

Draft HOUSE FINANCE COMMITTEE
August 5, 2008
1:51 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:51:51 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 Bryce Edgmon; Representative Woodie Salmon; Representative David Guttenberg; Representative Kyle Johansen; Representative Nancy Dahlstrom; Representative Mark Neuman; Representative Jay Ramras; Representative Craig Johnson; Representative Paul Seaton; Representative Anna Fairclough; Senator Bert Stedman; Senator Lyman Hoffman; Senator Donny Olson; Senator Johnny Ellis; Senator Joe Thomas; Senator Kim Elton; Suzanne Armstrong, Staff, Representative Kevin Meyer; Chris Poag, Assistant Attorney General, Department of Law; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Jon Sherwood, Director, Office of Program Review, Department of Health and Social Services; Ellie Fitzjarrald, Acting Director, Division of Public Assistance, Department of Health and Social Services

PRESENT VIA TELECONFERENCE

Curtis Thayer, ENSTAR

SUMMARY

HB 4005 An Act amending the power cost equalization program, repealing the exclusion from eligibility for power cost equalization for certain power projects that take their power from hydroelectric

facilities, and amending the definition of 'eligible electric utility' as it applies to the power cost equalization program and the grant program for small power projects for utility improvements; and providing for an effective date.

HB 2005 was scheduled but not heard.

CSSB 4002(FIN) am

An Act relating to grants from the renewable energy grant fund; amending the bulk fuel bridge loan fund and the bulk fuel revolving loan fund; 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; relating to establishing a gas pipeline development fund in the Department of Revenue; establishing the Alaska resource rebate program and relating to that program; relating to heating assistance; and providing for an effective date.

HCS CS SB 4002 (FIN) was reported out of Committee with a "do pass" recommendation and with 2 new fiscal notes by the Department of Revenue, 2 new fiscal notes by the Department of Health and Social Services and 3 new fiscal notes by the Department of Commerce, Community and Economic Development.

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#sb4002

CS FOR SENATE BILL NO. 4002(FIN) am

An Act relating to grants from the renewable energy grant fund; amending the bulk fuel bridge loan fund and the bulk fuel revolving loan fund; 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; relating to establishing a gas pipeline development fund in the Department of Revenue; establishing the Alaska resource rebate program and relating to that program; relating to heating assistance; and providing for an effective date.

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SENATOR LYMAN HOFFMAN, CO-CHAIR, SENATE FINANCE COMMITTEE, informed that the Committee was meeting to discuss energy relief. As energy prices have soared, the legislature has heard concerns from Alaskans in every region of the state. As the cost of oil has risen, so have the state's coffers. He discussed the high price of oil.

He explained that with oil at \$130 per barrel the state receives \$15.6 billion dollars on an annual basis. Last year, the state approached approximately \$10 billion. He suggested that as the state's coffers have soared, Alaskans have depleted their savings accounts due to high heating bills. He attempted to put everything into perspective. The call of the special session was in response to high energy costs.

Senator Hoffman pointed out that the Senate's package was a two year plan which allowed Alaskans some "breathing room" for the next two winters. He stated that the Senate had this in mind when working on the legislation. He indicated that changes occurred along the way while arriving at this legislation. He indicated that all regions of Alaska were considered.

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Senator Hoffman recalled his time as Co-Chair of the House Finance Committee. He acknowledged that there had been disagreement on the Senate side. He contended that when it came down to a decision on whether to support the legislation or not, the consensus was to bring forward an energy relief package to address needs from virtually every spectrum of the state. He believed that the issue moved the package forward to the House of Representatives.

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Senator Hoffman voiced that "Alaska is awash in money." The state has accomplished many Constitution Budget Reserve Account (CBR) funds. The account was due \$5.2 billion dollars, and the goal was to reduce the debt by 50 percent and the amount now due is approximately \$300 million. The state now has \$8 billion in savings in the CBR. The Statutory Budget Reserve Account (SPR) has \$1 billion. He elucidated that if the price of oil averaged \$110 per barrel next year, it would provide the state approximately \$12 billion dollars. The savings would then be \$16 billion. He asserted that the numbers were "staggering." He asked "out of the 12 billion potential dollars, can a state with a vast savings assist the people of Alaska with their energy costs while giving us an opportunity for a long term solution?"

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SENATOR BERT STEDMAN, CO-CHAIR, SENATE FINANCE COMMITTEE, addressed the process of determining the energy rebate legislation. The issue is the same; how do people with fixed incomes or low to moderate incomes afford to heat their homes with the high cost of oil?

The Senate Finance Committee (SFC) was challenged as to how to deal with the oil issue. The issue was approached from several angles. The bill in discussion attempted to set a price for residential heating. The proposed time period was September through March for the next two winters at a cost of three dollars per gallon. Up to 850 gallons per year would be picked up by the state as a reimbursement program. The committee did not want to give away free fuel, or to set the price so low that people were not conserving, or so high that there were challenges in heating the residents' homes. The concentration is primary residential versus commercial buildings. He noted that 300 gallons would be allotted per multiple family units.

