

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

May 4, 2007

3:11 p.m.

**MEMBERS PRESENT**

Representative Kurt CHAIR OLSON, Chair  
Representative Mark Neuman, Vice Chair  
Representative Carl Gatto  
Representative Gabrielle LeDoux  
Representative Robert L. "Bob" Buch  
Representative Berta REPRESENTATIVE GARDNER

**MEMBERS ABSENT**

Representative Jay Ramras

**COMMITTEE CALENDAR**

HOUSE BILL NO. 110

"An Act extending the termination date for the Regulatory Commission of Alaska; and providing for an effective date."

- MOVED CSHB 110(L&C) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 16

Opposing imposition of a milk tax on Alaskans.

- MOVED HJR 16 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 13

Urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state.

- MOVED CSHJR 13(L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 110

SHORT TITLE: REGULATORY COM'N. REPORT/TIMELINES/EXTEND

SPONSOR(s): LABOR & COMMERCE

01/30/07	(H)	READ THE FIRST TIME - REFERRALS
01/30/07	(H)	L&C, FIN

03/16/07 (H) L&C AT 3:00 PM CAPITOL 17  
03/16/07 (H) -- MEETING CANCELED --  
04/13/07 (H) L&C AT 3:00 PM CAPITOL 17  
04/13/07 (H) Heard & Held  
04/13/07 (H) MINUTE(L&C)  
05/04/07 (H) L&C AT 3:00 PM CAPITOL 17

BILL: HJR 16

SHORT TITLE: OPPOSING MILK TAX

SPONSOR(S): REPRESENTATIVE(S) LYNN

03/30/07 (H) READ THE FIRST TIME - REFERRALS  
03/30/07 (H) L&C  
05/04/07 (H) L&C AT 3:00 PM CAPITOL 17

BILL: HJR 13

SHORT TITLE: NATURAL GAS FOR STATE RESIDENTS

SPONSOR(S): REPRESENTATIVE(S) REPRESENTATIVE GARDNER

03/12/07 (H) READ THE FIRST TIME - REFERRALS  
03/12/07 (H) O&G, L&C  
04/12/07 (H) O&G AT 3:00 PM CAPITOL 120  
04/12/07 (H) Heard & Held  
04/12/07 (H) MINUTE(O&G)  
04/19/07 (H) O&G AT 3:00 PM CAPITOL 120  
04/19/07 (H) -- MEETING CANCELED --  
04/26/07 (H) O&G AT 3:00 PM BARNES 124  
04/26/07 (H) -- MEETING CANCELED --  
05/03/07 (H) O&G AT 3:00 PM BARNES 124  
05/03/07 (H) Moved CSHJR 13(O&G) Out of Committee  
05/03/07 (H) MINUTE(O&G)  
05/04/07 (H) L&C AT 3:00 PM CAPITOL 17

**WITNESS REGISTER**

MARK JOHNSON, Commissioner

Regulatory Commission of Alaska (RCA)

Department of Commerce, Community, & Economic Development

Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 110, answered questions.

JANIS WILSON, Commissioner

Regulatory Commission of Alaska (RCA)

Department of Commerce, Community, & Economic Development

Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 110, answered questions.

ANTHONY PRICE, Commissioner  
Regulatory Commission of Alaska (RCA)  
Department of Commerce, Community, & Economic Development  
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 110, answered questions.

REPRESENTATIVE BOB LYNN  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HJR 16.

DIRK MOFFATT, Staff  
to Representative Bob Lynn  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented HJR 16 on behalf of the sponsor, Representative Lynn.

MARIO CASTILLO, Executive Director  
The Dairy Trade Coalition  
(No address provided)

POSITION STATEMENT: During hearing of HJR 16, answered questions.

#### **ACTION NARRATIVE**

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at [3:11:06 PM](#). Representatives Olson, Neuman, Gatto, LeDoux, Buch, and Gardner were present at the call to order.

#### HB 110-REGULATORY COM'N. REPORT/TIMELINES/EXTEND

[3:11:06 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 110, "An Act extending the termination date for the Regulatory Commission of Alaska; and providing for an effective date."

[3:11:41 PM](#)

REPRESENTATIVE NEUMAN moved to adopt CSHB 110, Version 25-LS0449\E, Kane, 4/3/07, as the working document. There being no objection, Version E was before the committee.

