

**ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

Anchorage, Alaska

November 7, 2008

1:07 p.m.

MEMBERS PRESENT

Representative Ralph Samuels, Chair
Representative Mike Hawker
Representative Mike Kelly (via teleconference)
Representative Mike Doogan
Representative Reggie Joule
Senator Bert Stedman
Senator Charlie Huggins (via teleconference)
Senator Johnny Ellis
Senator Gene Therriault (via teleconference)

MEMBERS ABSENT

Representative Mike Chenault
Senator Lyman Hoffman, Vice Chair
Senator Lyda Green
Representative Kevin Meyer

OTHER LEGISLATORS PRESENT

Representative John Harris

COMMITTEE CALENDAR

EXECUTIVE SESSION
APPROVAL OF MINUTES
R.S. 2477 AND NAVIGABLE WATERS RSA REQUEST
REVISED PROGRAM - LEGISLATIVE (RPLs)
AEA GRANT PROCESS
FINAL AUDITS
PRELIMINARY AUDITS

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ELLEN SIMPSON, Habitat Biologist
Alaska Department of Fish & Game (ADF&G)

Anchorage, Alaska

POSITION STATEMENT: Reviewed the RSA for RS 2477 and Navigable Waters.

ERIC SWANSON, Director
Division of Administrative Services
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Provided an overview of RPL 02-9-0020, Commercial Driver's License Information System Modernization.

AMANDA RYDER, Director
Division of Administrative Services
Department of Commerce, Community, & Economic Development
Juneau, Alaska

POSITION STATEMENT: Provided an overview of RPL 08-9-0111, National Forest Receipts.

STEVEN HAAGENSEN, Executive Director
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During hearing of the remaining five projects in RPL 08-9-0026, answered questions.

PETER CRIMP, Program Manager
Alternative Energy
Energy Efficiency
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Discussed the process that has resulted in RPL 08-9-0026.

SARA FISHER-GOAD, Deputy Director-Operations
Alaska Industrial Development & Export Authority and Alaska Energy Authority
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During discussion of five projects of RPL 08-9-0026, answered questions.

JOEL GROVES, Project Manager
Fishhook Hydroelectric Project
Fishhook Renewable Energy, LLC;
Employee, Polarconsult Alaska Inc.
Anchorage, Alaska

POSITION STATEMENT: During hearing of RPL 08-9-0026, discussed the Fishhook Hydroelectric Project.

FREDERIC BALLARD, JR, Tax Counsel
Ballard Spahr Andrews & Ingersoll, LLP
Anchorage, Alaska

POSITION STATEMENT: Speaking as tax counsel for the Alaska Energy Association during hearing of remaining five projects of RPL 08-9-0026, answered questions.

LISA LANG, President
Haida Corporation
Hydaburg, Alaska

POSITION STATEMENT: During hearing of RPL 08-9-0026, discussed the Reynolds Creek Hydroelectric Project.

NICK GOODMAN, CEO
TDX Power;
General Manager, TDX Manley Generating, LLC
Anchorage, Alaska

POSITION STATEMENT: Presented the Manley Hot Springs Geothermal Plant project under RPL 08-9-0026.

MICHAEL CRAFT, Developer and Managing Partner
Alaska Environmental Power, LLC
Fairbanks, Alaska

POSITION STATEMENT: During hearing of RPL 08-9-0026, discussed the Reviewed the Delta Area Wind Turbines project.

BERNIE KARL,
Chena Power, LLC
North Pole, Alaska

POSITION STATEMENT: Discussed the Biomass Plant project of RPL 08-9-0026.

ACTION NARRATIVE

CHAIR RALPH SAMUELS called the Legislative Budget and Audit Committee meeting to order at [1:07:34 PM](#). Representatives Samuels, Hawker, Kelly (via teleconference), Doogan, and Joule and Senators Huggins (via teleconference), Stedman, and Ellis were present at the call to order. Senator Therriault (via teleconference) arrived as the meeting was in progress. Also in attendance was Representative Harris.

[1:08:34 PM](#)

CHAIR SAMUELS informed the committee that it would not follow the exact order listed on the printed agenda.

EXECUTIVE SESSION

[1:09:04 PM](#)

REPRESENTATIVE HAWKER made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at [1:09:39 PM](#).

[2:19:47 PM](#)

CHAIR SAMUELS brought the committee back to order at 2:19 p.m.

APPROVAL OF MINUTES

[2:20:33 PM](#)

REPRESENTATIVE HAWKER made a motion to approve the minutes of October 7, 2008, as presented. There being no objection, the minutes from the meeting of October 7, 2008, were approved.

R.S. 2477 AND NAVIGABLE WATERS RSA REQUEST

[2:20:48 PM](#)

CHAIR SAMUELS then turned the committee's attention to the reimbursable services agreement (RSA) request for R.S. 2477 and Navigable Waters, which he recalled had been ongoing for at least the last six years.

SENATOR THERRIAULT suggested that this issue may have been around for the last 10 years.

[2:22:19 PM](#)

ELLEN SIMPSON, Habitat Biologists, Alaska Department of Fish & Game (ADF&G), began by reminding the committee that Alaska received the title to the submerged lands underlying navigable waters at statehood. She explained that navigability for title can be established through quiet title action initiated by the state or through the recordable disclaimer of interest process through the Bureau of Land Management (BLM). The BLM process creates an administrative process wherein the federal government confirms that there is no federal interest in the underlying

submerged lands. Prior to the adoption of the aforementioned rule, the only option was court. In fact, since statehood there have been about a dozen actions. By agreement, the research is conducted only on certain water bodies and areas of the state. Furthermore, ADF&G can only use these funds for document research on the specific land and water bodies. She noted that her records [regarding R.S. 2477s] go back to 2004, and since that time the Legislative Budget and Audit Committee has contracted with ADF&G to perform research to prepare Recordable Disclaimers of Interest (RDI) applications and assert state ownership on R.S. 2477 rights-of-way. The department would like to continue the work as it believes it's very important with regard to access to fish and wildlife resources as well as other natural resources. In the past, the Department of Natural Resources (DNR) and ADF&G together have received about \$140,000, which it has split "down the middle." This year, ADF&G is requesting \$102,000 with which to hire additional staff to research BLM historical files while access is available and to locate individuals who have had actual experience with the trails and water bodies at statehood. Ms. Simpson related [ADF&G's] belief that this request is important because under the new administration in Washington, D.C., the RDI process may change. Ms. Simpson pointed out that any research performed now can be used in future assertions of ownership or RDIs.

