment 6, to apply a sunset provision on June 30 2011, which is consistent with other PCE policy. There being NO OBJECTION, it was so ordered.

A roll call vote was taken on the motion to adopt New Amendment #6 as amended.

IN FAVOR: Crawford, Foster, Gara, Hawker, Nelson, Thomas  
OPPOSED: Kelly, Stoltze, Chenault, Meyer

The MOTION PASSED (6-4)

[7:33:46 PM](#)

Representative Thomas WITHDREW Amendment #17.

Co-Chair Chenault MOVED to ADOPT Amendment #18, #25-LS1757\E.30, Kane, 8/2/08:

Page 2, line 31, following "that":  
Insert "(1)"

Page 3, line 3, following "AS 42.45.150(2)(B) - (C)":  
Insert "; and  
(2) the executive director of the  
Alaska Industrial Development and Export Authority  
certifies to the legislature is not engaged in  
litigation regarding any contractual obligation to  
the Alaska Industrial Development and Export  
Authority with respect to a power generation  
project owned by the Alaska Industrial Development  
and Export Authority"

Vice-Chair Stoltze OBJECTED.

[7:34:16 PM](#)

Co-Chair Chenault explained that the amendment grew out of frustration. The goal was to create less expensive power for Alaskans. He WITHDREW Amendment #18.

[7:37:35 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #19:

Page 4, line 21  
After "month."  
Delete "Sales invoices must be attached"  
Insert "The department may require that invoices be  
attached"

Vice-Chair Stoltze OBJECTED.

Ms. Armstrong directed comments to the amendment.

[7:39:03 PM](#)

Vice-Chair Stoltze clarified the intent. He WITHDREW his OBJECTION. The amendment was adopted.

[7:39:42 PM](#)

Representative Gara MOVED TO ADOPT Amendment #20. Vice-Chair Stoltze OBJECTED.

Representative Gara commented on the amendment. He WITHDREW the amendment.

HB 4005 was HELD in Committee for further consideration.

[7:42:15 PM](#)  
#HB4001

HOUSE BILL NO. 4001

An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize a fund; and providing for an effective date.

Co-Chair Chenault spoke to the bill. He asked if there were questions about the bill.

[7:43:52 PM](#)

Co-Chair Meyer reminded department heads that some of the changes made will have a fiscal impact, and all fiscal notes would be appreciated.

[7:44:14 PM](#)

Representative Hawker commented that he would like to see per capita information in the fiscal notes. Supplemental budgets should not be used for capital appropriations. Why would it ever be appropriate to supplement budgets for a capital appropriation?

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussion about the reimbursement and identify significant investments to get the gas line construction organized.

[7:46:51 PM](#)

Representative Hawker inquired about any constitutional or statutory prohibition or authority preventing the use of a supplemental appropriations bill for a capital appropriation. Ms. Rehfeld was not aware of any constitutional prohibition.

[7:47:36 PM](#)

Representative Gara requested discussion on the AGIA appropriation.

[7:49:13 PM](#)

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, clarified the question ready to go to bid.

Mr. Richards stated that there are three projects:

- Reconstruction of the Dalton Highway from milepost 175 to milepost 209.
- Reconstruction of the Dalton Highway from milepost 9 to milepost 11.

- Culvert replacement on the Dalton Highway from milepost 260 to milepost 321.

These projects are bid ready, but because of complications with the STIP funds, they were developed using the Federal Highway Fund Design Efforts. The construction funds have not yet been available to complete the three projects. If the appropriation from the legislature was made available, the projects would be advertised this fall and winter, allowing construction to begin in the spring of 2009. The benefit of starting the projects with an appropriation now is that the money will be available to begin construction, whereas if it is postponed until the next session the construction will not begin until late spring 2009 or possibly as late as August if there are protests in the bidding process.

[7:51:50 PM](#)

Co-Chair Chenault replied that if federal funds were applied for and then replaced with state funds, the available federal funds could be used for other projects in the state. Would it cost less to use state funds because federal funds usually come with strings attached? There have been bicycle paths constructed on the Dalton that wouldn't have been built without those federal requirements. He asked whether state funding could be used without the extra expense associated with federal requirements.

[7:53:17 PM](#)

Mr. Richards responded that the projects are already designed and that it is standard to remain consistent with the design. The goal with the projects is to affect alignment, and replace culverts on over 60 miles of highway. Bike paths are not part of the plan, as this is a rural highway.

