

MINUTES
SENATE FINANCE COMMITTEE
May 11, 2007
2:04 p.m.

CALL TO ORDER

Co-Chair Bert Stedman convened the meeting at approximately [2:04:26 PM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

Also Attending: REPRESENTATIVE KURT OLSON; MARCIA DAVIS, Deputy Commissioner, Department of Revenue

Attending via Teleconference: From Offnet Locations: KATE GIARD, Chair, Regulatory Commission of Alaska; DAN GAVORA, President and Chief Executive Officer, Utility Services of Alaska (USA) operating as College Utilities Corporation and Golden Heart Utilities; From Valdez: DAVE DENGEL, Chief Executive Officer, Copper Valley Telephone Cooperative; From Anchorage: DENNIS NIEDERMEYER, Representative, Bristol Bay Telephone Cooperative; TED MONINSKI, Director, Regulatory Affairs, Alaska Communications Systems; DEAN THOMPSON, Legal Representative, Municipal Light and Power; VIRGINIA RUSCH, Representative, AARP; JIM ROWE, Executive Director, Alaska Telephone Association; JACK RHYNER, President and Chief Executive Officer, TelAlaska Inc.; STEVE HAMLIN, President, United Utilities; KRISTI CATLIN, Representative, AT&T; From Mat-Su: DON REED, Vice President, Regulatory Affairs, Matanuska Telephone Association

SUMMARY INFORMATION

HB 209-REGULATORY COMMISSION OF ALASKA

The Committee heard from the bill's sponsor, the Regulatory Commission of Alaska, and the industry. A committee substitute was adopted and the bill reported from Committee.

HB 110-EXTEND REGULATORY COMMISSION OF ALASKA

The Committee heard from the bill's sponsor, the Regulatory Commission, and the industry. The bill reported from Committee.

HCR 8-RCA TASK FORCE

The Committee heard from the bill's sponsor and the industry. The bill reported from Committee.

HB 177-NATURAL GAS PIPELINE PROJECT

The Committee heard a comparison between the House bill and its Senate companion bill. One amendment was adopted and the bill reported from Committee.

HB 162-MORTGAGE LENDING

This bill was scheduled but not heard.

[2:06:57 PM](#)

#hb209

CS FOR HOUSE BILL NO. 209(JUD)

"An Act relating to the chair of the Regulatory Commission of Alaska and amending the timeline requirements for a final order of the commission; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

AT EASE [2:07:12 PM](#) / [2:07:30 PM](#)

Senator Elton moved to adopt committee substitute, Version 25-LS0717\0, Kane, dated May 11, 2007, as the working document.

Without objection, the Version "0" committee substitute was ADOPTED as the working document.

Co-Chair Stedman pointed out that the bill's title is changed by the adoption of the Version "O" committee substitute. Therefore, a Senate concurrent resolution would accompany the bill when it reports from Committee.

[2:08:01 PM](#)

REPRESENTATIVE KURT OLSON, Chair, House Labor & Commerce (L&C) Committee, the bill's sponsor, addressed the changes in the committee substitute. The majority of the revisions result from the decision to present time references in terms of days rather than months. For example, the deadline specified in Section 1 subsection (a) page 1 line 5 now reads "180 days" rather than the former reference to "six months".

Representative Olson communicated that Version "O" also eliminated contentious language included in earlier bill versions. For instance, during its hearings in the House, there was disagreement over a section that specified that the governor would select the chair of the Alaska Regulatory Commission (RCA). The issue of whether the RCA chair should be appointed by the governor or the RCA Board could be argued from either side. The omission of this section from the bill is acceptable to the sponsors.

[2:09:23 PM](#)

Representative Olson also concurred with increasing the timeframe in which the Commission must issue its final order, as specified in Section 3 subsection (c) page 2 line 4, from 270 days to 450 days.

Representative Olson concluded his remarks by affirming that the changes in the Version "O" committee substitute were reasonable and therefore acceptable to the House L&C Committee.

[2:09:57 PM](#)

Senator Thomas directed attention to new subsection (k), page 2 line 31 through page 3 line 1, added to AS 42.05.075 by Section 7, and the reference to (k) in new subsection (l), page 3 line 6, also added by Section 7. The question was whether AS 42.05.075(k) and (l) would limit the extension provision amended in AS 42.05.175(f), page 2 line 20, by Section 6, to those

matters specified in subsection (k) that were advanced only by the Commission.

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Representative Olson understood that the extension would apply to matters presented by either the Commission or other parties.

Senator Thomas had also inferred that to be the intent. He was simply seeking affirmation.