[2:25:50 PM](#)

REPRESENTATIVE DOOGAN questioned whether it would make a difference if this same funding request went through the normal budget process, rather than through the legislature via this committee.

MS. SIMPSON highlighted that this is the only funding ADF&G receives for this project. She recalled that originally the funding for this project came through this committee because the committee felt it was important not to leave the funding to the budgeting and prioritization process of the agency.

CHAIR SAMUELS agreed with that depiction. He added that the desire was to avoid the funds to the bureaucracy and having it spread it, but rather wanted the project to continue. [Going through this committee], he opined, was the safest way to ensure the project continued. Furthermore, no one knows who will be the next U.S. Secretary of Interior or whether BLM policies will change. The goal, he opined, was for the legislature to have control over the quiet title.

[2:27:49 PM](#)

REPRESENTATIVE HAWKER moved that the chair be authorized to enter into a contract for an amount not to exceed \$102,000 with ADF&G for research and preparation for R.S. 2477s and navigable waters. There being no objection, it was so ordered.

REPRESENTATIVE HAWKER moved that the chair be authorized to enter into a contract for an amount not to exceed \$38,000 with DNR for research and preparation for R.S. 2477s and navigable waters. There being no objection, it was so ordered.

REVISED PROGRAM - LEGISLATIVE (RPLs)

[2:28:40 PM](#)

CHAIR SAMUELS then turned the committee's attention to the RPLs before it.

[2:29:26 PM](#)

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration (DOA), explained that RPL 02-9-0020, Commercial Driver's License Information System Modernization, requests approval for DOA to receive and expend \$112,000 of federal authorization. The funds are grant funds that were made available by the federal Motor Carrier Safety Administration. The purpose of the funding is to improve the Division of Motor Vehicles (DMV) commercial drivers' license computer system. He informed the committee that a recent compliance audit found some deficiencies in the DMV's computer system. Most of the work expected is to be related to programming. Some of the work will be performed by DMV programmers, although he indicated that the division will contract with additional programmers.

[2:31:20 PM](#)

AMANDA RYDER, Director, Division of Administrative Services, Department of Commerce, Community, & Economic Development (DCCED), explained that RPL 08-9-0111 requests an additional \$7.9 million in federal receipts for the National Forest Receipts program. The aforementioned funding is available because the federal government reauthorized the program and changed the formula such that it's based on forest acreage within a borough's boundaries. As a result of the formula change, Alaska's total payment has increased from about \$9.6

million to \$17.4 million. Ms. Ryder informed the committee that these receipts can be used for Title 2 and 3 projects, which are projects on federal land as well as safety projects in communities. These receipts are direct pass through to communities, which can utilize them for the aforementioned projects as well as for schools and roads.

[2:32:41 PM](#)

REPRESENTATIVE HAWKER made a motion that RPL 08-9-0111, National Forest Receipts, in the amount of \$7.9 million to DCCED revenue sharing be approved. There being no objection, it was so ordered.

[2:33:03 PM](#)

REPRESENTATIVE HAWKER made a motion that RPL 02-9-0020, National Commercial Driver's License Information, in the amount of \$112,000 to the Department of Administration be approved.

[2:33:28 PM](#)

MR. SWANSON, in response to Senator Therriault, related his understanding that the funds for RPL 02-9-0020 won't be used for anything related to the Real ID Act.

[2:34:27 PM](#)

There being no objection, RPL 02-9-0020, National Commercial Driver's License Information, for Department of Administration was approved.

[2:34:55 PM](#)

STEVEN HAAGENSON, Executive Director, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development, outlined his plan of addressing the committee. He began by inviting Mr. Crimp forward to discuss the Denali Commission process, which is the process under which the remaining five applications of RPL 08-9-0026 were filed.

[2:36:23 PM](#)

CHAIR SAMUELS reminded committee members that other applications/projects of RPL 08-9-0026 were approved at prior meetings. The committee desired more information on the five remaining applications/projects.

[2:37:09 PM](#)

PETER CRIMP, Program Manager, Alternative Energy, Energy Efficiency, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development, began by noting that the process for identifying projects through the Denali Commission AEA request for proposals (RFP) used last year is not the same process as the renewable energy fund. This RFP was released December 6, 2007, and by the due date, February 12, 2008, the agency had received 97 proposals, which were reviewed by AEA staff on behalf of AEA and the Denali Commission. He then reviewed the criteria for Stage 1 review, which included determination as to whether the applicant is eligible, the project is eligible, the applicant demonstrated available matching funds, the applicant illustrated technical, financial, and management capability over the long term, et cetera. The review staff included four engineers and two energy planners. This review resulted in 60 proposals proceeding to Stage 2 review during which the economics of these proposals were assessed by two contractors. Ultimately, 40 of the original 96 proposals were determined to be eligible for funding. Of the 40, 33 were offered funding. There wasn't enough funding for the remaining seven proposals, and therefore AEA requested additional funds from this committee.

[2:39:25 PM](#)

CHAIR SAMUELS noted that Legislative Budget and Audit Committee hired Bob Pawlowski to achieve better coordination and communication between the Denali Commission process and the legislative process. He relayed that he has instructed Mr. Pawlowski to reach out to those on the Finance Committees as well as other members regarding the actions of the Denali Commission.

[2:40:42 PM](#)

MR. HAAGENSEN highlighted that AEA has provided a cover sheet matrix titled "Summary Information for AEA RPL; 5 remaining projects". He noted that the project sponsors are available for questions as is he.

[2:42:02 PM](#)

CHAIR SAMUELS recalled that the difficulty in prior hearings was the lack of information for the remaining five projects.

2:42:59 PM

REPRESENTATIVE DOOGAN inquired as to the heating fuel cost used in the cost:benefit analysis for these projects.

MR. HAAGENSON answered that the crude oil price was set at \$110 for the life of the project. He noted that the Institute of Social and Economic Research (ISER) was hired to perform the [cost:benefit] analysis. In further response to Representative Doogan, Mr. Haagenson said he didn't recall whether [the crude oil price] was in current year dollars or nominal dollars. However, he related his expectation that "it would be in the year it was spent because it's brought back to a net present value (NPV)."

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CHAIR SAMUELS then asked if the replacement fuel is on a British thermal unit (Btu) such that the relationship between gas and oil would fluctuate "on a smooth line" or is gas a separate number from the \$110.

MR. HAAGENSON clarified that the gas was computed separately. He recalled that the cost used was \$7. He noted that it went from \$6 to \$10 per thousand cubic feet (mcf) over a five-year period.