CHAIR OLSON explained that Version E is a clean four-year extension of the Regulatory Commission of Alaska (RCA) and requires a two-year report card. The two-year report card requirement is on page 2, lines 22-27. He noted that Version E was negotiated with the governor's office and members from the Senate have been involved.

REPRESENTATIVE NEUMAN related his understanding that page 2 also includes changes to the timeline extensions for the RCA. He requested clarification.

[3:13:20 PM](#)

MARK JOHNSON, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community, & Economic Development (DCCED), noted that the subject of timelines is addressed in HB 209. Mr. Johnson explained that existing timelines are in AS 42.05.175(a)-(e) as specified on page 2, line 25, of Version E. He further explained that the language "**and of the timeline extensions made by the commission under AS 42.05.175(f)**" requires the RCA to report to the Legislative Budget and Audit Committee those instances in which the RCA has extended a statutory timeline. The language "**and other performance measures adopted by the commission**" is a reference to performance standards that are included in the RCA's operating budget. Therefore, the audit would be of the RCA's performance and these measures of performance made by the RCA and reported to the legislature.

CHAIR OLSON related his understanding that the aforementioned is already reported by the RCA in its annual report.

MR. JOHNSON replied that is correct, but noted that the timeline extensions pursuant to AS 42.05.175(f) are required to be reported quarterly.

[3:16:22 PM](#)

MR. JOHNSON, in response to Representative Neuman, replied that the timelines referenced in AS 42.05.175(a)-(e) are for different types of dockets that come before the RCA. He specified that subsection (a) relates to applications, subsection (b) relates to tariff filings that don't change a

revenue requirement, subsection (c) relates to tariff filings that do change a revenue requirement, and subsection (d) relates to formal complaints.

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REPRESENTATIVE GARDNER highlighted that what's new in Version E on page 2, lines 22-27, isn't the timelines but rather an audit of the annual report every two years. She asked then if there's a fiscal note for the person who does the audit.

CHAIR OLSON related his understanding that the audit is routinely done by [legislative auditors]. He mentioned that a fiscal note can't be requested until the proposed committee substitute (CS) has been adopted.

REPRESENTATIVE GARDNER inquired then as to what is new in Version E if the timelines, the performance measures, and the statutes are the same and the audit already occurs.

CHAIR OLSON indicated that the two-year report card, which isn't a full audit, is the new piece.

REPRESENTATIVE GARDNER turned the committee's attention to Section 3 on page 3, and related her understanding that the only change in this section is a different due date for the annual report. She requested an explanation of the differences of the annual report.

[3:19:48 PM](#)

MR. JOHNSON noted he didn't draft the sections relating to the annual report, although the language is different.

REPRESENTATIVE GARDNER requested that a copy of the existing statute, AS 42.06.220, be given to members of the committee to compare to the proposed statute.

The committee took a brief at-ease.

[3:22:30 PM](#)

MR. JOHNSON pointed out that Section 2 relates to the RCA's general utility regulation authority while Section 3 relates to pipeline regulation statutes. The sections refer to two distinct bodies of law, which result in the two different sections.

REPRESENTATIVE NEUMAN asked if any of the reports are given to the legislature while it's in session.

MR. JOHNSON explained that currently, the RCA has an annual report that must be filed by February 15th. He noted that Section 2 advances that date to November 15th, and therefore the legislature would have the opportunity to review the document prior to the beginning of the session. In further response to Representative Neuman, Mr. Johnson specified that the report is a written document.

CHAIR OLSON recalled that typically every couple of years the House Community and Regional Affairs Standing Committee will invite the chair of the RCA to provide a brief update.

REPRESENTATIVE GARDNER opined that the language on page 2, lines 22-27, seems to be the same language as on line 3.

CHAIR OLSON asked if Representative Gardner would be comfortable with the legislation moving from committee with the caveat that the drafter would review that language.

REPRESENTATIVE GARDNER replied yes. She then inquired as to the meaning of the differences in the report specified in Section 3, page 3.

MR. JOHNSON related his understanding that the first sentence of Section 3 is essentially the same as current law. The differences are in the second sentence, which specifies qualitative differences in the requirements of the current annual report and the proposed report requirements. He pointed out that current law specifies the following:

The report must contain information and data that bear a significant relationship to the development and regulation of oil or gas pipeline facilities in the state and include an outline of the commission's program for the development and regulation of oil or gas pipeline facilities in the forthcoming year.

