

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 20, 2007

1:32 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Lyman Hoffman
Senator Con Bunde

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 4

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

HEARD AND HELD

SENATE BILL NO. 18

"An Act relating to property foreclosures and executions; and amending Rule 65, Alaska Rules of Civil Procedure."

MOVED CSSB 18(L&C) OUT OF COMMITTEE

SENATE BILL NO. 121

"An Act relating to discharge from commercial passenger vessels; providing for an effective date by repealing the delayed effective date found in sec. 16, ch. 153, SLA 2004; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 99

"An Act relating to the composition of the Alaska Police Standards Council; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SJR 4

SHORT TITLE: NATURAL GAS FOR STATE RESIDENTS

SPONSOR(s): SENATOR(s) WIELECHOWSKI

03/12/07 (S) READ THE FIRST TIME - REFERRALS
03/12/07 (S) L&C, RES
03/20/07 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 18

SHORT TITLE: PROPERTY FORECLOSURES AND EXECUTIONS

SPONSOR(s): SENATOR(s) BUNDE

01/16/07 (S) PREFILE RELEASED 1/5/07
01/16/07 (S) READ THE FIRST TIME - REFERRALS
01/16/07 (S) L&C, JUD, FIN
03/13/07 (S) L&C AT 1:30 PM BELTZ 211
03/13/07 (S) Heard & Held
03/13/07 (S) MINUTE(L&C)
03/15/07 (S) L&C AT 1:30 PM BELTZ 211
03/15/07 (S) Scheduled But Not Heard
03/20/07 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 121

SHORT TITLE: CRUISE SHIP DISCHARGE

SPONSOR(s): SENATOR(s) ELTON

03/14/07 (S) READ THE FIRST TIME - REFERRALS
03/14/07 (S) L&C
03/20/07 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

BRYAN MERRELL

First American Title Insurance Co.
Seattle WA

POSITION STATEMENT: Available to answer questions on SB 18.

SENATOR CON BUNDE

Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 18.

STEPHAN ROUTH, Attorney
Routh Crabtree
Anchorage AK

POSITION STATEMENT: Explained CSSB 18(L&C), version M.

SENATOR WIELECHOWSKI

Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of SJR 4.

BARBARA WILLIAMS
Alaska Public Interest Research Group (AKPIRG)
Anchorage AK
POSITION STATEMENT: Supported SJR 4.

PAUL KENDALL
Representing himself
Anchorage AK
POSITION STATEMENT: Supported SJR 4.

PAT LUBY, Advocacy Director
AARP
Anchorage AK
POSITION STATEMENT: Supported SJR 4.

SENATOR KIM ELTON
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of SB 121.

BRYCE BROCKWAY, Vice Present
Operations
Cruise West
POSITION STATEMENT: Supported SB 121.

CAPTAIN MICHAEL JONES
Linblad Expositions
POSITION STATEMENT: Supported SB 121.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [1:32:00 PM](#). Members present at the call to order were Senators Bunde, Stevens and Ellis.

SB 18-PROPERTY FORECLOSURES AND EXECUTIONS

CHAIR ELLIS announced SB 18 to be up for consideration. He asked Bryan Merrell, First American Title Insurance Co., Seattle, Washington, if he had any comments to make.

MR. MERRELL responded that he was available to answer questions.

[1:33:29 PM](#)

SENATOR BUNDE mentioned that he had a proposed CS to SB 18 [25-LS0153\ L] that Mr. Routh would explain.

STEPHAN ROUTH, Crabtree Routh, explained that the CS has changes in five areas. The first is an inconsistency in terminology between "grantor" and "trustor". It's a technical change and has been made consistently "trustor" throughout the document. The second change is also technical that sets up parameters for the length of time for publishing on the Website. The third change clarifies why the Website for dissemination of the information has to be free to the public for viewing.

SENATOR DAVIS joined the committee at [1:34:36 PM](#).

MR. ROUTH continued explaining that the fourth item adds language to clarify that "physical possession" means actual physical possession. So, in two places in section 4 the word "actual" or "actually" has been added. Last, a typo that read "and" in section 11 was corrected to "or".

CHAIR ELLIS mentioned that they are referring to the Bannister CSSB 18, version L.