2:44:40 PM

REPRESENTATIVE HAWKER inquired as to the tax consequence of state grant funds for private, for-profit entities.

MR. HAAGENSON informed the committee that [AEA] has hired tax counsel who has worked with Ms. Fisher-Goad.

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SARA FISHER-GOAD, Deputy Director-Operations, Alaska Industrial Development & Export Authority and Alaska Energy Authority, Department of Commerce, Community, & Economic Development, told the committee that tax counsel is available to call in to speak with the committee, if it so desires. She then explained that generally, these projects would be considered taxable. However, there are some tools that can be used to mitigate any tax consequences. For example, an exemption under Section 118(a) of the Internal Revenue Code can be sought for grants to a

corporation. Therefore, a grant could be structured with covenants to mitigate those tax consequences. She pointed out that many of the grantees are organized as limited partnerships or a limited liability company (LLC), and thus wouldn't be eligible for a tax exemption [on these funds]. However, the effects of taxation of the grant will likely be offset by depreciation deductions and energy credits, depending upon the project. Ms. Fisher-Goad related that the goal is to ensure that taxability, if any, doesn't negatively impact the public benefit of the project. Furthermore, the goal is to work with the grantee/applicant and understand if there are any tax consequences and determine whether the public purpose is being fulfilled by the granting of the funds.

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REPRESENTATIVE HAWKER inquired as to whether Ms. Fisher-Goad was aware of the questions related to [the tax consequences] when she prepared the original numbers.

MS. FISHER-GOAD specified that the tax consequences weren't analyzed for the benefit cost of these projects. She related the need to work with the grantees to determine if there are any tax consequences or additional benefits and enhancements to the project and whether those would have to be addressed in the grant document. Ms. Fisher-Goad explained that when the new process reaches the point of determining an award, [the agency] would need to ensure that any tax benefit to the private entity flows through to the public purpose of the project.

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REPRESENTATIVE HAWKER indicated that he still doesn't have enough information. He emphasized that the tax consequences are serious, particularly in relation to the projects requiring larger amounts of funding. Representative Hawker said, "I do not want a significant chunk of that just being taken off by the federal government ... effectiveness and efficiency is really, really important to us here." He then related that he would be much more comfortable with these funding requests if there was a white paper tax analysis of the transaction.

MS. FISHER-GOAD said that AEA has discussed these issues and shares the same concerns. The bottom line is to receive the maximum public benefit from the project, whether it's by a private entity or not. The entities represented today share the aforementioned goal, she opined. She then suggested that these

could be addressed through the analysis of the grant and provide additional covenants to the grant and ensure that any tax consequences are neutral to the cost:benefit analysis for the projects or that it enhances the projects. She offered to do the aforementioned through the RPL approval process if that would help committee members.

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REPRESENTATIVE JOHN HARRIS asked if Representative Hawker or another committee member requested this information from AEA.

REPRESENTATIVE HAWKER recalled that the information request had been outstanding for about two months.

[2:52:13 PM](#)

REPRESENTATIVE HARRIS inquired as to why AEA hasn't responded.

MS. FISHER-GOAD answered that AEA has been engaged with tax counsel regarding answers to the committee. Because these [grantees] are private entities, additional information from them regarding tax consequences of the grant is necessary. She further related that AEA also needs to ensure it isn't providing tax advice to grantees. Ms. Fisher-Goad opined that the structure of the grants could address the concerns of the committee [regarding potential tax consequences].

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REPRESENTATIVE HARRIS emphasized that this is about the third time that AEA has come before the committee requesting funds through this process. The committee is asking a fairly basic question for which there should be an answer. He echoed earlier comments that there is no desire to provide the funds to the grantees and have the federal government tax it, and therefore AEA should know whether that will be the case.

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CHAIR SAMUELS inquired as to when there would be knowledge as to whether the grantee requesting \$1 million for the biomass plant would receive \$1 million or \$1 million less 35 percent.

MS. FISHER-GOAD said that the entities present will be able to answer the questions related to the tax consequences. With regard to the issues with the deductions and the tax credits,

Ms. Fisher-Goad related her understanding that there's not an automatic turning over of 35 percent to the federal government.

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CHAIR SAMUELS directed the committee's attention to the Fishhook Hydroelectric Project request. He reviewed that the questions to be answered by the applicants are as follows: what stage is the project; how is the financing obtained; what are the tax implications; what happens if the price of oil continues to drop. Chair Samuels then informed the committee that this process in which the committee is going through these five projects or the process by which AEA makes the request and says to trust it won't be used for the \$100 million request that will be before the committee in December. He reminded the committee that the process was set up so that this committee could act without entering the session arena because the requests would likely get caught [in the budget debate that isn't completed] until the end of session.

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MR. HAAGENSEN, in response to Representative Hawker's earlier recollection, related that he recalls the first Legislative Budget and Audit Committee meeting on this subject was September 29, 2008. Furthermore, he only recalled questions directed to him about these RPLs arising a week ago or two weeks ago.

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JOEL GROVES, Project Manager, Fishhook Hydroelectric Project, Fishhook Renewable Energy, LLC; Employee, Polarconsult Alaska Inc., informed the committee that Polarconsult Alaska Inc. has extensive experience building, designing, permitting, and operating hydroelectric projects throughout the state. Furthermore, the members of Fishhook Renewable Energy, LLC, are all employees and engineers of Polarconsult Alaska Inc. Mr. Groves then informed the committee that the Fishhook Hydroelectric Project began developing and exploring the Fishhook resource about two-and-a-half years ago. In 2006, it was determined to be a viable project based on an avoided cost model in the Railbelt with a target of \$.05 per kilowatt-hour (kWh). The aforementioned target coordinates with Chugach's existing generation of about \$5 per mcf for natural gas. All the preliminary feasibility studies for the project have been completed. Currently, the project is in the permitting process. Furthermore, [Fishhook Renewable Energy, LLC, is in advanced

contract negotiations with the Matanuska Electric Association (MEA), which would be the recipient of the energy from the project. He explained that to arrive at the point of negotiating with MEA required getting Chugach Electric and MEA to negotiate an amendment to their tripartite agreement, authorizing MEA to negotiate directly with Fishhook Renewable Energy, LLC. Those negotiations took about 1.5 years and the contract amendment was approved last month by the Regulatory Commission of Alaska (RCA). Currently, Fishhook Renewable Energy, LLC, is in advanced contract negotiations for the power. The outcome of the grant application will [determine] the project financing. The primary financing for the project is through the AEA Power Project Fund or the AIDEA Power Project Fund. He told the committee that Fishhook Renewable Energy, LLC, is trying to build a project next summer, which requires "green lights" for all aspects of the preconstruction by January or February 2009. The permits, power sales contract, and financing needs to be in place so that the company can begin ordering some of the long-lead time materials. At this point, the aforementioned is a viable schedule, although there is no slack left in the schedule.