MR. JOHNSON characterized current law as a rather broad mandate. He said he wasn't sure to what extent the RCA has pursued that. Historically, what the RCA has submitted is more like what is specified in the proposed new language.

REPRESENTATIVE GARDNER surmised then that Version E removes from the report the requirements that data about the industries regulated are included in addition to the outline of the RCA's program for the coming year. She asked if that's the intent of the sponsor.

MR. JOHNSON reiterated that the language that is proposed is more reflective of the report the RCA currently submits to the legislature.

REPRESENTATIVE GARDNER surmised then that the RCA hasn't been providing the required report.

MR. JOHNSON said he wouldn't necessarily make that conclusion.

CHAIR OLSON interjected that the language under discussion is language from the Senate that would "pick up the two-year snapshot."

REPRESENTATIVE GARDNER said she didn't have a problem, but was merely curious why the change would be made and what it really means.

CHAIR OLSON opined that the change makes the statute conform to what the RCA is currently doing.

[3:30:24 PM](#)

REPRESENTATIVE BUCH asked if this legislation concludes the committee's business with the RCA for the year.

CHAIR OLSON replied yes.

REPRESENTATIVE GARDNER said she would appreciate comments on her questions from other RCA commissioners.

[3:30:48 PM](#)

JANIS WILSON, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community, & Economic Development (DCCED), said she would address AS 42.06 in regard to the annual report. She explained that the existing language discusses the RCA outlining its programming for the development and regulation of oil and gas pipeline facilities. When AS 42.06 was originally enacted in 1972, the Alaska Pipeline Commission had a role in helping in the development and regulation of oil and gas pipeline facilities. At the time of the merger of the Alaska

Pipeline Commission to the Alaska Public Utilities Commission in 1981 the language addressing the development of oil and gas pipeline facilities was removed, but this portion of the annual report requirement wasn't changed. The RCA does not outline and plan for the development of oil and gas facilities as it's not a duty imposed on the RCA by the legislature. Therefore, the new language in AS 42.06.220 simply conforms that section to what should have been changed in 1981.

[3:32:30 PM](#)

ANTHONY PRICE, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community, & Economic Development (DCCED), informed the committee some of the language of the annual report was [proposed] at the request of Pat Davidson, Division of Legislative Audit, to ensure that the information on the audit would be readily available to the Legislative Budget and Audit Committee.

[3:33:11 PM](#)

REPRESENTATIVE NEUMAN moved to report CSHB 110, Version 25-LS0449\E, Kane, 4/3/07, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 110(L&C) was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 3:33 p.m. to 3:36 p.m.

HJR 16-OPPOSING MILK TAX

[3:36:35 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 16, Opposing imposition of a milk tax on Alaskans.

REPRESENTATIVE BOB LYNN, Alaska State Legislature, sponsor of HJR 16, began by thanking the committee for hearing HJR 16. He informed the committee that HJR 16 is similar to legislation that was introduced and heard [last session] but became stuck at the end of the session.

[3:37:37 PM](#)

DIRK MOFFATT, Staff to Representative Bob Lynn, Alaska State Legislature, explained that HJR 16 is a resolution opposing the

milk tax, which is the "Mandatory Dairy Promotion Assessment". The milk tax was imposed on milk producers in 1983 to decrease milk surplus by increasing demand. However, Alaska doesn't produce enough milk to meet its demands. Therefore, Alaska was excluded from the milk tax. Nothing has changed since 1983, and therefore Alaska shouldn't be forced to promote outside surplus milk from the Lower 48. Mr. Moffatt then drew attention to the letter in opposition to the milk tax from Alaska's congressional delegation to the U.S. Secretary of Agriculture. Mr. Moffatt requested the committee oppose the milk tax and pass HJR 16 from committee.

[3:39:41 PM](#)

REPRESENTATIVE GATTO inquired as to the percentage of milk that is imported.

REPRESENTATIVE GARDNER answered about half.

MR. MOFFATT deferred to Mr. Castillo.

[3:40:14 PM](#)

MARIO CASTILLO, Executive Director, The Dairy Trade Coalition, explained that The Dairy Trade Coalition is comprised of consumers and agricultural business interests throughout the U.S. The organization has affiliates in Alaska, including the Alaska chapter of Women Involved in Farm Economics and the Alaska Milk Coalition. In response to Representative Gatto's question, Mr. Castillo offered to get the specific percentage of milk imported into Alaska versus how much is produced in the state.