Co-Chair Chenault noted that the Dalton Highway is in poor shape. He asked whether the state had investigated the possibility of mining gravel on federal land along the Dalton Highway instead of hauling it in from other areas of the state.

Mr. Richards answered that the Department of Transportation (DOT) is looking for hard aggregate for the Dalton Highway in many areas, but a shortage of gravel is one of the challenges they are facing. A portion of the appropriation is to define those material sites, open them up, and then have them ready for the construction activities, both in current and future projects associated with the gas pipeline.

[7:56:32 PM](#)

Representative Hawker noted that the bike paths on the Dalton Highway were placed on the old roadbed at very little incremental cost when the road was upgraded.

Co-Chair Chenault said he had driven more miles on those bike paths than anyone else in the room.

[7:58:22 PM](#)

Representative Gara wanted to avoid building roads specifically for hauling the pipeline materials that may need to be rebuilt in order to haul materials for the pipeline. Because of the speed at which roads in Alaska deteriorate, it might not make sense to construct roads over the next couple of years for that purpose.

Mr. Richards explained that most of these roads are being designed to come on line at the time the pipeline construction should begin. The projects such as the Dalton Highway upgrade need to happen soon because of the current deterioration of that highway. Grade and alignment features that are appropriate for hauling pipeline materials will be incorporated now. It would be a great challenge to the contracting community to do hundreds of miles of major upgrades right before the line goes in. The goal is to expand these projects out through the six years available until the construction of the gas pipeline.

[8:02:19 PM](#)

Representative Gara asked what specific projects are being funded in this bill.

Mr. Richards repeated the specific Dalton highway sections. The construction would begin next year if the money was appropriated.

Representative Gara reiterated that he didn't think those sections would still be in good shape during the pipeline construction.

Mr. Richards responded that the challenge of modern design in the Arctic is the creation of roads that can withstand heavy traffic and permafrost issues.

[8:04:46 PM](#)

Representative Thomas asked what had been done on the Canadian section of the Alaska Highway. Would it be necessary to rebuild and realign that section of the road?

Mr. Richards confirmed that he has been in discussions with the Canadians regarding this issue. To upgrade the road, the administration is in contact with those in the Yukon Territory. He will visit Canada next week and will have more information following the visit.

Representative Thomas asked about the nature of the upgrades that are required. How many layers of asphalt will be necessary?

Mr. Richards answered that there will be injections of asphalt into the existing roadbed and the strength would be greatly increased.

[8:07:29 PM](#)

Co-Chair Chenault noted that there are Canadian mining companies that want to use the highway to Haines to transport their materials. He wondered whether the mining companies would be willing to contribute to the upgrades.

Mr. Richards said that the companies are looking to upgrade the road or build a railroad to Haines where there are better docking facilities.

Representative Kelly requested clarification on this appropriation bill and what the immanent priorities were.

Co-Chair Chenault answered that the appropriation bill is a wish list. He wanted to find out what needs are out there. The remaining issues can be revisited in the next regular session.

[8:10:33 PM](#)

Representative Gara asked Commissioner Galvin what amount of money was appropriate for this special session to communicate the intent of the legislature for support of the TransCanada project.

PAT GALVIN, COMMISSIONER, DEPARTMENT OF REVENUE, responded that it would be most appropriate for the legislature to allocate the entire \$500 million to fully fund the transportation fund. It is imperative to allocate enough money to get the project through the primary season and avoid any bottlenecks that would slow the project down. There would be a risk of delaying the project with an insufficient amount of money.

[8:14:22 PM](#)

Representative Gara asked what the 500 million and the 164 million dollar amounts represented.

Commissioner Galvin explained that the \$164 million was the suggested amount for reappropriation from the \$300 million set aside in the AHFC fund along with the interest that has been generated by those funds, which is approximately \$36 million. The remainder will come out of the general fund.

Representative Gara noted that he has heard discussion that appropriating small amounts would give the legislature a chance to monitor how DOT is handling the money. But the legislature doesn't really have the opportunity to review receipts, so that approach may not make sense. He asked whether there is any reason to disburse the funds in small amounts.

Commissioner Galvin responded that the opportunity is already built into the Alaska Gasoline Inducement Act (AGIA) statute. Any money appropriated into the reimbursement fund can be taken out again by the legislature. He does not see any additional reporting issues that would be raised by fully funding the reimbursement.

Co-Chair Chenault noted that no one in the building was talking about slowing the project down with smaller appropriations.

TONY PALMER, VICE PRESIDENT, ALASKA BUSINESS DEVELOPMENT, TRANSCANADA, introduced himself.