2:11:54 PM

DAN GAVORA, President and Chief Executive Officer, Utility Services of Alaska (USA) operating as College Utilities Corporation and Golden Heart Utilities, testified via teleconference from an offnet location. USA is the second largest water and waste water company in the State and serves more than 8,500 accounts and 50,000 people in the Greater Fairbanks area.

Mr. Gavora communicated that his company has experienced "the consequences of the regulatory lag that allows excessively long statutory periods to resolve rate case filings. The rate adjustment process is cumbersome" and thereby often expensive. Filing expenses are disproportionate to the return the utility and its customers receive. USA is a strong proponent of the bill before the Committee, particularly the provision that would reduce the statutory time period for rate cases from 15 months to nine months.

To that point, Mr. Gavora noted that numerous states have determined that a lengthy hearing and review process does not serve the interests of a utility's customers. For example, oftentimes, by the time the RCA has ruled on a rate case, the company has been forced to file a second rate adjustment case due to escalating costs. This significantly "increases the complexity" of the filings.

Mr. Gavora avowed that "reasonable actions and guidelines" by the RCA should provide a utility "some assurance of a response within a reasonable time after a filing takes place." USA believes that "a reasonable time for a resolution of a rate case is nine months."

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Mr. Gavora characterized rate case filings as "historical in nature" in that a utility filing for the rate adjustment provides backup information including the history of "increased costs that have been in effect for at least one year before the rate adjustment is presented" to the RCA.

Mr. Gavora reiterated that several states have "recognized the benefit of more immediate action on rate adjustments and have implemented statutory or voluntary timelines of nine months or less." A study conducted by Michigan's public utility commission "analyzed rate case filings from 1990 through 2003" and found that 27 states provide determinations on such filings in nine months or less. Alaska should "follow suit."

Mr. Gavora noted that were a mistake made either in favor or against the utility, a prompt re-filing could be made by the utility or required by the RCA. This process protects both the public interest and the viability of the utility. Rates need to be in effect during the computed timeframe, not one to two years later."

[2:15:29 PM](#)

Mr. Gavora stressed that "the current statutory timeline does not serve the best interests of our rate payers," as they typically end up absorbing the expense of "legal consulting and other direct expenses over these many months".

Mr. Gavora urged the Committee to support this legislation as presented. It would assist in "repairing a system in dire need of repair. Shortening the statutory timeline is one of the first steps in this process."

[2:15:58 PM](#)

DAVE DENGEL, Chief Executive Officer, Copper Valley Telephone Cooperative, testified via teleconference from Valdez. The cooperative is a member-owned company with approximately 3,000 members serving approximately 9,000 residents in an area of approximately 9,600 square miles.

Even though he did not object to the bill, Mr. Dengel cautioned that, without the addition of more RCA staff, the timelines

might be too short. Therefore, he urged that the legislation be accompanied by a fiscal note reflecting a staffing increase to ensure that thorough analyses could be conducted.

Mr. Dengel specified that the RCA's responsibilities are vast. Furthermore, each of its telecommunications, pipeline, and other utility work obligations are complicated. Additional staff is necessary in order to allow the RCA "to continue to provide the service to companies like Copper Valley".

[2:17:44 PM](#)

DENNIS NIEDERMEYER, Representative, Bristol Bay Telephone Cooperative, testified via teleconference from Anchorage. His testimony has been shortened due to the fact that the committee substitute eliminated the section of the previous bill that specified that the governor would designate the RCA chair.

Mr. Neidermeyer remarked that the cooperative does not take issue with any of the timelines proposed in the bill. He echoed Mr. Dengel's remarks about the good service provided by the Commission and that, in order to support the shortened timelines proposed in this bill, the RCA must be appropriately staffed.

[2:19:40 PM](#)

TED MONINSKI, Director, Regulatory Affairs, Alaska Communications Systems (ACS), testified via teleconference from Anchorage and informed the Committee that his remarks would be in terms of statutory references rather than specific sections of the bill because the Version "0" committee substitute was not available to those testifying in the Anchorage Legislative Information Office (LIO).

Mr. Moninski questioned whether private settlements and contracts language that had been included in an earlier version of the bill was included in the Version "0" committee substitute.

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Representative Olson advised Mr. Moninski that the language in question was not included in Version "0".

Mr. Moninski thus advised the Committee that he would address the affect of eliminating that language. First, however, he wanted the Committee to know that ACS, which has closely followed this legislation, advocates for one principle: that being that a timeline should be specified for every matter coming before the RCA.

Mr. Moninski then advised that eliminating the language pertaining to private settlements and contracts would serve "to create one category of settlements and contracts" that would have no timeline. "And that would be disappointing. Instead, I believe the concerns about the language that was in the earlier version of the bill, could be resolved rather easily by eliminating the word 'private'" and adding the words "within the Commission's jurisdiction" after "settlements and contracts".