[3:43:07 PM](#)

REPRESENTATIVE GATTO related his understanding that the purpose of the milk tax was to increase the sale of milk by supporting an advertising campaign. However, Alaska doesn't need the advertising [as there is no surplus of milk in Alaska]. Representative Gatto opined that not paying the milk tax is a good idea.

[3:43:56 PM](#)

REPRESENTATIVE LEDOUX moved to report HJR 16 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

The committee took an at-ease from 3:44 p.m. to 3:47 p.m.

HJR 13-NATURAL GAS FOR STATE RESIDENTS

3:47:16 PM

CHAIR OLSON announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 13, Urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state.

3:47:25 PM

REPRESENTATIVE LEDOUX moved to adopt proposed CSHJR 13, Version 25-LS0747\C, Bullock, 5/3/07, as the working document. There being no objection, Version C was before the committee.

REPRESENTATIVE GARDNER, speaking as the sponsor of HJR 13, related her understanding that most members of this committee are aware of the need for ConocoPhillips Alaska, Inc. ("ConocoPhillips") and Marathon Oil Corporation to renew their export license in order to continue exportation of the known gas reserves in Cook Inlet. The purpose with HJR 13 is to serve as a wake-up call and request that the attorney general and the state participate in that decision in order to ensure that the best interests of the state are considered. She noted that in most respects the mere introduction of this resolution has achieved the goal since the attorney general has intervened. However, the memorandum dated April 29, 2007, from Kevin Banks, Acting Director, Division of Oil & Gas, Department of Natural Resources, relates the following: "The consideration of this resolution by the committee is helpful and I believe the resolution shows that State government is speaking with a unified voice to assure that natural gas will continue to be available to the domestic energy market in Southcentral Alaska." Therefore, she indicated the need to proceed with the resolution. She pointed out that the companion Senate resolution has been modified, and those modifications are reflected in Version C of HJR 16. Version C merely makes the request to the U.S. Department of Energy. Representative Gardner characterized the resolution as a holistic determination regarding whether continuing to export Southcentral gas is good for Alaska or not. She acknowledged that the aforementioned isn't simple and one must keep in mind that it's very likely

that the facilities used to export gas could be very important to provide gas for Southcentral Alaska in the future.

3:52:01 PM

BART WATSON, Staff to Representative Berta Gardner, Alaska State Legislature, explained that Version C directs the resolution to the U.S. Department of Energy rather than have the state make its views known. The change is reflected in the first clause of the title where the reference to the attorney general is changed to the U.S. Department of Energy. The remainder of the title is the same as the original version. He then pointed out there are two minor clauses inserted on page 1, lines 8-11, which bring HJR 13 in conformance with the Senate companion resolution. On page 2, the first two "WHEREAS" clauses were inserted simply as additions to flesh out the other clauses. Version C includes two new provisions on page 2, lines 25-30 and on page 2, line 31 through page 3, line 3. The intent of the aforementioned two provisions is to support the administration, which has requested in its intervention. He reminded the committee that the administration says that it supports the renewal of the export license so long as the following three conditions are met: the energy producers take reasonable steps to replace the reserves depleted during the two-year extension; the contracts for the utilities for natural gas be signed prior to approval of the extension; and the liquefied natural gas (LNG) plant be open to any new producers. Mr. Watson pointed out that the issue is that if someone has a small, new find, it should be fairly easy to place the gas. However, for a large find there may be no way to get it to market because there isn't a large enough existing market without exportation of the gas. He opined that one reason to support the continued export of the gas is to ensure that there is incentive for additional exploration.

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CHAIR OLSON mentioned that he would have opposed HJR 13 had it come in prior to the cutoff time for federal testimony. However, the original resolution was dated two days after the cutoff for testimony to be submitted to the U.S. Department of Energy.

3:58:29 PM

REPRESENTATIVE LEDOUX moved to report CSHJR 13, Version 25-LS0747\C, Bullock, 5/3/07, out of committee with individual recommendations and the accompanying fiscal notes. There being

no objection, CSHJR 13(L&C) out of the House Labor and Commerce Standing Committee.

3:59:20 PM

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 3:59 p.m.