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Senator Stedman pointed out that there are many areas in S.E. Alaska that heat with diesel fuel along with areas in the Valley that heat with natural gas. He informed that nearly half of the people in the state use natural gas, while the other half use oil and electricity. The gas subsidy proposed a ceiling of \$3 dollars per million cubic feet (mcf) up to about 100 mcf providing a 40% subsidy. The heating price in the Anchorage area would decline considerably. For those heating with electricity, the subsidy would be \$.05 cents per kWh for the first 16,100 kWh per month.

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Senator Stedman explained the intent of the bill. He wanted to ensure that Alaskans are able to get through the winter. He directed comments on the simplicity of the proposal. The residents around the state heating with oil would submit receipts for reimbursement. The individuals heating with natural gas will not need to file for a state rebate. The residents who heat with oil and electric would be required to submit receipts to multiple vendors. He recognized that many state residents using oil and electricity aren't familiar with the reimbursement process. The goal is to make it easier for constituents to get reimbursed and take advantage of this program.

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Senator Hoffman addressed the Power Cost Equalization (PCE) program. He claimed that program was "broken" because the formula was primarily set up for three dollars per gallon for electricity generation. The cost of diesel is at six dollars in many areas of Alaska. The original cap of \$.56 therefore required adjustment. The ceiling of \$1.15 reflected this increase in cost. The floor is \$.10. The non PCE individuals would receive a reduction of \$.05 including Fairbanks, Valdez and Kodiak. The program would not expand beyond the 500 kWh per month. The proposal would repair the PCE program and reflect the high cost of energy generation.

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Senator Stedman commented on issues in a regional area. In Southeast Alaska, many communities are on hydroelectric power, which helps to lower the cost of fuel. There is a transition from home heating oil to electric, which is good. The challenge is to expand the hydroelectric. He recounted that there were 100 people in Wrangell waiting to have their electric baseboards installed. He explained the challenge of not overwhelming the system as people abandon home boilers. The components of the bill have taken into account all regions of the state.

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Senator Hoffman addressed the costs. The components currently in legislation equal approximately \$440 million. After funding the program, \$13.2 million dollars remain. The package is expensive, however looking at the potential revenue; it is not out of reason. The savings should be passed on when Alaskans are depleting their saving accounts. The state residents need relief now in order to create a long-term solution to energy?

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Co-Chair Meyer asked why in the Senate version, commercial had not been included in PCE. Senator Hoffman wanted to look at the existing program and look at expansion during the long-term phase. He listed the communities that were added. It was a judgment call not to expand the program from the current vision. He suggested the expansion of the program allowed for a long term solution.

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Co-Chair Meyer commented on the separate directions the bodies' had taken on home heating. He remembered that both he and Senator Hoffman agreed that the Low Income Home Energy Assistance Program (LIHEAP) was the best approach. He supported that program. He asked why the Senate had abandoned the approach that helped everyone regardless of

heating method. He maintained that LIHEAP provides more control and refrains from discriminating against different heating methods. He expressed concerns about the Senate version of the bill. He wondered how the "word would get out" about the Senate's proposed program. He questioned the ability to ensure that the dealers did not mark up the cost of fuel knowing that the state would cover anything over three dollars.

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Senator Hoffman stated that the three dollars was only for the first 850 gallons; above that, residents pay the full amount. The program includes the seven months of winter only. During the rest of the year, the communities will pay full price. The program for electricity, natural gas, and for diesel fuel is being treated similarly. The goal was to provide relief on a limited basis to all Alaskans.

He argued that many people in rural Alaska are living on fixed incomes. For those Alaskans to absorb the rising costs would mean spending 40 percent of their disposable income on energy expenses. Energy costs are in the neighborhood of five percent of disposable income for Anchorage. The goal is to give energy relief to all Alaskans. He maintained that this is a limited relief program and covers a portion of heating costs for the winter months. All areas of the state should get their energy costs covered. He opined that the rural areas have considerably higher heating costs than those in the rest of Alaska.

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Co-Chair Meyer stated that there was potential to argue the different methods for the "rest of the day." The Senate version had the resource rebate at \$500 per person; the House version at \$1200 per person. The Governor's recommendation was to issue a resource rebate allowing constituents to decide how the money would best be spent. Co-Chair Meyer asked why the Senate had chosen \$500 for a resource rebate. Senator Hoffman answered that the intention was for a long term solution, so allowing for a two year plan would allow the necessary "breathing room" to create that long term solution.