Mr. Moninski stated that proceeding in that manner "would continue to provide a timeline for all categories of cases that come before the Commission and at the same time recognizes that all of the normal procedures and legal standards that would be applied to contracts and settlements that the Commission would normally review anyway would be in no way affected by applying a timeline in this provision."

Mr. Moninski urged the Committee to consider this course of action as opposed to eliminating the language in its entirety.

[2:22:33 PM](#)

DEAN THOMPSON, Legal Representative, Municipal Light & Power (ML&P), testified via teleconference from Anchorage. ML&P, which is owned and operated by the Municipality of Anchorage, "provides retail electric service" to the area via its own generation system and transmission and distribution facilities. ML&P participated in the regulatory hearings held by the RCA regarding potential changes to AS 42.05, and, while not opposed to the bill, ML&P was disappointed that adequate funding for staff had not been addressed in the bill. There is concern whether existing staffing levels could accommodate the shortened timelines being proposed.

Mr. Thompson shared that ML&P was "impressed with the work of the current Commission and the improvements that have been made over the past several years." ML&P also commended the work of RCA chair Kate Giard. While ML&P does not always agree with

RCA's rulings, it has witnessed a "marked improvement in docket management and the overall timeliness of dockets".

Mr. Thompson stated that ML&P was pleased that Version "0" does not further previous language that would have terminated the current panel of commissioners.

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Mr. Thompson advised of another issue that ML&P would support being included in the bill. That being language allowing the governor or the administration to set the salaries of the RCA commissioners. While supportive of cost containment, ML&P believes that "you get what you pay for." The regulation of utility rates is becoming an increasingly specialized and technical field that requires knowledgeable individuals. Reasonable compensation is required. ML&P would support "a modest increase in the Regulatory Cost Charge (RCC) rate to support adequate salary funding.

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Mr. Thompson expressed that ML&P agreed with the effort to address rate change filings in an expedient manner; however, while a nine month period might be "adequate" for most rate change cases, complex or multi-party cases would require additional time.

Mr. Thompson concluded his remarks by emphasized that ML&P is very supportive of the Commission and its chair person. To that point, ML&P encouraged consideration of increasing the Commission's salaries.

[2:26:45 PM](#)

VIRGINIA RUSCH, Representative, AARP, testified via teleconference from Anchorage. AARP is interested in utility rate legislation due to the potential impact on its members and other rate payers. AARP asked her to follow this legislation because of her extensive experience with the RCA and its predecessor agency since she had served either as the public advocacy attorney assigned to the Commission or as the attorney for the Commission during 14 of her 23 years as a State assistant attorney general. She has represented AARP in rate

cases, consumer hearings, and appeals since retiring from State employment.

Ms. Rusch was very familiar with Commission processes and problems and would be happy to answer any Committee questions on the subject.

Ms. Rusch, noting that a copy of the Version "O" committee substitute has now been provided to the testifiers in the Anchorage LIO, stated that AARP is happy with some of the changes made in the committee substitute, specifically that the deadline in Section 3(c), page 2 lines 2 through 6, "had been restored" to specify that the Commission must issue a final order in 450 days.

Ms. Rusch agreed with Mr. Thompson that a reasonable amount of time must be provided to address complex issues and issues concerning large utilities.

[2:28:47 PM](#)

Ms. Rusch addressed Mr. Gavora's remarks in support of "shortened timelines." During her career with the State, she had participated in several rate cases, including one involving Mr. Gavora's companies. One of her duties at the time was to schedule conferences. Her experience then in "divvying up" the 15 month period amongst the participants in the case was that "everybody wanted more time". Based on those experiences, she did not foresee that the timeframe could be shortened.

Ms. Rusch detailed the mechanics of a rate case, including the requirement that the utility submit information justifying its rate adjustment request and the responsibility of the Commission and attorney general assigned to it to determine whether the costs argued by the utility justify a rate increase. "By shortening the time period to nine months as Mr. Gavora suggests, you are harming the ability of the Commission to protect ratepayers."

Ms. Rusch noted that the investigation of requested rate increase filings has been conducted by the Attorney General's Office for the past several years. This is the result of an Executive Order a few years prior that moved the investigatory responsibility in a rate case into that Office.

[2:30:26 PM](#)

Ms. Rusch noted that the Attorney General Office's is short-staffed and has often had to delay rate investigations for months in order to address other matters before them. Added to the timing issue is the fact that in recent years, utilities themselves have requested more time to file "reply testimony." In one recent case, the Commission required four months to issue an order once the other processes allowed it to come before them. A timeline of nine months is unrealistic.