SENATOR BUNDE moved to adopt CSSB 18(L&C), version L. There were no objections and it was so ordered.

[1:36:33 PM](#)

SENATOR BUNDE said the changes to the foreclosure procedure were technical and made for a more efficient and consumer friendly law. The bill had not changed substantially from the original. It would allow people to bid on a foreclosure property and use it as a residence and assume the American dream.

CHAIR ELLIS said he personally supported his goal and asked if he would be able to get all the commercials off late-night TV that promote wealth-creating systems built around flipping properties with no money down.

SENATOR BUNDE replied that while the Alaska State Senate has awesome power, it has its limitations.

SENATOR HOFFMAN joined the committee at [1:38:02 PM](#).

SENATOR STEVENS asked what "actually in physical possession" means.

MR. ROUTH explained the intent was to deal with a Supreme Court case heard a few years ago called the Nystrom v. Buckhorn that set up standards that were hard for the title industry to conform to. So, the intent of this language is to make the meaning absolutely clear that somebody has to actually be physically occupying the property.

CHAIR ELLIS noted there was no opposition to the bill and he saw nothing in the CS that would trigger a new fiscal note, which was zero.

SENATOR BUNDE said he had heard of no opposition either and moved to pass CSSB 18(L&C). There were no objections and it was so ordered.

SJR 4-NATURAL GAS FOR STATE RESIDENTS

CHAIR ELLIS announced SJR 4 to be up for consideration.

[1:44:57 PM](#)

SENATOR WIELECHOWSKI, sponsor of SJR 4, explained how the people of Southcentral Alaska have seen soaring heating costs in the past five years and there are about 340,000 Alaskans that use Cook Inlet gas to heat their homes from Fairbanks and Anchorage to the Kenai Peninsula. Since 2002 the prices of natural gas have increased 97 percent with a 30 percent increase this year alone. The average cost of heating a home has approximately doubled from about \$750 five years ago to about \$1,544 today.

He said the increases have caused severe hardship especially to those on fixed incomes. Constituents are looking to the legislature to control the costs. The company that delivers gas to residents of Southcentral Alaska, Enstar Natural Gas Company, reports that its share of gas costs have declined. The big issue according to them is the cost at which they are securing gas from Cook Inlet producers because the Inlet's known gas supplies are being depleted. The DNR estimates there is approximately 1.7 tcf of gas reserves remaining out of about 8.8 tcf that have been discovered in the Inlet.

At the same time the Southcentral businesses and residents are struggling to pay their soaring heating costs, the owners of the Kenai Liquefied Natural Gas Plant are applying for a two-year extension of their license to export natural gas to Japan. ConocoPhillips and Marathon currently export 1.3 metric tons of LNG or about 36 percent of the gas produced each year in the

Inlet to Tokyo Japan for use by the Tokyo Electric Power Company and Tokyo Gas.

SJR 4 calls on the Attorney General, in consultation with the Department of Natural Resources, to evaluate whether the extension of the export license is in the interests of local consumers in the state and whether the non-renewal of the license will result in lower prices for local businesses and residents. It also calls on the producers of natural gas in Cook Inlet to work with local utilities to provide more affordable gas for Alaskans.

SENATOR WIELECHOWSKI said he has been told by several knowledgeable individuals that the cost of producing gas from Cook Inlet, particularly from the Legacy Fields, is less than \$1 per mcf while Enstar consumers are paying \$6. He has also heard, but cannot verify because the information is proprietary, that Tokyo utilities are paying roughly the same or less for their gas than local consumers despite the fact it has to add the cost of transportation over 6,600 nautical miles round trip to Japan and the cost of liquification and regasification to it.

In a recent proposed contract between Marathon and Enstar, Enstar agreed to pay Marathon at a rate tied to the Henry Hub pricing point in Louisiana. Over the last two years the Henry Hub rate has averaged about \$7.60. This rate spiked in 2005 because of Hurricane Katrina, so local consumers are paying high prices in part because of a hurricane that occurred thousands of miles away. The Henry Hub benchmark for pricing Cook Inlet gas is relatively new. Prior to 2004, the contracts relied primarily on the price of oil. Gas under these contracts cost Enstar significantly less than the Henry Hub rate.