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Co-Chair Hoffman stated that it was critical that a two year solution be created for the problem. He cited that the Permanent Fund Dividend (PFD) would be about \$2000 per year. The dividend portion was not removed from the package. He stressed that the crucial issue was the resolution of the energy crisis.

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Co-Chair Stedman agreed with Co-Chair Hoffman. He stated that the concentration on the Senate side was to deliver relief to all of Alaskans while buying time for the long term energy plan. There is a section of the bill from Page 10, Line 30 to Page 11, Line 6 that prohibits distributors from artificially inflating prices as a result of the program. This provides a mechanism to deal with unscrupulous merchants.

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Co-Chair Meyer asked if the \$500 rebate was intended to help commuters in the valley pay for the high cost of gas. He asked Co-Chair Hoffman to discuss the Senate's disagreement with the motor fuel tax suspension. Co-Chair Hoffman answered that despite the tax suspension, he still had to pay 120 dollars per fill up. He said that the plan did not offer a significant reduction in the cost of gas, when some Alaskans like himself are paying six dollars per gallon. He wondered about the message that a fuel tax suspension would send to the rest of the nation, when Alaska already had the lowest gas tax in the nation at \$.08 per gallon.

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Co-Chair Meyer replied that the basic five points from the House Finance Committee (HFC) had been discussed. He said the bulk fuel funds were agreed upon. The last topic that he wanted to discuss was the issue of electric heating relief.

Co-Chair Stedman said that the focal point of this program was home heating fuel. He elaborated that the price of oil was unstable compared to natural gas and electricity, which are regulated. Electric methods of heating are a small component. The home owner heating with electricity does not get help from the state. In discussing those who use electricity, he said it had been decided to expand the \$.05 cost per kWh beyond 500 kWh per month up to 2300 per month. This plan would allow an offset of home heating for those who heat with electricity and thereby cover all methods of heating across the state.

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Co-Chair Meyer questioned how the Senate came up with the \$.05 and the amount of kWh. Co-Chair Stedman stated that the number was \$4.3 million for the electric component and that the amount was small compared with \$266 million for oil relief and \$80 million for natural gas. He said this was an effort to create a balance. He enthused that there was something in the bill for everyone to like. He expressed

enthusiasm at the possible changes that the HFC would make to the Senate's workmanship.

Co-Chair Meyer requested an estimate of the cost of the fuel rebate program.

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Co-Chair Stedman estimated \$535 million for two years. Co-Chair Meyer requested the administrative costs. Co-Chair Stedman answered approximately \$10 million.

Co-Chair Meyer questioned why the legislature would choose to spend on the program and not distribute the money directly to residents through the resource rebate. Co-Chair Hoffman said he thought it would be more cost effective to let private enterprise distribute the funds.

Co-Chair Meyer asked if Co-Chair Hoffman believed that this was really a two year program. Co-Chair Hoffman answered that the program would sunset in two years and if it was successful then Co-Chair Meyer's question was valid. He predicted that as long term solutions are developed, the program could become part of the long range plan for Alaska. He explained that the beauty of this program is if the prices go down, the cost to the state would go down.

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Vice-Chair Stoltze spoke to the inefficiency of embedding entitlement programs. He stated that he was not certain of the ramifications. He supported refraining from working in a rushed environment.

Representative Nelson said she was very excited about the Senate's approach of buying down 40 percent of a household's heating cost. She spoke of a "high energy offset fund" and the ability to buy down a portion of Alaskans' cost with royalty oil. She said that this program would couple nicely with the state match for the Low Income Home Energy Assistance Program (LIHEAP). She asked if that was the understanding of the Senate as well.

Co-Chair Hoffman replied that the Senate had not observed that detail, but it did make sense. The buy down program's intention was to get a broader brush of assistance relief to Alaskans and that was the primary motivation behind the Senate's approach.

Representative Gara recalled that he had not seen a pure and equitable plan come out of the Governors Office, the House, or the Senate. He observed that the House was looking at a bigger rebate, while the Senate was looking to bring fuel help to people with higher fuel costs.

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Representative Gara stated that he did not see that any plan was better or worse and he hoped that the committee could make some headway in narrowing the gap between the two plans.

Representative Gara asked if both the House and Senate provisions on Power Cost Equalization (PCE) have a plan for .05 a kWh subsidy. He objected to this plan for Anchorage where electricity costs are low. He asserted that he would prefer have the money go into the rebate instead.

Representative Gara requested more information about the fuel subsidy portion of the Senate bill. He asked how this subsidy will be administered and whether or not it is workable.

Co-Chair Hoffman explained that the Senate did struggle with the issue initially. First they considered buying down the bulk plant price, which created many complexities. The conclusion was that having a rebate program at the residential level where the customer would present a slip to the state would work best. The Alaska Energy Authority (AEA) would then create the paperwork to make it easy. He suggested that if a person was paying high prices to heat their homes, and did not have the money, they would take the initiative to get the rebate. Southeast has much less expensive rates for fuel. In Anchorage, the offset will be taken care of at the distributor level.