Ms. Rusch spoke against reducing the timeframe to nine months until the issue of adequate staffing is addressed.

[2:31:49 PM](#)

JIM ROWE, Executive Director, Alaska Telephone Association, testified via teleconference from Anchorage. The Association, which is comprised of 15 companies serving rural Alaska, supports many of the changes made in Version "0".

Mr. Rowe advised the Committee that he was also concerned about the private settlement and contract language discussed earlier. The suggestion offered by Mr. Moninski would be acceptable as it would address his concerns.

Mr. Rowe voiced approval of the timelines specified in Version "0". However, reducing the length of time in which an issue must be addressed would increase pressure on staff. Unfortunately, this issue has not been addressed in the bill.

[2:32:57 PM](#)

Mr. Rowe announced therefore that the Association supports increased staffing levels. Thus, the proposal to increase the RCC rate to support increased staff levels as well as to support an increase in commissioners' salaries is also acceptable. Commissioners should be adequately compensated for the demands of the job.

Mr. Rowe declared that, like others, the Association is not always happy with the rulings made by the Commission; however, they are "satisfied with the effort and the integrity of the people who are sitting on that commission today." Their compensation should be addressed in the bill.

[2:34:24 PM](#)

Representative Olson clarified that the salary issue was removed from the bill at the request of the RCA and Governor Sarah Palin. Separate legislation regarding establishing a RCA task force was introduced in response to a request from the Governor that the Legislature be the body making the determination on commissioners' salaries.

[2:35:14 PM](#)

Senator Thomas asked for clarification as to whether staffing levels of the RCA would be expanded.

[2:35:56 PM](#)

KATE GIARD, Chair, Regulatory Commission of Alaska, testified via teleconference from an offnet location. The \$505,000 FY 2008 funding increase reflected in the Department of Commerce, Community and Economic Development May 10, 2007 fiscal note would increase RCA "resources" to accommodate both the shortened timelines and the new requirement that a timeline be specified for every type of docket coming before the Commission.

Ms. Giard noted, however, that the RCA is "challenged" because this funding request and the \$1,300,000 funding being considered in the FY 2007 supplemental bill "will cause the RCA to exceed the statutory rate cap which is a limit on the amount of revenues that it can collect from regulated utilities."

Ms. Giard elaborated on how testifiers' proposal to fund new positions and increased salaries for commissioners with an increased RCC rate would not mesh with the ability of the RCA to collect revenues from utilities under existing statutory restrictions or their ability to receive the supplemental funding.

[2:37:27 PM](#)

Senator Elton asked why the funding amount requested in the May 10, 2007 fiscal note had not decreased as a result of some of the timeframes in Version "O" being lengthened.

Ms. Giard clarified that the staffing level proposed in the \$505,000 fiscal note was developed prior to the changes made in Version "0". It was noted that Version "0" shortened the entirety of timelines specified in Section 7 subsection (k), page 2 beginning on line 28 through page 3 line 5, from nine months to six months. The staffing levels in the fiscal note were deemed necessary in order for the Commission to comply with new and revised timeframes.

Ms. Giard communicated that establishing in statute a timeline for every case coming before the RCA, as proposed in this bill, would be labor intensive, particularly as, 181 cases, or approximately 46 percent of the rate cases coming before the Commission in the last three years, had not previously been subject to any timeline.

[2:39:01 PM](#)

In response to a question from Senator Thomas, Ms. Giard pointed out that, in addition to imposing a timeline on every rate case filed with the RCA, this legislation would impose a timeline on any jurisdictional matter presented to the RCA. She clarified that this "process was heavily supported by the RCA".

Senator Thomas asked Ms. Giard whether the six month timeline only applied to adjudicated dockets.

[2:39:46 PM](#)

Ms. Giard clarified that the six month timeline would apply "to all cases filed with the Commission".

[2:40:05 PM](#)

Senator Olson advised the Committee that the May 10th \$505,000 fiscal note was suspect. Not only had timelines in Section 3 AS 42.05.175(c) been extended from 270 days to 450 days, but the effective date of the section had been changed to July 1, 2008.

[2:40:50 PM](#)

Senator Thomas moved to report the Version 25-LS0717\0 committee substitute from Committee with individual recommendations and accompanying fiscal notes.

[2:41:24 PM](#)

Senator Elton objected in order to request that the bill's fiscal note be recalculated. He agreed with Representative Olson that the fiscal note should be substantially lower than \$505,000 because of the language revisions in Version "O". While he would not object to moving the bill from Committee, he would like an updated fiscal analysis of the Version "O" committee substitute before the bill came before the full Senate.

Senator Elton removed his objection.

Co-Chair Stedman announced that the RCA would provide the requested information.