SENATOR WIELECHOWSKI said the intent of SJR 4 is to express the will of the legislature that producers offer terms as beneficial as possible to local consumers recognizing that natural gas sells on a world market and Alaska is competing in it for exploration dollars and that high prices may serve as an incentive for more exploration.

[1:46:55 PM](#)

SENATOR WIELECHOWSKI said a first reasonable step is to evaluate whether continuing the export of Cook Inlet's gas is in the best interests of those who rely on it. The third thing SJR 4 does is it calls on the Regulatory Commission of Alaska to expedite review of any contract that will provide long-term affordable gas for Alaskans. He has heard from both the utilities and the

producers that the timelines under which the RCA operates need to be tightened in the interests of everyone.

[1:47:12 PM](#)

CHAIR ELLIS said he has heard the same from his constituents and he appreciated him addressing the issue.

SENATOR BUNDE pointed out that people in the Cook Inlet have had below-market natural gas prices for a long time and going to market price would naturally be shocking because of that. He asked Senator Wielechowski if people realize that prohibiting commercialization of the gas will probably make the price go up even more and that commercialization of the gas allows a volume to be produced that reduces consumers' price overall. Household consumption would not use the large volume that would help amortize the cost of exploration.

[1:48:51 PM](#)

SENATOR WIELECHOWSKI responded that he is just asking that the Attorney General consider whether it is in Southcentral's best interest to export 36 percent of its gas.

SENATOR BUNDE said he hoped the Attorney General would consider that the resource belongs to the whole state, not just Southcentral and if the state's economy would be negatively impacted by subsidizing Southcentral.

SENATOR WIELECHOWSKI replied that Cook Inlet supplies natural gas to 473,000 people, two-thirds of all Alaskans.

[1:51:28 PM](#)

SENATOR STEVENS asked if Agrium's use is part of the 64 percent that remains in Alaska. He also didn't quite understand where the cost of gasification fit in with his comparison of the gas prices in Tokyo and Alaska. What happens to the gas that would make him think the cost would be higher?

SENATOR WIELECHOWSKI replied that the percentages vary, but roughly 36 percent of the gas goes overseas; roughly 20 percent goes to Agrium; 36 percent to ConocoPhillips and Marathon; 16 percent goes to EnStar users, and varying percentages go to utilities. The vast majority is going to users in Kenai.

He thought one of the reasons Tokyo users pay less is because they have a longer term contract, which is coming up for renewal. The price might go up then. But when all the costs of getting the gas up, liquification, regasification and

transportation are factored in, the residents of Japan are paying roughly the same, if not less, than the residents of Southcentral are paying.

[1:54:12 PM](#)

SENATOR STEVENS asked how many years he expected this to continue before the gas supply goes into decline.

SENATOR WIELECHOWSKI replied that the 1.7 tcf of gas is estimated to last eight years at current use. While there is a dispute over how much gas Alaska has to fill its needs, Southcentral now doesn't have enough. Agrium cannot operate in the winter because a spike of natural gas is needed then for Enstar consumers and businesses. He stated:

Some people say that we don't have a shortage. I guess I would like to point to the fact that we have consumers who aren't using as much gas as they would like to and I would also point to the fact that we've had increases of 97 percent - supply and demand.

[1:55:42 PM](#)

CHAIR ELLIS asked for his suggested amendments.

SENATOR WIELECHOWSKI responded that he has three amendments.

AMENDMENT 1

On page 2, line 12: after "many benefits to the state," replace the existing clause with "the state must have as a priority the availability of affordable gas to meet the needs of its people."

[1:56:48 PM](#)

SENATOR BUNDE asked if the state could subsidize the cost of gas for people in Southcentral, how would "affordable" be defined.

SENATOR WIELECHOWSKI replied when people are making choices between paying rent, buying food or buying gas. He repeated that prices have increased 97 percent.

CHAIR ELLIS asked Senator Wielechowski to think about this point for a CS and asked him to go on to the next amendments.

SENATOR WIELECHOWSKI went on.

AMENDMENT 2

On page 2, line 15: after "attorney general" add "in coordination with the Department of Natural Resources,"

AMENDMENT 3

On page 2, line 17: replace "termination" of the license with "non-renewal" of the license.