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Representative Gara asked for the difference between the total cost of PCE in both the House and Senate versions. Co-Chair Hoffman replied that the numbers in the House were \$124 million and those in the Senate were \$169 million. The numbers differed because the population numbers were different. Co-Chair Meyer corrected that the number was \$144 million for the House proposal due to the inclusion of commercial customers.

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Representative Gara asked if the amount of the fuel cost reduction portion was \$530 million dollars. Senator Stedman replied that the exact number was \$533 million for the two year program. Representative Gara clarified \$270 million per year. Senator Stedman pointed out the issue with oil is that the residential customer has to send in a rebate slip to get reimbursed. Representative Gara believed that there is benefit to an extended plan.

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Representative Hawker described a point of legislative direction for the House versus the Senate. The house is headed down a simple path while the Senate has attempted to craft an energy policy into the legislation. He believed that crafting energy policy is the correct move. He wanted to know that the outcome would be beneficial. He pointed out that when making such a large change the unintended consequences are sometimes large. He stressed his areas of concern.

His first concern was the energy relief package broken down between single family residences and multi family building. He asked for the definitions of a "multi-unit structure" as opposed to a "single family building".

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Senator Stedman responded that the concept of both terms is the same; the target is the primary resident. The state can use assistance to clean up and work on some of the language. The time frame is short during special sessions to address such large policy dilemmas. The state can move forward and address the language issues because winter is coming soon.

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Co-Chair Hoffman pointed out those concerns with a one term solution to get residents through the following winter. He wanted it to be addressed here and now, enabling the legislature to work on long range energy relief. He opined that with the dividend program, it would be difficult to get 21 votes. The Senate plan received 14 votes. He speculated that due to the absence of two senators this special session, 16 votes might have been recieved. Because the HFC was moving in a different direction it does not mean that the body would concur. The Senate is already half way there. There are only two days left to accomplish the energy relief that Alaskans need.

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Co-Chair Stedman stated that gas and electric typically have multi meters. There have been discussions dealing with the multi units versus single heating units, which are probably reflected by the language.

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Representative Hawker illustrated concerns about the complexity of the bill before the Committee. He shared another particular provision on Page 10 stating that a landlord receiving beneficial payments shall pass on the

savings by lowering the amount of rent for the tenant. He wondered about increasing the costs for landlords who have been absorbing high costs for the last couple of years. He opined that the legislation "would compound the sin against the landlord."

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Co-Chair Hoffman commented on improving the current system. He opined that the issue did not receive the vetting that it required. He did believe that there are areas where improvement was necessary.

Representative Hawker worried about the list of concerns with the proposed legislation. He identified another approach including the need for the program to extend two years. He observed that one year ago, oil was \$70 dollars a barrel where now it is \$140 dollar a barrel. The price is declining as well as unpredictable. Additionally, if the price trend continues, the cost could decline drastically. He suggested that the state might better implement for one year only.

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Co-Chair Hoffman agreed that there is a large variable in the increased costs of oil prices. The beauty of the plan is if the price of oil goes down, the cost to the state of Alaska goes down. The senate plan protects the state.

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Representative Hawker felt the proposal was reactive; it is a policy based approach. He asked the tax consequences on the beneficiaries. He asked who would be responsible for reporting that taxable income as part of the W2 1099 process. Co-Chair Stedman hoped that legislators could determine those numbers. He opined that the structure of the plan removed the risk of tax implication.

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Representative Thomas noted concern about urban and rural divide. He opined that paying over three dollars might create a rural-rural divide. He provided an example. He asked why the state does not treat everyone in the rural communities equally where the fuel issue is concerned.

Senator Hoffman commented that the proposed plan attempts to treat everyone equally. He observed that the Senate considered the volatile price of oil. Determining the price of oil is only a calculation. Until the price of oil reaches three dollars, it treats everybody equally. If the cost of oil increases, the energy relief will increase and the state

will receive more revenue. He stressed that the state of Alaska wins under the proposed scenario. He maintained that "for the first 850 gallons, everyone is treated equal." The state can depend upon the plan for the next two years. There are provisions to protect the state on the low end and on the high end.

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Representative Thomas pointed out that the cost of diesel varies elsewhere. He warned about the rural/rural divide. He did not think the proposal was fair.

Co-Chair Hoffman recalled the argument when PCE was first introduced. The problem then was achieving equalization. If a certain area has more consumption, then they end up paying more. There is efficiency built in. The question remains about the importance of the equalization of energy. The senate plan attempts to accomplish this equalization. Representative Thomas argued that the plan did not produce equality.

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Representative Thomas referenced PCE and asked if Fairbanks fell under the plan. Co-Chair Hoffman replied that Fairbanks would under the proposed bill.