AT EASE [2:42:14 PM](#) / [2:48:24 PM](#)

Ms. Giard clarified that "while the Legislature has seen fit in this CS" to alter the timelines for rate making, the RCA had also opened a docket on revising timelines. No action has been taken on that docket however, as the RCA was waiting on the Legislature to address policies under their jurisdiction. The RCA "fully intends to move forward on that docket" and "shorten the timelines as the public utilities and the public advocate recommend." The RCA considers reducing regulatory lag to be very important.

Co-Chair Stedman noted that an updated fiscal note would be developed to accompany the bill.

There being no further objection, SCS CS HB 209(FIN) REPORTED from Committee with Senate Concurrent Resolution, Version 25-LS0949\C and two new fiscal notes: a \$229,400 fiscal note dated May 11, 2009 from the Department of Commerce, Community and Economic Development and an indeterminate fiscal note dated May 8, 2009 from the Department of Law.

AT EASE [2:50:36 PM](#) / [2:51:32 PM](#)

#hb110

CS FOR HOUSE BILL NO. 110(L&C)

"An Act amending the powers and duties of the legislative audit division regarding the Regulatory Commission of Alaska; amending annual report requirements for the

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

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Stedman stated that this bill would extend the termination date of the Regulatory Commission of Alaska (RCA).

REPRESENTATIVE KURT OLSON, the bill's sponsor, stated that this bill would extend the termination date of the RCA four years. The bill also contained a provision that required a "report card" to be compiled every two years. The report card would review the information provided in the RCA's annual report to determine whether or not the RCA was in compliance with such things as specified timelines and other performance measures. The four year extension timeframe was considered reasonable following discussions with the Governor Sarah Palin Administration, the presiding officers of the House of Representatives and the Senate, and in consideration of new timelines specified in HB 209.

Co-Chair Stedman announced that public testimony would now commence.

[2:52:42 PM](#)

DON REED, Vice President, Regulatory Affairs, Matanuska Telephone Association, testified via teleconference from Mat-Su in support of the bill. While the Association has not always received favorable rulings from the RCA nor would expect that, they have received and do expect "a fair and impartial unbiased review of our cases."

Mr. Reed voiced that the Association has also witnessed a tremendous increase in the efficiency of the services provided by the RCA. This would include more timely docket reviews and improved and clearly written orders. Access to information online has also been beneficial. The improvements made by the Commission have made dealing with them easier and less costly. In conclusion, the Association fully supports the bill.

[2:54:20 PM](#)

DENNIS NEIDERMEYER, Representative, Bristol Bay Telephone Association, testified via teleconference from Anchorage and echoed Mr. Reed's comments in support of the bill. The work conducted by the Commission is appreciated. Four years is the shortest extension period that should be considered.

[2:55:04 PM](#)

JACK RHYNER, President and Chief Executive Officer, TelAlaska Inc., testified via teleconference from Anchorage and advised the Committee that TelAlaska Inc., which operates two telephone companies in the State, is in favor of reauthorizing the RCA. "It would be practically impossible to regulate utilities to operate without the RCA." The efforts of Chairman Giard and the other RCA commissioners to shorten the time in which matters are addressed and orders are completed are noticeable.

[2:55:54 PM](#)

STEVE HAMLLEN, President, United Utilities, testified via teleconference from Anchorage, in support of this bill on behalf of his company. United Utilities provides telecommunication service to 70 different communities, primarily in the Yukon-Kuskokwim Delta.

Mr. Hamlen avowed that there is a linkage between what the Commission does and the need to conduct that business in cooperation with the Federal Communications Commission (FCC). The State is the recipient of millions of federal dollars in support of telemedical services, distance learning services, and services to low-income households. In order to facilitate these services, the RCA must work closely with the FCC. The RCA must be fully staffed, be "up and running" and be fully funded in order for the State to receive the federal benefits.

Mr. Hamlen stated that Chair Giard has been instrumental in getting public access points established in many communities throughout the State for broadband services, telemedicine services, and services to low-income households.

[2:57:32 PM](#)

DEAN THOMPSON, Legal Representative, Municipal Light & Power, testified via teleconference from Anchorage in support of

reauthorizing the RCA. He noted that, for the regulated utilities, "predictability and continuity is important. We need to know what the rules are, and having a level of continuity without interruptions of threats of sunset assists that."

[2:58:06 PM](#)

VIRGINIA RUSCH, Representative, AARP, testified via teleconference from Anchorage. AARP is in support of extending the commission. "RCA is essential to protect consumers by setting just and reasonable rates."

[2:58:33 PM](#)

JIM ROWE, Executive Director, Alaska Telephone Association, testified via teleconference from Anchorage in favor of extending the Commission four years. This regulatory body is needed. He urged the Committee to advance the bill in short order.