MR. GROVES then turned to the tax consequences. He opined that Fishhook Renewable Energy, LLC, doesn't anticipate any tax liabilities in the early years of the project because hydro projects are generally capital intensive and there's sufficient depreciation in the pro formas. He noted that the financial pro-formas for the project will be reviewed by the RCA. With regard to the price of oil, Fishhook Renewable Energy, LLC, a for-profit entity, used a forward projection of about \$7 per mcf which equates generally to \$.07 per kWh for the financing and viability of the project. He pointed out that the aforementioned projection is considerably less than AEA's \$110 per barrel on a Btu basis. In response to Chair Samuels, Mr. Groves acknowledged that it's not a historical basis. He explained that when one looks at Cook Inlet, the legacy has been of stranded gas over the last 40 years. However, ENSTAR Natural Gas Company's gas contracts are moving toward prices based on Lower 48 market prices of \$6-\$8 per Mcf long-term average price.

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REPRESENTATIVE HAWKER inquired as to the projected in-service date for this project.

MR. GROVES answered that the project would be operational about this time next year. He explained that the company would fast-

track the order of one wind turbine in order for it to be installed and operational in October/November 2009. In further response to Representative Hawker, Mr. Groves explained that for the project construction estimates to be met, the project must be built in one year. If there's a situation in which some of the long lead-time items can't be received in time to build in the summer of 2009, then the project will have to wait to 2010. He specified that it's critical to complete the outdoor construction activities during the construction season of [2009]. The actual turbine installations and indoor activities could "flip," he said.

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REPRESENTATIVE HAWKER related his understanding that Fishhook Renewable Energy, LLC's financing commitments are contingent upon receipt of this grant funds.

MR. GROVES replied yes. In further response to Representative Hawker, Mr. Groves pointed out that the grant is for construction and thus the funds wouldn't be expended until the decision to proceed or not was made. Regarding whether the funds would be returned depends upon whether the decision is to defer the project or cancel it.

[3:07:30 PM](#)

MR. HAAGENSON interjected that this is a cost-reimbursement project, and therefore no funds can be expended until the financial plan is in place and the money has been spent. If the company decides not to proceed, it won't receive the funds.

REPRESENTATIVE HAWKER commented that he didn't believe the grantee had that understanding, but noted that he should now.

[3:07:53 PM](#)

REPRESENTATIVE HAWKER inquired as to when Fishhook Renewable Energy, LLC, would expect to receive the grant funds.

MR. GROVES replied that he would expect to receive the grant funds in the first quarter of 2009 after the construction decision is made.

REPRESENTATIVE HAWKER asked if the receipt of the grants funds triggers the taxability of the funds.

MR. GROVES deferred to tax counsel.

REPRESENTATIVE HAWKER recounted that the grant funds would be received in year one and service would occur in the next year year. He recalled hearing that any tax consequences could be sheltered with depreciation and other deductions. However, he opined that the deductions couldn't be taken until the project is in service. Therefore, the company would pay taxes in the first year.

MR. GROVES related his understanding that Fishhook Renewable Energy, LLC, has sufficient liabilities that it wouldn't show a net profit with this project, and thus wouldn't have any tax liability.

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MR. HAAGENSON commented that it's dangerous to ask engineers about financial matters.

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REPRESENTATIVE KELLY pointed out that the taxability discussion seems to move between net income being taxable, which is understandable for a C corporation, and whether there's tax liability associated with a lump sum grant payment. He inquired as to which Representative Hawker is speaking.

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REPRESENTATIVE HAWKER said that he was trying to determine whether those before the committee understood the difference outlined by Representative Kelly.

REPRESENTATIVE KELLY remarked that if the initial funding is taxable, that's a nonstarter. Whether the revenue stream is taxable is known from the beginning since these grant applicants aren't nonprofits. He asked if someone can answer his question related to the different situations outlined above. Representative Kelly then turned to a return on the grant portion, for which he envisioned the following two approaches: an avoided cost arrangement with Chugach MEA or an RCA process that would focus on a reasonable rate of return, which would automatically exclude any rate of return. He inquired as to which Fishhook Renewable Energy, LLC, is doing.

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MR. GROVES confirmed that Fishhook Renewable Energy, LLC, is actually contracting on an avoided cost arrangement with MEA. Through 2014 it's based on Chugach's avoided cost, and after 2014 it will be based on MEA's avoided cost. Fishhook Renewable Energy, LLC, is slated to go before the RCA to obtain either a certificate of public convenience as a utility or to be exempted from the process. During discussions with Chugach Electric, MEA, and the RCA, there has been some question as to whether [the RCA wants] entities [such as Fishhook Renewable Energy, LLC] to become certificated utilities or to become exempted. The utilities, MEA and Chugach Electric, have expressed concern with having small hydroelectric projects being equal on the Railbelt, and therefore have expressed a preference for having such projects exempt from regulation, he relayed. The RCA has also expressed concern with the workload it would face if the small, independent power producers requested full certification. He related his understanding that part of the exemption process would include the RCA vetting any applicant on the basis of economics, anticipated rate of return, and the ability to be fit, willing, and able to provide the services the company proposes to provide.

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CHAIR SAMUELS related his understanding that none of the \$453,071 in grant funds roll into the rate, under any circumstances. He further related his understanding that the company isn't making any money on the grant funds.

MR. GROVES noted his agreement, adding that the company would have to demonstrate the public benefit. Regulation is a condition of receiving the grant, he indicated. He further indicated that AEA would [regulate] the grantee, regardless of what the RCA does.

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REPRESENTATIVE KELLY interjected that if an entity is paying under the avoided cost system and not regulated, it may be difficult to make the aforementioned statement clearly. He then asked if [these applicants] would be required to demonstrate that there's not a return on public money.

MR. HAAGENSON related his belief that statute requires any for-profit utility to be regulated by the RCA. He then relayed that he has heard discussion of a RCA process that isn't the full

process, but will still have enough information to make a determination. Furthermore, the RCA won't allow recovery of grant funds in the rate base. Mr. Haagenson told the committee that tax counsel is dialing in to join the meeting. He then related his understanding that Section 118(a) of the IRS code specifies that grant money to a corporation is considered revenue.