Representative Thomas asked about the \$.05 subsidy that was going to help communities. He asked if this would include commercial properties. Co-Chair Hoffman replied that residential properties were included but commercial users were not.

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Representative Thomas noted that community facilities do not have as much impact unless you add the commercial properties. Co-Chair Hoffman explained that the legislation was attempting to allow the new PCE customers to have community facilities. The goal is to keep parity with the program.

Representative Thomas noted that if they stray from a fixed amount, his constituents lose. He encouraged increasing the Permanent Fund Dividend (PFD) instead.

Co-Chair Meyer noted that Fairbanks is currently not included in PCE, but the Senate's bill does include them.

Representative Thomas pointed out that the commercial properties would not get the same rate.

Representative Kelly agreed that in the short term, the state can afford this program. He agreed that the need for the program existed. But the deeper question is whether the legislature should do this? In the past, there was a tremendous price difference between fuel purchased in Alaska and that purchased in the Lower 48. He said that this is no longer the case, now fuel is competitively priced in Alaska. This issue bothers him. He opined that today's children receive many benefits, which compromises their self-reliance and character. In a state already extremely dependent on government, this could be considered a sad day in Alaskan history if we adopt the Senate bill. He doesn't buy the argument that the resources belong to the people of Alaska; that's not the way the constitution was set up. He questioned whether it was wise to put youth on the dole as soon as they matriculate and believed this is partly what the struggle between the two approaches is about. He wondered about the road to Nome or Rampart or Cordova, or the intertie to Glenallen, or the dam at Susitna, all of which have been talked about for decades. He stated that "this question of whether or not the state should do this is far bigger than the other two reasons cited for instituting this plan." In his district, the average income had slipped to \$34,000 and is now 48th in the nation. He expressed shame about some of the things the state has not done.

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Co-Chair Meyer noted that Representative Kelly's question was whether this program would work.

Co-Chair Hoffman explained that this is a temporary fix to provide enough time to look at renewable and alternative energy developments. A road to Nome would certainly be nice, but if people can't afford to live there, that road will not do well. Let this program sunset after two years, and then the legislature can reevaluate. He asserted that "if the energy issue is not addressed, then we will not be able to live in this state."

Representative Kelly wrapped up by saying as we look forward and avoid handing out more subsidies, there is going to be more pressure from the constituents to get the roads constructed. He wanted to raise the level of "howling" about the lack of real progress.

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Representative Gara noted that he agreed with some of what Representative Kelly said. He mentioned some areas of the state where these handouts are used for the necessities of life, and where survival is at stake. There is some effort on the Senate side to steer more money to those needy people. He was looking at an exit strategy for this

legislation before the session ends. There were bills on each extreme of this issue. The House bill fell somewhere in the middle. He asserted that his constituents don't really need the electric subsidy. He proposed taking \$335 million dollars out of the heating subsidy and allocating an extra \$185 million to the resource rebate and \$20 million into LIHEAP. If there is not compromise, both sides will go home saying their idea was better, but nothing will be accomplished. He encouraged movement toward the center.

Representative Gara described the different tiers of energy costs in the state: the bush, the Anchorage area, and Fairbanks. He wondered what the Fairbanks heating costs looked like and how this subsidy would affect those costs.

Co-Chair Stedman did not have those numbers in front of him. He mentioned an energy rally in Fairbanks where nearly 1000 citizens attended due to concerns about heating issues. He noted that Southeast Alaska also has its energy cost concerns. Representative Gara asked for more specifics about Southeast.

Co-Chair Stedman noted that most homes are heated by diesel-fired boilers, even new ones. It was only in the last couple of years that oil has become more expensive than electricity for heat. His concern is that there are many senior citizens and even middle income residents that are having trouble heating. It is one of the warmest areas of the state, but despite that there are challenges.

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Representative Kelly answered the previous question regarding Fairbanks and the subsidy noting that the amount would be \$65 on the bill for the 500 kWh. He added that if individuals in South East Alaska with hydro power are putting resistance heaters in their homes, this will burn up the hydro capacity.

Co-Chair Stedman attempted to address the concern. The hydro can not be expanded. Not all of the dams were built under the four dam pool. Representative Kelly reiterated the concern.

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Representative Nelson noted appreciation on the plan presented by the Senate Finance Committee, a comprehensive plan to address the serious needs of all Alaskans.

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CURTIS THAYER, ENSTAR testified via teleconference. He noted concern with how the bill is written to administer the program. He observed that, as the bill was written, Enstar

does not have the system in place to do the credit and pass billing. He noted that they are regulated by the Regulatory Commission of Alaska and wanted to ease the administering of the program to half of the state's population.

Representative Hawker referenced the draft language and asked if that language was the focus of the concern. He asked for the location of that language.