[2:59:11 PM](#)

KRISTI CATLIN, Representative, AT&T, testified via teleconference from Anchorage, in support of extending the RCA. AT&T believes "the Commission has done a tremendous job in reducing timelines and dealing with issues."

[2:59:43 PM](#)

KATE GIARD, Chair, Regulatory Commission of Alaska, testified via teleconference from an offnet location. The issue of extending the RCA is a public policy decision. The Commission would be pleased with a four year extension.

[3:00:07 PM](#)

Co-Chair Hoffman moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS HB 110(L&C) was REPORTED from Committee with previous fiscal note #2 from the Department of Commerce, Community and Economic Development.

AT EASE [3:00:42 PM](#) / [3:01:38 PM](#)

#hcr8

CS FOR HOUSE CONCURRENT RESOLUTION NO. 8(L&C)
Establishing a legislative task force to make recommendations regarding job descriptions and salary changes for the commissioners and support staff and the possible need for additional support staff of the Regulatory Commission of Alaska.

This was the first hearing for this bill in the Senate Finance Committee.

REPRESENTATIVE KURT OLSON, the bill's sponsor, informed the Committee that this Resolution would establish a nine member Legislative Task Force which would be charged with reviewing and developing recommendations pertaining to the salary schedules of the Alaska Regulatory Commission (RCA) and its staffing levels. Particular attention would be given to the issue of whether additional staff would be required to ensure compliance with docket determination timelines. Another element of interest would be the relationship between the RCA and the attorneys in the Attorney General's Office assigned to the RCA.

Representative Olson specified that the Task Force would be comprised of three members appointed by the Speaker of the House; three members appointed by the Senate President; Governor Sarah Palin or her designee; Department of Law Attorney General Talis Colberg or his designee; and Department of Commerce, Community and Economic Development Commissioner Emil Notti or his designee. The Task Force would meet five times during the Legislative Interim and compile a report of its recommendations to the Legislature by February 1, 2008. The Task Force would terminate on May 30, 2008. The Resolution is accompanied by a \$10,000 fiscal note from the Legislative Affairs Agency.

[3:03:17 PM](#)

DEAN THOMPSON, Legal Representative, Municipal Light & Power (ML&P), testified via teleconference from Anchorage and communicated that even though ML&P "is not convinced of the need for such a Task Force," it would not oppose it. He reiterated remarks he made during his earlier testimony on HB 209 in which he advised that ML&P believes that "the commissioners are overdue for a salary increase." ML&P would "support a statutory

amendment that just specifies that the commissioners shall receive an annual salary."

3:04:03 PM

JIM ROWE, Executive Director, Alaska Telephone Association, testified via teleconference from Anchorage. Like the previous testifier, he was not convinced of the need to convene a task force. It would simply consume time of commissioners, the Legislature, the industry, and the Administration. The issues could have been addressed during this Legislative Session.

Mr. Rowe stated that charging the Task Force with developing a job description for the commissioners is unnecessary as that is a known element. The salary specifications that had been included in previous versions of separate Senate RCA legislation would have aligned commissioner compensation with that of a District Court judge. The Legislature could have addressed that if it had remained in the bill. That would have been his preferred approach. Support staff issues were, at one time, also included in the bill.

Mr. Rowe restated comments made during his earlier testimony on HB 209 in which he had advocated for an increase in RCA staff and appropriate salaries. Nonetheless, since these things were not included in that RCA bill, this legislation is the only option available through which to address these matters.

3:05:20 PM

KRISTI CATLIN, Representative, AT&T, testified via teleconference from Anchorage to emphasize that the industry would have preferred the issues specified in this Legislation to have been addressed during this Legislative Session. However, because the effort to correct the salary schedule of the Commissioners and other staffing issues is "long overdue", AT&T would not object to the Task Force. The desire is to get these issues resolved.

3:06:06 PM

Co-Chair Hoffman moved to report the resolution from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS HCR 8(L&C) was REPORTED from Committee with previous \$10,000 fiscal note #1 from the Legislative Affairs Agency.

RECESS TO THE CALL OF THE CHAIR [3:07:21 PM](#) / [6:07:14 PM](#)

Co-Chair Stedman called the meeting back to order.

#hb177

CS FOR HOUSE BILL NO. 177(FIN) am
"An Act relating to the Alaska Gasline Inducement Act; providing inducements for the construction of a natural gas pipeline and shippers that commit to use that pipeline; establishing the Alaska Gasline Inducement Act reimbursement fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Stedman expressed that the intent of this hearing is to compare the provisions of CS HB 177(FIN)am, the Alaska Gasline Inducement Act (AGIA) bill which recently passed the House of Representatives, to its Senate companion bill, CS SB 104(FIN), which recently passed the Senate. To assist in this comparison, a copy of CS HB 177(FIN)am has been modified [copy on file] to highlight the differences. The provisions that differ are color coded: the House language is identified by blue lettering and the Senate language by red lettering.