3:18:01 PM

REPRESENTATIVE KELLY, regarding the RCA response, said if these applicants aren't rate regulated while using an avoided cost contract, the ability to determine whether there's return in the future would be lost. The return could merely be found to be higher on the other portion of the capital costs, he noted. He said that he still hasn't heard an answer as to whether there will be a return on the grant-funded portion under an RCA rate-based sort of regulation or in a situation based on avoided cost that doesn't include RCA oversight. Representative Kelly mentioned, "I assume when your tax cap comes back on, we're going to have two simple questions: the net profit stream and the sudden grant death fund taxing."

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REPRESENTATIVE HAWKER inquired as to the tax ramifications of these grants to taxable entities or entities with a flow-through tax structure.

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FREDERIC BALLARD, Tax Counsel, Ballard Spahr Andrews & Ingersoll, LLP, spoke as tax counsel for the Alaska Energy Association. He explained that generally if an authority makes a grant to a corporation, including a taxable business corporation, it could structure the grant as a contribution to capital. The contribution to capital could be structured in a manner that is a nontaxable grant. The aforementioned ability is only for grants to corporations. However, many of the applicants aren't in corporate form but rather are in the form of LLCs. A grant to LLCs will, he opined, be taxable. However, the tax impact will be, to some extent, offset by depreciation deductions, which may be an accelerated form of depreciation in some cases. That would be significant financially. It may also be possible that in some cases the property would qualify for energy property credit, which can also be significant financially. Neither depreciation or the energy credit are

available for property financed with a tax-exempt grant, he pointed out. Furthermore, if property is partially financed with a tax-exempt grant, there's a pro rata disallowance for depreciation deductions and disqualification from the energy credit. Therefore, one can't absolutely say, in a generalization, whether the taxability of grants will be a significant financial problem to the grantees. In many cases, it may not make much difference to the grantees, and thus it would need to be explored with each grantee. Still, there is no substitute for being exempt from the beginning.

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REPRESENTATIVE HAWKER remarked that Mr. Ballard had illustrated his concerns and that each project requires a project specific analysis of the fact and circumstances.

MR. BALLARD agreed.

[3:25:43 PM](#)

CHAIR SAMUELS, upon determining there were no further questions, directed the committee's attention to Reynolds Creek Hydroelectric Project.

[3:26:04 PM](#)

LISA LANG, President, Haida Corporation, related her belief that there [won't be taxation ramifications for the Reynolds Creek Hydroelectric Project]. She then recalled recent adoption of sweeping tax reform, which included relief from taxation for alternative energy projects that tax counsel should research. Ms. Lang noted that she is asking her attorney to review that as well. Ms. Lang then introduced the team of folks with which she works and from whom answers to some of the questions could reside. She then informed the committee that the Board of Directors for Haida Corporation and Alaska Power & Telephone Company (AP&T) have met and agreed to joint venture. Haida Corporation will be the majority owner of the joint venture, which takes care of the tax consequence. She went on to tell the committee that the Federal Energy Regulatory Commission (FERC) permit has been issued and approximately 85 percent of the permitting and licensing are completed. Ms. Lang relayed to the committee that the Prince of Wales Advisory Council, which represents the 10 communities on the island, whole-heartedly supports this project. She then pointed out that some of the residents on Prince of Wales Island are paying \$.67 per kWh for

energy. [Haida Corporation] is looking for this project to provide lower cost energy, displace diesel, and to garner sustainable economic development. She said that in the future she intends to advocate for the later point being incorporated in projects.

3:31:09 PM

MS. LANG informed the committee that Haida Power is a joint venture between Haida Corporation and AP&T. Haida Power, which is in the process of applying for its certificate, will be a regulated utility. The operator for the project will be AP&T and the manager of the project is HDR Engineering. She explained that Haida [Corporation] looks to work with AP&T to complete the design in the least expensive manner. The Reynolds Creek Hydroelectric Project is a 5 megawatt hydroelectric resource to be constructed on the southern end of Prince of Wales Island. The project will interconnect with the existing transmission grid on Prince of Wales Island and will be used by the residences and businesses of Craig, Klawock, Hollis, Hydaburg, Thorne Bay, and Kasaan. Additionally, once the transmission grid is expanded to Coffman Cove and Naukati, those communities will also directly benefit from Reynolds Creek. With regard to earlier questions about the regulatory authority, Ms. Lang related that the RCA must grant the certificate of public convenience and necessity to Haida Power. Haida Corporation is currently in negotiations for the power sale agreement between Haida Power and the Alaska Power Company (APC), which will be the customers.

3:33:08 PM

REPRESENTATIVE HAWKER recalled that a couple of weeks ago Mr. Haagenson said that Haida Corporation was going to request a waiver of the certificate of public convenience and necessity in order to be a non regulated project, which seems to conflict with Ms. Lang's statements.

MS. LANG clarified that she is speaking to the most recent [application]. She reiterated that the Reynolds Creek Hydroelectric Project would be regulated and overseen by the RCA. Furthermore, [Haida Corporation] would be minimized to return on equity as far as what [the corporation] put into the project. Ms. Lang specified, "No, we wouldn't be able to have any kind of return on anything outside of what we actually put in the project. That was made very clear to us."

REPRESENTATIVE HAWKER reminded everyone that the legislature is the custodian of the state's wealth.

[3:35:04 PM](#)

MS. LANG noted that the financial statements are available. She also noted that the CEO of Haida Corporation is also a Certified Public Accountant (CPA). She informed the committee that the application for certification is being prepared for filing and the corporation has no claims against it. She described HDR Engineering as a well-respected worldwide engineering firm. Ms. Lang then informed the committee that this project received \$2 million this year from the legislature and \$100,000 from the Denali Commission. The funds from the Denali Commission were to close the gaps on the pre-construction on the licensing. However, that [\$100,000] in funds hasn't been received yet.

[3:36:22 PM](#)

MS. LANG, in response to Representative Harris, confirmed that Haida Corporation received a \$2 million grant from the legislature without any conditions attached.

[3:36:58 PM](#)

REPRESENTATIVE HAWKER recalled that the aforementioned \$2 million grant went to Southeast Conference rather than Haida Corporation for the Reynolds Creek Hydroelectric Project.

MS. LANG replied yes. She explained that Haida Corporation is a for-profit entity that looks for ways to do projects such as this hydroelectric project. Since the grant wouldn't go to Haida Corporation, it looked for a suitable entity with which [to work], which is Southeast Conference.

[3:38:38 PM](#)

REPRESENTATIVE HAWKER inquired as to whether there's a business plan or reconciliation plan to address pass through funding from one entity to another.