Mr. Thayer informed that Section 15, Line 28, was the area of concern. This includes the definition of a multi-unit structure. Representative Hawker asked if the language identified the problem. Mr. Thayer said that it does. He explained that since Enstar is regulated by the regulatory commission of Alaska, they were attempting to modify the language to fit within the tariff. He opined that the simplest solution would be to take a credit from the state against what the forecast is for the customer class and identify it on the bill.

Representative Hawker hoped to see the bill move from Committee today. Mr. Thayer revealed that there were three attorneys available to make the necessary language changes.

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Vice-Chair Stoltze asked if an individual needed to request a rate reduction of the Regulatory Commission of Alaska. He doubted it would be a problem for the Regulatory Commission of Alaska. Vice-Chair Stoltze asked if this would be an expedited ruling. Mr. Thayer stated that he would request one.

Vice-Chair Stoltze asked what expedited means. Mr. Thayer replied before September 1st.

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Representative Gara asked if Enstar had the proposed language. Mr. Thayer stated that they did have the draft. The definition of multi unit structure is different for Enstar than it had been defined in the bill. He explained that it would be difficult to identify how many multi-unit structures exist behind one meter.

Representative Gara thought that if the need for a certain number of days was present the committee could put it in the bill. Mr. Thayer replied that this might be a possible approach.

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Representative Gara asked if the draft language was available for the committee. Mr. Thayer answered that he could present the draft language in half an hour.

AT EASE: [3:58:36 PM](#)
RECONVENE: [4:48:42 PM](#)

Vice-Chair Stoltze MOVED to ADOPT work draft #25-GS4057\R, Cook, 8/5/08, as the version of the bill before the Committee. Representative Gara OBJECTED.

SUZANNE ARMSTRONG, STAFF, REPRESENTATIVE KEVIN MEYER, explained that the only difference between the current and former CS was that this was a Senate bill.

Representative Hawker explained that what was formerly Section 3 had been relocated to Section 5.

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Co-Chair Meyer commented on some of the differences between the Senate and the House version of the bill. He recommended not beginning any new programs.

He thought that the administration had the same problems. He retained the idea of letting the people determine how the \$1200 dollars are to be spent. He added that the fuel tax will help Alaska residents. He acknowledged that this is a temporary solution. The PFD checks will be expedited allowing the help to reach people before winter. He proposed that the legislature take a more deliberate process next session to do this correctly. He observed that by next year there would be feedback from the energy coordinator as to what direction the state will go in the area of resolving energy needs.

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Representative Gara expressed confusion because a prior version of the bill had included electrical cost assistance and fuel assistance to offset high fuel costs for those with limited incomes. The Senate added a different bulk fuel position. He referenced the lack of heating assistance and PCE appropriations. He did not understand the low cost items that would make a big difference to those with lower incomes. He expressed confusion regarding the removal of the heating and electricity assistance.

Co-Chair Meyer reminded that the LIHEAP program is still in existence and the money appropriated for LIHEAP had not yet gone into effect. He maintained that LIHEAP will be expanded this winter. He stated that the current PCE program will be in place.

Representative Gara expressed his understanding of Representative Meyer's comments. He recalled that the prior bill included \$20 million in additional LIHEAP appropriations and additional PCE for the high cost communities. He warned that many communities may be left in the cold. Co-Chair Meyer proposed adding \$10 million more to LIHEAP and PCE. He maintained that the larger resource rebate will help individuals cover the difference on the PCE if that is how they choose to use the money.

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Representative Crawford added comments for Representative Joule indicating that \$1200 for a person in Anchorage makes a big difference but would not go far in the rural communities. There was legislation that did address those concerns. He felt the legislature had taken steps backward. He did not support the proposed bill. He expressed disagreement with certain aspects of the Senate bill, although the version adopted by the Senate was closer to where he believed the state should move. He encouraged that the Committee work toward a better compromise.

[4:59:35 PM](#)

Co-Chair Meyer did not know what the correct solution was. He stressed that the proposed draft was a temporary solution.

[5:00:00 PM](#)

Representative Nelson noted that when the PCE program was constructed, the finance committee could have deemed it ill advised. The Senate provided a thorough look at needs across the state. There is broad recognition that what the Governor offered is a starting place, but now the committee is reverting back to a very shallow and arbitrary distribution. She stressed that \$1200 in one part of Alaska does not meet needs in the same way in other parts of Alaska. She encouraged greater statesmanship. She expressed sadness at seeing the time spent in both bodies developing a deliberative, comprehensive, approach go into the waste can. She wanted to see substantive changes on the House Floor. She did not support the current version of the bill.

Representative Nelson remained optimistic that changes can be made on the House Floor. She did not support the bare-bones version.