[NOTE: In addition to the color coding, the House language is underlined and the Senate language has a strike-through mark across it.]

Co-Chair Stedman informed the Committee that, prior to this hearing, his office, Senator Huggins' office, and representatives of the Governor Sarah Palin Administration met and thoroughly reviewed the bills. The group has developed a recommendation as to whether the House or Senate language is preferred in respect to each differing language matter.

Co-Chair Stedman identified the first difference between the two bills as being in the bill's title, page 1, line 3. The House language "reimbursement" is preferred to the "matching contribution" language included in the Senate bill.

[6:08:57 PM](#)

Chapter 90. Alaska Gasline Inducement Act.

Article 2. Alaska Gasline Inducement Act License.

Co-Chair Stedman began reviewing the differing provisions in sections of Chapter 90. Article 2, added to Alaska Statute (AS) 43 by Section 1 of the bill.

Section 43.90.110. Natural gas pipeline project construction inducement., subsections (a)(1)(A) and (a)(1)(B) (page 2 line 25 and line 30, respectively).

Co-Chair Stedman informed that the preference in these instances is that the House word "reimbursements" be utilized following the word "state's" rather than the term "matching contribution" as proposed by the Senate.

Section 43.90.110. Nature gas pipeline project construction inducement., subsection (a)(1)(C) (page 3, lines 4 through 6 and line 10)

Co-Chair Stedman stated that the recommendation is that the Senate language be used. Thus the language "pursing firm transportation commitments in a binding open season, to securing financing for the project, or to" would be inserted following "related to" on page 3, line 4. The phrase "lobbying costs," would be inserted following "overhead costs," on page 3, line 10.

[6:09:25 PM](#)

Section 43.90.130. Application requirements., subsection (9) (page 8 line 26)

Co-Chair Stedman voiced that the House language "reimbursement" is recommended over the Senate's "matching contribution" language following the word "state's" on page 8 line 26.

[6:10:04 PM](#)

Co-Chair Stedman announced that because only the Committee Members had color copies of the bill, he would identify the House language as that which is underlined and the Senate language as that which is struck-through with a line.

[6:10:17 PM](#)

Co-Chair Stedman resumed his review of language recommendations in Article 2.

Section 43.90.130. Application requirements.,
subsection (17) (page 9, line 30)

Co-Chair Stedman stated that the recommendation is to retain the House language "to the maximum extent permitted by law" following "agreement" on page 9 line 30. This language was not included in the Senate version of the bill.

[6:10:29 PM](#)

Section 43.90.130. Application requirements.,
subsection (18) (Page 10 line 3)

Co-Chair Stedman expressed that the House language "reimbursement" is preferred to the Senate's "matching contribution" following "state's" on page 10, line 3.

[6:10:38 PM](#)

Section 43.90.160. Notice, review, and comment.,
subsection (c) (page 11 lines 29 through 31)

Co-Chair Stedman informed that the Senate language is preferred to that of the House in this provision. The language would read "(c) After the commissioners determine that all applications that have not been rejected are complete under AS 43.90.140, information provided by the applicants ...".

[6:11:00 PM](#)

Section 43.90.170. Application evaluation and
ranking. Subsection (b) (page 12 line 15)

Co-Chair Stedman expressed that the Senate language is preferred in this Section. Thus, the recommendation is that the word "six," would be inserted following "five," on page 12, line 15.

[6:11:47 PM](#)

Section 43.90.170. Application evaluation and ranking. subsection (B)(5) (page 12 line 25)

Co-Chair Stedman communicated that the House language "reimbursement" is preferred to the Senate's "matching contribution" language following the phrase "the amount of the" on page 12, line 25.

[6:11:57 PM](#)

Section 43.90.200. Certification by regulatory authority and project sanction., subsection (e) (page 15 line 30)

Co-Chair Stedman communicated that the Senate reference to AS 43.90.110 is preferred to the House reference of AS 43.90.100.

[6:12:17 PM](#)

Section 43.90.220. Records, reports, conditions, and audit requirements., subsection (d)(2)(page 17 line 1)

Co-Chair Stedman stated that the House approach to this subsection was recommended. Thus, the Senate language "when and as issued" would not be included in the text.

[6:13:22 PM](#)

Section 43.90.230. License violations; damages., subsection (c) (page 17 lines 29 and 30)

and

Section 43.90.230. License violations; damages., subsection (e)(1)(page 18 line 11)

Co-Chair Stedman stated that the House language "reimbursements" is preferred to the Senate's "matching contribution" verbiage following the word "state" in both of these instances.