MR. HAAGENSON pointed out that the financial plan that Ms. Lang mentioned earlier discusses the relation of the parties and the project's finances.

[3:39:40 PM](#)

CHAIR SAMUELS highlighted that the benefit analysis for the Reynolds Creek Hydroelectric Project assumes that the transmission line will be paid for with Denali Commission dollars and the benefit:cost ratio assumes a slight growth and a new fish processor in 2010. He inquired as to where the new fish processor is incorporated into the 1 percent growth. He then pointed out that if the price of oil decreases to \$40 per barrel, then [Prince of Wales] is better off "doing what you're doing; then we're going to be driving the cost of the utility up."

MS. LANG informed the committee that the fish processing plant is under construction in Craig.

MR. HAAGENSON opined that the 1 percent growth is easily attainable when [the hydroelectric project] is tied into the system.

[3:41:17 PM](#)

REPRESENTATIVE HARRIS asked if the \$2 million grant from the state has been received.

MS. LANG answered that the [grant] arrived about a week ago for signature.

REPRESENTATIVE HARRIS opined that the Office of Management & Budget (OMB) probably goes through a much more rigorous process than the legislature before doling out funds. Therefore, he said he can't see any reason to deny this request.

[3:42:29 PM](#)

REPRESENTATIVE HAWKER remarked that the inconsistencies are troubling. In fact, he recalled that Mr. Haagenson told him as recently as a week ago that there was no new fish processing plant.

MR. HAAGENSON stated that he was answering with the best information he had at that time. Therefore, he now stands corrected, he said. In further response to Representative Hawker, Mr. Haagenson related that AEA is trying to provide the committee with accurate information. However, these applications were filed in February and things have changed since that time.

CHAIR SAMUELS announced that he will vote to move all the projects forward. However, he opined that it's problematic for the projects amounting to \$100 million. Therefore, a better way to [present these projects] needs to be developed.

[3:45:20 PM](#)

NICK GOODMAN, CEO, TDX Power; General Manager, TDX Manley Generating, LLC, began by noting that TDX Manley Generating, LLC, is the applicant for the Manley Hot Springs Geothermal Plant project. With regard to the taxation consequences, Mr. Goodman related that he just spoke with KPMG whose initial response is that there's no margin built into a grant, it's essentially all expense and thus not taxable. He then explained that TDX Manley Generating, LLC, is a fourth or fifth level subsidiary under TDX Corporation. The TDX Corporation pays taxes on a consolidated basis. For the last several years and the next couple of years, TDX Corporation has net operating losses (NOLs) and thus doesn't expect to pay any taxes through any of its companies.

REPRESENTATIVE HAWKER related his understanding that if current NOLs, which are deferred tax assets today, are used to mitigate the current tax liability, the deferred tax asset will be used up. Therefore, the company will become taxable at some point in the future, sooner than it would have otherwise.

MR. GOODMAN noted his agreement. He said he mentioned that to the accountant at KPMG, which again pointed out that in a grant situation, there's no margin or profitability built in. He specified, "It's the profit that you would pay tax on; it's essentially 100 percent expense. And therefore, by definition, you would not pay taxes on that portion of the funding coming from the state." In further response to Representative Hawker, Mr. Goodman confirmed that there will be a direct offset. He noted that he has requested an opinion on that from KPMG.

[3:47:38 PM](#)

MR. GOODMAN then explained that TDX Manley Generating, LLC, is a new company; the utility was purchased from United Utilities this spring and it's going through the regulatory process now. TDX Power is a holding company as it owns and operates utilities around the state. He informed the committee that TDX Power, an investor-owned utility, is fully regulated by the RCA. No return can be generated on any grants or funds contributed, he noted. Mr. Goodman told the committee that Manley continually

has among the top rates in the state, currently its rate is close to \$1 per kwh. Geothermal, he opined, has the potential to lower the cost of electricity significantly. In fact, [TDX Power] is one of two companies in the state that has actually developed geothermal projects in the state and has completed development of four much larger projects in the Lower 48. Mr. Goodman closed by relating his excitement for the potential of developing geothermal in the state.

[3:48:45 PM](#)

REPRESENTATIVE HAWKER reminded the committee of AEA's cost:benefit analysis of \$110 per barrel average price and a 1.1 cost:benefit ratio. The aforementioned doesn't provide much comfort in regard to ensuring that the costs to residents in Manley won't experience increased energy costs. Representative Hawker asked if Mr. Goodman agrees with AEA's analysis.

MR. GOODMAN related his understanding that AEA's cost:benefit analysis looks at the state's contribution from the ratepayer's perspective. The belief, he opined, is that [energy] rates in Manley will drop significantly, regardless of the per barrel cost.

[3:50:19 PM](#)

REPRESENTATIVE HAWKER inquired as to the anticipated consequences to the ratepayer/customer bases.

MR. GOODMAN opined that the reason for the state to invest in the Manley Hot Springs Geothermal Plant is because it would be a large risk for the private sector in such a small community. With a grant and subsidy, the potential for rates to decrease in Manley is 100 percent, he predicted, and a high potential for the rates to fall significantly. The reduction in energy costs, he indicated, will allow small communities such as Manley to survive.

MR. HAAGENSEN explained that AEA performed its analysis with total cost of the project, not net grant. Performing the analysis with the net grant does result in what Mr. Goodman discussed, he said.

REPRESENTATIVE HAWKER stated that the legislature is concerned with helping individual Alaskans, and therefore that's the metric that should be reviewed.

3:52:01 PM

REPRESENTATIVE KELLY asked if AEA utilized [the same type of analysis] with [the Reynolds Creek Hydroelectric Project].

MR. HAAGENSON answered that the same logic was applied consistently to every project. He explained that the total project cost was utilized as the cost factor and the benefits were calculated and placed in the numerator. Therefore, a true project benefit:cost ratio was achieved.

3:53:12 PM

MICHAEL CRAFT, Developer and Managing Partner, Alaska Environmental Power, LLC, informed the committee that the first turbine has been installed and was commissioned by the Department of Natural Resources (DNR) about two-and-a-half weeks ago. In fact, yesterday [the wind turbine was] pumping at 98 percent capacity factor. Mr. Craft explained that Alaska Environmental Power, LLC, asked the state for \$800,000 to participate in a 2 megawatt 400 kW system. Currently, 100 kW is working with a power purchase agreement in place. All of the certificates and documents have been completed and thus the path is clear to move forward with a larger facility. However, the problem is that Golden Valley Electric Association (GVEA) would only allow Alaska Environmental Power, LLC, to have a 2 megawatt power purchase agreement, which isn't economically viable. Therefore, Alaska Environmental Power, LLC, has been saddled with proving wind energy to the entire state because GVEA obtained a special tariff from the RCA to develop an experimental power purchase program. The aforementioned program is a 20-year contract that's based on the average avoided fuel cost, which includes the energy coming from "down south as well as what Golden Valley is producing on its own." Therefore, it's a fairly low number relative to GVEA's true cost.