Representative Gara asked about reimbursement of qualified costs up to 50 percent of their expenditures through the Open Season.

Mr. Palmer confirmed that once the license was issued, the state would be obligated, subject to TransCanada meeting, to all of the conditions and 50 percent of expenditures. They had that expectation.

Representative Gara asked what the company would require to get through the Open Season, noting the legislature's funding cycle.

Mr. Palmer answered \$54 million worth of expenditures through June 2009 and \$84 million total through July 2010.

Representative Gara asked how much was necessary.  
Mr. Palmer responded half of the 84 million dollars.

Representative Gara asked how much was required if the legislature was to fully fund the commitment.

Mr. Palmer said that it would be one half of the \$84 million or \$42 million. Representative Gara asked for TransCanada's request of the legislature at this point. Mr. Palmer

responded that he preferred that the legislature fully fund the request.

[8:22:50 PM](#)

Commissioner Galvin answered that there was little risk to the legislature in appropriating the entire amount into the fund, because DOT would be providing detailed reports. The money would not be taken out of the control of the legislature if placed in the reimbursement fund.

[8:24:06 PM](#)

Representative Crawford asked what the earnings would be on the money sitting in the reimbursement fund.

Commissioner Galvin answered that the money would be handled like the money in the general Fund, though accounted for separately. It would be the Commissioner's discretion to try to maximize the return by investing more aggressively than the General Fund.

Co-Chair Chenault asked whether the General Fund invests for short term return while the AGIA reimbursement fund would be a long-term investment.

Commissioner Galvin responded that with the money in the General Fund, it is available to the legislature at any point. If it were to move into the AGIA fund with the purpose of reimbursing TransCanada, then the money could be invested for a slightly longer term, recognizing that a schedule must be followed. Understanding that the legislature could reappropriate funds would probably prevent this type of investment.

[8:28:14 PM](#)

Representative Thomas asked what would happen if the 500 million dollars were appropriated and the investments incurred losses.

Galvin responded that the funds would not be placed in investment vehicles that were subject to losses due to the nature of the requirements.

[8:29:47 PM](#)

TOM IRWIN, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced staff, Marty Rutherford, Deputy Commissioner, Department of Natural Resources and offered a highlight of what they are doing. He reviewed what the accomplishments of the legislature over the past year by funding the AGIA program. They have learned a tremendous amount. The issuance of a license is a major step forward. There will be

questions that inevitably come up in the four categories. He wants the state to be prepared when the questions do arise. He is looking at 6.2 million over the next five years. They plan to use a contractor to help with the process, and they will be working with a multitude of companies. The funds will be used to determine the correct paths to follow. He described other needs for the money. They will be looking for more efficient methods as they go.

[8:35:12 PM](#)

CLARK BISHOP, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, stated that the department of education and the department of labor have a good relationship that has been fostered for two years.

[8:37:47 PM](#)

LARRY LEDOUX COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, appreciated the opportunity to help young people engage in the construction of a pipeline. He would like to see an Alaska workforce ready when the pipeline is ready for construction.

[8:38:36 PM](#)

Commissioner Bishop stated that each funding request coincides with the strategy outlined in their training plan. Business, Industry, and Education have all worked together to develop the training plan. Each funding request was identified in the strategies by timeline. Each request has been vetted by the best in the state.

Representative Gara wanted as much job training as possible for Alaskans to limit the amount of imported labor. He thought this was the best way to limit dislocation. If the training happens too early, the students may not work for the pipeline, but instead take their training to other job opportunities. If there is inadequate training, then labor will need to be imported.

Commissioner Bishop made clear that one guiding principle of the presented document was the industry recommendations that the focus is on current workforce shortages. He did not think that overtraining would be a problem. Representative Gara asked if there was a way to ensure that people trained would be available to work on the pipeline. Commissioner Bishop discussed the variable occupations mentioned in the training document, stating that many are transferable from one industry to the next.

[8:44:06 PM](#)

Vice-Chair Stoltze asked for comments from Department of Education and Early Development regarding the advertising of technical training versus other methods of higher education. Commissioner Ledoux observed that there will be plans introduced soon. Technical education helps build vision in young people. The real challenge will be to provide experiences to young people throughout Alaska. Vocational programs throughout the state have been reduced substantially. The competitive nature of this program can create innovative partnerships.

HB 4001 was HELD in Committee for further consideration.

[8:49:38 PM](#)  
ADJOURNMENT

The meeting was adjourned at 8:50 P.M.