[5:03:05 PM](#)

Co-Chair Meyer argued that the Committee had put a lot of time and effort into the bill. He acknowledged that the process got diverted. He questioned the subsidy for natural

gas, electric, and heating oil. He argued that there are many unknowns. The Senate had indicated that it could cost up to \$20 million dollars to implement programs that may or may not work. He reiterated the promise of process in January to work out a long-term plan along with the help of the energy coordinator. He opined that regardless of an individual's location \$1200 would help.

[5:05:02 PM](#)

Representative Nelson understood that the goal of the Senate was to buy down heat by 40 percent, whether the energy source was oil, gas or electricity. She applauded the goal as a worthy endeavor. She was optimistic that the Legislature would provide meaningful relief to hard pressed people. The concern about price gouging is meaningful concern. Only a portion would be covered by the state. She expressed her support for the Senate plan and proposed that it be accepted and supported.

[5:06:55 PM](#)

Co-Chair Meyer thought that once regular session resumes, the legislature could address revenue sharing to aid in the heating situation.

Representative Nelson asked if it would be appropriate to give a large sum of money to the Municipality of Anchorage to pay down individual's heating bills. Co-Chair Meyer explained that property taxes pay city government. He understood the received testimony that it would go toward buying heating fuel. He wanted to be prepared.

Representative Nelson argued that one of the testifiers addressed the death of a person who died alone due to lack of ability to heat his home. She maintained that municipal assistance is needed, but that does not help individuals that are cold, hungry, and living alone.

[5:09:08 PM](#)

Representative Gara asserted that \$250 million dollars of the resource rebate would equal a check to the federal government. There was past consensus of the committee to provide a combination of a flat check, allowing urban individuals with smaller problems to be treated fairly. Also included was heating assistance to those who can barely pay for food. The previous version contained an extra provision for those facing the greatest problems. He wanted an explanation as to why the bill had been changed so radically.

[5:11:07 PM](#)

Co-Chair Meyer explained that the House does not work for the Senate. He hoped to come forward with a bill similar to that of both committees. The expressed problem was that the home heating fuel subsidy would not be taxed. The reality was that it may indeed be taxable. He understood the focus of the call was to help people who really needed the help. He disagreed with the creation of any new entitlement programs. He thought that the focus should be for those that need to heat their home. Some of the wealthiest people in the State will be qualifying for the subsidy, but they may not receive it because it must be applied for.

[5:13:13 PM](#)

Vice-Chair Stoltze observed concerns with the previous House version. He expressed shock that the \$5,000 penalty in Section 4 had not been removed. He wanted to be consistent in his criticisms. He was against enabling a new bureaucracy. Co-Chair Meyer believed that the penalty was currently in statute for neglecting to provide monthly reports.

[5:14:40 PM](#)

Representative Thomas stated that the other version was not paying the people fairly in the rural communities. He opined that the state should pay the first three or four dollars and then have the individuals paid the remainder. He stressed that if the committee delayed too long they would not go to conference. He worried that it might not happen at all. He encouraged that the committee move the bill to the House Floor for discussion purposes.

[5:16:52 PM](#)

Representative Gara WITHDREW the OBJECTION. He asked about the location of the final version. Representative Thomas explained that probably the Senate version would not be adopted and instead would go to conference. He maintained that "the process is not over yet."

Vice-Chair Stoltze expressed irritation and agreed with Representative Thomas referring to the process as fluid.

[5:18:28 PM](#)

Co-Chair Meyer referenced the \$5,000 penalty for not submitting reports in regard to the eight cent tax suspension for motor fuels.

CHRIS POAG, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, explained that the provision imposes a penalty for neglecting to file the tax return. The penalty is not based on the tax, because there would be no tax. The penalty in

this provision is up to \$5,000 and will require the returns and the invoices to comply with federal requirements. The current fine is different from what is proposed. The penalty is 5% of the tax for each 30-day time period.

[5:20:08 PM](#)

Vice-Chair Stoltze asked if there was a standard guide that led to the amount of \$5000.

Mr. Poag answered that the amount is consistent with the civil penalties provided in 4375 for an individual listed as a fisheries business license taxpayer who failed to get a license. The amount is consistent with other civil penalties on the book for failure to comply with licensing requirements.

Vice-Chair Stoltze asked for affirmation by the department that the level of the fine was proper.

Mr. Poag explained that the amount was up to 5,000 dollars and there would be an informal appeal process that would apply.

[5:22:14 PM](#)

Representative Kelly asked why the penalty shouldn't be suspended since the tax would be suspended.

Mr. Poag answered that there was need for an incentive to encourage suppliers to file their tax returns, which provide needed information for the Federal Highway Department to continue eligibility for the Federal Highway Fund.

Representative Kelly questioned that the reporting is not related to the tax when there is no tax; instead it is related to the gallons of fuel.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the returns were needed to record the number of gallons of fuel used in the state of Alaska.