CHAIR SAMUELS opined that Mr. Craft is describing a deal between Alaska Environmental Power, LLC, and GVEA.

MR. CRAFT explained that Alaska Environmental Power, LLC, had developed a site and was negotiating a power purchase agreement with GVEA when, in the 11th hour of the contract, many things were changed. He said that Alaska Environmental Power, LLC, was surprised that GVEA was only willing to accept a 2 megawatt power purchase agreement because of potential risk. He mentioned a newspaper article in which GVEA related its fear of wind power. Mr. Craft also pointed out that the statewide wind

advisory group that he sits on is also afraid of wind power. Therefore, at this point only Alaska Environmental Power, LLC, is willing to put 15-20 megawatts on line. He informed the committee that approximately four months ago Alaska Environmental Power, LLC, turned down \$34 million worth of financing from General Electric (GE) because it didn't have a customer for 15 megawatts of power. The aforementioned would've required no money from the state and no one else would've been involved because the economy of scale would've been high enough for Alaska Environmental Power, LLC, to make a profit while supplying green energy at the avoided fuel costs of hydrocarbons.

[3:56:21 PM](#)

CHAIR SAMUELS commented that it's still a commercial agreement between GVEA and the Alaska Environmental Power, LLC, regardless of the outcome.

[3:56:32 PM](#)

MR. CRAFT clarified that Alaska Environmental Power, LLC, can't move forward with a large enough project due to existing grid conditions. The fact, he opined, is that GVEA is making the rules. At this point, GVEA is only [allowing] 2 megawatts. The economics of such a project are tough, he further opined. Mr. Craft highlighted that Alaska Environmental Power, LLC, already has a turbine in place and is generating power. Over the last two-and-a-half years, Alaska Environmental Power, LLC, has spent \$1 million worth of cash to get to this point. In the meantime, the Denali Commission and AEA put out this RFP [with the goal] of being ready to construct on the Railbelt grid. The aforementioned language seemed to fit for the Delta Area Wind Turbines. The entire purpose of applying for this grant is to prove that wind energy can compete with hydrocarbons on the Railbelt grid.

[3:57:56 PM](#)

REPRESENTATIVE KELLY inquired as to whether Mr. Craft still wants the \$800,000 grant.

MR. CRAFT replied yes. The intent is to place three other turbines next to the already existing turbine, which already generates 100 kW. He noted that there is a customer for 2 megawatts.

3:59:05 PM

MR. CRAFT mentioned that both of his partners are "tax people." According to the research they've done, this grant would offset the costs. As long as Alaska Environmental Power, LLC, doesn't depreciate the items purchased with the grant funds, it's not a taxable event for the LLC. Mr. Craft then pointed out that there is a large difference between this RFP, which is unencumbered, and the larger RFP the committee will address in the future. He explained that this unencumbered RFP will allow Alaska Environmental Power, LLC, to put in place three more turbines and leverage that asset to move on to a larger facility. However, those who apply for grants under the upcoming encumbered RFP can't leverage those assets, sell them, or commit them in any way.

4:00:13 PM

CHAIR SAMUELS inquired as to what \$800,000 will accomplish for the Delta Area Wind Turbines project.

MS. CRAFT responded that it would put three more wind turbines in place. He informed the committee that the bus bar, the three-phase disconnect, the power line for 2 megawatts, the road, and the facility and land is paid for.

4:00:48 PM

REPRESENTATIVE HARRIS, returning to GE's interest in the 15 megawatt wind turbine project, inquired as to the response of GVEA in that situation.

MR. CRAFT noted that Alaska Environmental Power, LLC, has been able to secure a more efficient line of turbines for which it amounts to \$2 per watt of installed capacity. The concern of GVEA over a 15 megawatt project was that no one had done such a project on the Railbelt grid. He acknowledged that wind power does swing. For instance, it wouldn't be unusual for a 15 megawatt facility to swing 700 kW over the course of 10-15 minutes. Therefore, spinning reserve has to be available. Due to the Pogo Mine, Fort Knox, and the Usibelli Coal Mine, Inc., a lot of spinning reserve already exists in the Interior. Mr. Craft informed the committee that Alaska Environmental Power, LLC, actually has the opportunity for another customer, Fort Greely. He relayed that Fort Greely is investigating its own wind facilities in the Interior and is willing to purchase all

15 megawatts from Alaska Environmental Power, LLC. However, there are issues with wheeling.

4:03:58 PM

REPRESENTATIVE HARRIS asked if GE remains interested in investing if the project [is successful].

MR. CRAFT affirmed that to be the case, adding that there is also interest from another company. In further response to Representative Harris, Mr. Craft said that 100-plus megawatts of wind power is totally doable over the next two to three years. The aforementioned is less than 20 percent penetration, which all of the wind diesel conferences he has attended say is a safe place. Furthermore, a 100-plus megawatts of dispatchable wind power could be put on line in the next several years. That amount of power could displace one-fifth of the grid.

4:04:57 PM

REPRESENTATIVE KELLY commented that Mr. Craft has a real operating facility, which is important to note.

4:05:29 PM

BERNIE KARL, Chena Power, LLC, explained that the goal of the project is to take biomass and turn it into electricity and heat, which would benefit Fairbanks as well as the entire state. United Technologies, the 20th largest manufacturer in the U.S., is willing to put money into this project as is Chena Power, LLC. He relayed that this is a cooperative [endeavor] between the state, United Technologies, Chena Power, LLC, K&K Recycling, and the Fairbanks North Star Borough. He noted that he has provided the committee with the information regarding who is financially involved in this venture. Mr. Carl then turned to the benefit this project will provide to the local Fairbanks residents as well as the state. "I promise you this will make the most significant contribution to power generation of anything in the 21st Century," he emphasized. He informed the committee that three of these units are already running at Chena Hot Springs, and thus already displacing much diesel fuel. Mr. Carl related that that this year there have been 60,000 visitors to this project. Furthermore, energy tours are provided as well as educational [presentations] at local schools and an on-site energy fair. He opined that the aforementioned gives a lot back to the state, which is the responsible thing to do. With regard to taxes, Mr. Carl said that the money is taxable as it's

considered income. However, an entity doesn't pay taxes on grant money because "you expense it out." He then moved on to the benefit analysis, and informed the committee that the 90,000 individuals in Fairbanks will save \$3.27 per person per year by having these grant funds. Furthermore, because [the biomass plant] would sell power to GVEA for a half cent under its avoided cost, GVEA is saved \$4.73 per ratepayer per year. Mr. Carl emphasized that the reason the state should want to put money in this project is because it's about the entire state. "If you get involved in ... this biomass project, I promise you that ... over half of the villages in Alaska could be totally self-sufficient in the next 10 years," he predicted.