Section 43.90.240. Abandonment of project.,
subsection (b) (page 18 lines 26 and 27)

Co-Chair Stedman specified that the House language was preferred in this subsection. Thus, the language would read "(b) If the commissioners or the licensee determine that the project is uneconomic and the other party disagrees, the disagreement shall be settled...".

[6:13:48 PM](#)

Article 4. Miscellaneous Provisions.

Co-Chair Stedman next addressed the language recommendations pertinent to Article 4 of Chapter 90, added to AS 43 by Section 1 of the bill.

Section 43.90.400. Alaska Gasline Inducement Act
...(page 25 lines 17 through 21)

Co-Chair Stedman stated that the House language "reimbursement" was preferred to the Senate's "matching contribution" language following the word "Act" on page 25, line 17 and 19 and the word "state's " on line 21.

Section 43.90.400. Alaska Gasline Inducement Act
... .,subsection (c)(page 25 line 31)

Co-Chair Stedman stated that the House language was the preferred choice in this section. Thus the Senate language "matching contributions in the form of" would not be utilized.

[6:14:49 PM](#)

Section 43.90.400. Alaska Gasline Inducement Act
... Subsection (c) (page 26 line 2)

Co-Chair Stedman recommended that the House language "reimbursement" be utilized instead of the Senate's "matching contributions" language following the word "as" on page 26, line 2.

[6:15:00 PM](#)

Section 43.90.400. Alaska Gasline Inducement Act
... Subsection (d) (page 26 line 8)

Co-Chair Stedman stated that the recommendation is to adopt the House language "reimbursement" as opposed to the Senate language "contributions" following the word "for" on page 26, line 8.

[6:15:22 PM](#)

Article 5. General Provisions.

Co-Chair Stedman noted that the following recommendations pertain to language in Article 5 of Chapter 90, added to AS 43 by Section 1 of the bill.

Section 43.90.900. Definitions., subsection (4)
(page 29 line 3 and line 4)

Co-Chair Stedman stated that the recommendation is that the Senate language be considered in two areas of this provision. Thus, the House word "mean" would be replaced with the word "means" on page 29, line 3 and the word ", and" would replace the word "or" following "Alaska" on page 29, line 4.

[6:15:46 PM](#)

Section 43.90.900. Definitions., subsection (17)
(page 30 line 13)

Co-Chair Stedman stated that the recommendation is that the House language "a similar process" would be utilized as opposed to the Senate language "similar procedures" on page 30, line 13.

[6:16:18 PM](#)

Co-Chair Stedman announced that this concluded the provision comparisons and recommendations. He characterized the majority of the changes as "word-smithing".

[6:17:32 PM](#)

Senator Elton asked whether the Department of Revenue concurred with the recommended language.

[6:17:39 PM](#)

MARCIA DAVIS, Deputy Commissioner, Department of Revenue answered in the affirmative.

AT EASE [6:17:54 PM](#) / [6:20:02 PM](#)

Amendment #1: This amendment incorporates the entirety of recommendations reviewed by Co-Chair Stedman into the bill.

Co-Chair Stedman moved the amendment and objected for purposes of discussion.

No discussion forthcoming, Co-Chair Stedman removed his objection.

Without further objection, Amendment #1 was ADOPTED.

AT EASE [6:20:46 PM](#) / [6:21:07 PM](#)

Co-Chair Hoffman moved to report the bill, as amended, from Committee.

AT EASE [6:21:40 PM](#) / [6:22:23 PM](#)

Co-Chair Hoffman amended his motion to move with the bill, previous fiscal notes and a new Department of Natural Resources fiscal note dated May 11, 2007.

There being no objection, CSC CS HB 177(FIN) was REPORTED from Committee with previous zero fiscal note #1 from the Department of Administration; previous zero fiscal note #2 from Department of Commerce, Community and Economic Development; previous zero fiscal note #3 from the Division of Oil & Gas, Department of Natural Resources; previous \$2,226,000 fiscal note #5 from the Department of Revenue; previous \$132,800 fiscal note #6 from the Office of the Governor; previous \$6,500,000 operating budget fiscal note #7 from the Department of Labor and Workforce Development; and new \$5,000,000 capital expenditure fiscal note from the Division of Oil and Gas, Department of Natural Resources, dated May 11, 2007.

#

[6:23:02 PM](#)

Co-Chair Stedman reviewed the Committee's upcoming meeting schedule.

ADJOURNMENT

Co-Chair Bert Stedman adjourned the meeting at [6:23:48 PM](#)