Co-Chair Meyer introduced his conceptual amendment, which changed the plan from a two year plan to a one year plan, in an effort to ascertain whether or not constituents are seeing the eight cent tax suspension passed though.

Vice-Chair Stoltze asked if it was valid to assume that bringing it back in one year is consistent with the commitment to address the omnibus issue of statewide concerns.

Co-Chair Meyer affirmed.

[5:26:10 PM](#)

MOVED to ADOPT Conceptual Amendment #1, Page 3, Line 15, deleting "June 30, 2011", inserting "August 31, 2009"; Page 3, Line 29, deleting "June 30, 2011" and inserting "August 31, 2009"; Page 3, Line 30, deleting "September 1, 2011" and inserting "October 1, 2009".

Representative Gara expressed concerns about whether the gas tax should disappear when the price of gas is high and reinstitute when the price of gas is low instead of instituting an expiration date.

Co-Chair Meyer explained that many people were not sure that the savings would be passed on to the consumer.

Representative Gara preferred avoiding the need to vote on various elements each year.

Vice-Chair Stoltze removed his objection.

Co-Chair Meyer noted no objections and passed conceptual amendment 1.

[5:28:22 PM](#)

Representative Gara offered conceptual amendment 2. This amendment would return the LIHEAP program assistance back into this bill as in version 25-LS1757\E Kane 7/31/08, Sections 6 and 7.

Co-Chair Meyer OBJECTED.

Co-Chair Meyer clarified that those sections appropriated \$10 million to LIHEAP.

Representative Gara said the amendment would include sections 6 and 7 of the E version of HB4005, except for the portion stating "the benefit may not exceed \$170," he would insert "the benefit may not exceed \$340." He stated that the LIHEAP program is very important to low income residents and this bill should include a provision assisting those who have a hard time affording fuel. The highest benefit goes to the families with the most fragile members, such as seniors and those with disabilities. He opined that there should be a portion of this bill that reflects the reality that some individuals have a much more difficult time paying for the basic necessities of life. He pointed out that while \$1200 will be a luxury to some, for others it will barely help put food on the table.

Co-Chair Meyer reminded the committee that \$10 million had been passed for LIHEAP during regular session.

Ms. Armstrong requested clarification that the E version of the bill adopts a dollar amount of \$340.

Representative Gara confirmed that was his intention.

Co-Chair Meyer asked how much money would be added with this change.

Ms Armstrong estimated that it would add 40 to 42 million dollars to the program.

Co-Chair Meyer asked if the original recommendation was \$10 million.

Representative Gara said that one quarter of the money appropriated for the resource rebate would go to Alaskan's who earn over \$100 thousand per year. The state will be spending over \$250 million on families that make over \$100 thousand per year, so \$40 million to help people pay for heat does not seem like too much.

[5:32:55 PM](#)

Representative Kelly noted that a heating program benefiting someone earning over 100,000 dollars was "out of line."

Co-Chair Chenault asked about clarifying the point system, up to 35 possible points. If each point were worth 340 dollars, then that household would be allowed up to \$11,900.

JON SHERWOOD, DIRECTOR, OFFICE OF PROGRAM REVIEW, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, said that he could not verify the math but Co-Chair Chenault's estimation sounded correct. In the coldest communities with the most expensive fuel, there is a limit to the amount of points that count, so there can be some variations.

Co-Chair Chenault observed that the committee did not know how many people would apply or qualify for the total points.

Representative Kelly apologized for his misspeak about the \$100 thousand, and corrected himself stating that the number is \$50 thousand for the 225 percent.

Representative Gara explained that current LIHEAP program only applies for 225 percent of the poverty level, which is roughly \$39 thousand.

Mr. Sherwood read the appropriate statutes regarding income. For 225 percent of poverty, the annual income for a family of three is \$49,500 and for a family of four is \$59,625 gross income.

Co-Chair Meyer acknowledged that the family would also receive the \$1200 resource rebate.

Representative Kelly added that the family would also receive the PFD.

Representative Gara withdrew the amendment and will introduce changes on the floor.

Vice-Chair Stoltze noted the 100,000 per household was considered "rich."

[5:37:45 PM](#)

Representative Gara said he never called someone making \$100,000 dollars per year "rich."

Vice-Chair Stoltze MOVED that HCS for CSSB4002 as amended be MOVED out of committee with individual recommendations.

Co-Chair Meyer asked whether there were any objections.

Representative Hawker asked about fiscal notes.

Co-Chair Meyer agreed that fiscal notes were necessary and noted that the bill moved without objections.

[5:40:01 PM](#)

HCS CS SB 4002 (FIN) was reported out of Committee with a "do pass" recommendation and with two new fiscal notes by the Department of Revenue, two new fiscal notes by the Department of Health and Social Services and three new fiscal notes by the Department of Commerce, Community and Economic Development.

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ADJOURNMENT

The meeting was adjourned at 5:41 PM.