[4:11:38 PM](#)

REPRESENTATIVE HAWKER moved that the committee approve the remaining projects, numbers 31 - Manley Hot Springs Geothermal Plant, 34 and 35 - Fishhook Hydroelectric Project, 38 - Delta Area Wind Turbines, 39 - Biomass Plant, and 40 - Reynolds Creek Hydroelectric Project, of RPL 08-9-0026.

[4:12:13 PM](#)

REPRESENTATIVE DOOGAN objected, and informed the committee that Mr. Groves, who presented the Fishhook Hydroelectric Project, is his son-in-law.

REPRESENTATIVE DOOGAN then withdrew his objection.

[4:13:58 PM](#)

A roll call vote was taken. Representatives Doogan, Hawker, Kelly, and Samuels and Senators Ellis, Therriault, and Huggins voted in favor of the approval of the remaining projects, numbers 31 - Manley Hot Springs Geothermal Plant, 34 and 35 - Fishhook Hydroelectric Project, 38 - Delta Area Wind Turbines, 39 - Biomass Plant, and 40 - Reynolds Creek Hydroelectric Project, of RPL 08-9-0026. Therefore, those projects were approved by a vote of 7-0.

AEA GRANT PROCESS

[4:15:27 PM](#)

CHAIR SAMUELS discussed various options regarding how to address the process for the upcoming AEA RPLs totaling \$100 million.

4:16:48 PM

MR. HAAGENSON reviewed possible processes. For instance, he said he could walk the committee through the process, which includes the advisory committee, and the committee could trust the process to have worked after about 40 people have reviewed it. Another option is for AEA to provide all the information to the committee so that it can make an independent decision [about the RPL]. Mr. Haagenson opined, "At the end of the day, I think we're all in here for the same thing: we're trying to get the cost of energy down for Alaskans and we're trying to expend Alaskans' money wisely. I'm not interested in wasting it, I never have been interested in that."

4:18:16 PM

CHAIR SAMUELS inquired as to the total amount of funds for which there are applications at AEA. He further inquired as to the number of projects encompassed in the upcoming RPL.

MR. HAAGENSON answered that as of October 7, 2008, AEA has received applications for 112 projects. Stage 1 review has resulted in the elimination of 13 projects. Of those 13 eliminated, 3 were eliminated because they weren't eligible applicants, 3 because they were incomplete applicants, and 7 were eliminated because the project wasn't applicable. Therefore, the number of projects entering Stage 2 is 99. In response to Chair Samuels, Mr. Haagenson said the [112] projects requested total \$450 million. He expressed the need to ensure rapid deployment of energy reductions to Alaskans as AEA may fund part of a project now and more of it in later years.

4:20:04 PM

REPRESENTATIVE HAWKER related his understanding of the statutory requirement, as follows:

We're going to develop a methodology for determining order of projects, with the most weight being given to projects that serve any area in which the average cost of energy to each resident of the area exceeds the average cost of residents in other areas of the state.

REPRESENTATIVE HAWKER inquired as to how that statutory requirement will be handled for the upcoming \$100 million request.

MR. HAAGENSON offered to review the criteria for the committee. He informed the committee that in Stage 3 evaluation one of the heaviest weighted items is reviewing the high cost of energy. Statute also includes a clause specifying that projects should be spread throughout the state, which the advisory committee will help accomplish, he related. Mr. Haagenson opined that the spirit and intent of the law has been achieved through the evaluation criteria.

[4:21:26 PM](#)

CHAIR SAMUELS inquired as to the process the committee wants to utilize.

[4:22:38 PM](#)

MR. HAAGENSON informed the committee that AEA walked through this RFA with the advisory committee. He mentioned that he would be happy to provide a presentation on the entire evaluation process and include the advisory committee.

CHAIR SAMUELS suggested that perhaps members may want to meet in a work group to hear about the applicants and projects prior to the meeting to determine whether the funding is approved.

[4:23:26 PM](#)

REPRESENTATIVE HAWKER related that he is counting on AEA to abstract information and make recommendations, similar to what was provided today. However, he pointed out that the specifics, particularly in relation to benefit analysis, provided were inadequate. Representative Hawker specified that he would like to know how many people the project will benefit, the per customer amount of the grant, the unit savings, and have some information on due diligence.

[4:25:33 PM](#)

REPRESENTATIVE DOOGAN echoed Representative Hawker's comments. He related that he is able to vote for these projects this time due to having more information. He then related his hope to have the aforementioned information [as specified in the memorandum] for the \$100 million request.

[4:27:06 PM](#)

CHAIR SAMUELS said that he would try to work with everyone's schedule to set up a process for addressing the \$100 million request. He also mentioned the possibility of contracting with a tax attorney to answer some of the questions presented today.

[4:28:28 PM](#)

REPRESENTATIVE HAWKER made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session at [4:28:43 PM](#).

The committee reconvened at [4:44:41 PM](#).

FINAL AUDITS

[4:44:46 PM](#)

REPRESENTATIVE HAWKER made a motion for the final audits for the Department of Commerce, Community, & Economic Development, State Board of Registration for Architects, Engineers, and Land Surveyors; Department of Commerce, Community, & Economic Development, Board of Veterinary Examiners; Alaska Energy Authority, Rural Power System Upgrade; Department of Natural Resources, Agricultural Revolving Loan Fund, Matanuska Maid, be released to the public for response. There being no objection, it was so ordered.

PRELIMINARY AUDITS

[4:45:13 PM](#)

REPRESENTATIVE HAWKER made a motion for the preliminary audits for the Department of Health and Social Services, Statewide Suicide Prevention Council; Alaska Court System, Board of Governors of the Alaska Bar Association, be released to the appropriate agency for response. There being no objection, it was so ordered.

[4:45:34 PM](#)

ADJOURNMENT

There being no further business before the committee, the Legislative Budget and Audit Committee meeting was adjourned at 4:45 p.m.