[1:58:26 PM](#)

SENATOR BUNDE saw a potential financial penalty to the state from terminating someone's license and he also wanted to know if there would be possible litigation involved in non-renewal of a license.

BARBARA WILLIAMS, Alaska Public Interest Research Group (AKPIRG), related how some families couldn't afford gas at all because they needed to eat. Some people who qualify for energy assistance aren't getting it because of the numbers of people who live in their households. Her own gas price has doubled. She concluded saying she wants affordable gas for all Alaskans.

SENATOR BUNDE asked if natural gas should be added to welfare benefits.

MS. WILLIAMS replied yes.

[2:02:44 PM](#)

PAUL KENDALL, Anchorage resident representing himself, supported SJR 4. He advocated establishing an Energy Bill of Rights for single-family homeowners and residential dwellings stating the four essential needs: clean air, clean water, a balanced environment and energy. He said a raise in energy prices translates many times over into the prices people pay for the four essentials.

He said they need a "true and actual impact cost accounting...at the wellhead of where that gas comes in at." He reasoned that public utilities were set up so that the public has to have some secure position beyond normal capitalism or free enterprise.

MR. KENDALL suggested adding language saying that all information has to be made available to the general public. Now the companies say the information is proprietary and many

companies have a history of manipulating the price for their own welfare.

He also said he heard that a private company put in an offer to purchase Enstar and he thought allowing that would be a terrible mistake. When that happens a company can seal its records and you'll never get to distribution networks, points and profit additions without a major legal undertaking. He also said he wanted to know more about the hydrogen production and if it is being generated where it is sent.

[2:09:34 PM](#)

SENATOR BUNDE said he didn't want Mr. Kendall to have any illusions that this is just a resolution and has no force of law.

[2:10:06 PM](#)

PAT LUBY, Advocacy Director, AARP, said he has no expertise in gas issues, but if SJR 4 could help bring down heating costs for older and younger Alaskans, he would welcome it. He said the Enstar increase in January hit many of his members hard and it has additional increase proposals before the RCA at this time.

He said that consumers in the Lower 48 often do pay more for their gas, but their constituents are unaware of that and don't care. They're worried about what they have to pay each month. Alaska has a means-tested welfare program that does include utilities called the Low Income Home Energy Assistance Program (LIHEAP) and both Senators have been very good about increasing the federal emergency funding for that in the past.

CHAIR ELLIS held SJR 4 for a CS.

SB 121-CRUISE SHIP DISCHARGE

[2:12:22 PM](#)

SENATOR ELLIS, announced SB 121 to be up for consideration.

SENATOR ELTON, sponsor of SB 121, explained that it restores the alternate compliance discharge quota calls that were codified by the legislature in 2004 in HB 522. It passed the Senate 20 to 0 and the House 40 to 0. He explained that they are having to do this again because of a simple oversight. Passage of the cruise ship initiative last year inadvertently repealed the provisions of law enacted in HB 522. That's not a problem that was instigated by the sponsors of the initiative.

The initiative sponsor submitted the initiative and received the petition books well before HB 522 was "a twinkle in the eye". He said the initiative sponsors understand the situation and do not object to SB 121.

SENATOR ELTON said the proposed CS is simple and is an attempt to deal with language in the title that is very broad. They wanted to make sure that everyone understood that this is to replicate HB 522 and deals with small cruise ship vessels only.

CHAIR ELLIS agreed with tightening the title.

SENATOR BUNDE mentioned that he thought technically this would change a law passed by initiative and the legislature is forbidden to change those for two years.

SENATOR ELTON replied that is true, but he thought this would be considered a technical change not a substantive change to the initiative.

SENATOR BUNDE said he thought lawyers would have something to say about that.

[2:15:14 PM](#)

BRYCE BROCKWAY, Vice Present, Operations, Cruise West, said they are American-owned and operated and have seven small vessels and visit many small towns throughout Alaska since 1946. He said Cruise West supported SB 121.

[2:17:03 PM](#)

CAPTAIN MICHAEL JONES, Linblad Expositions, said they operate two small passenger vessels in Southeast Alaska since 1989. The company is U.S. owned and its vessels are U.S. built and crewed. They supported SB 121 and its intent to reinstate the Small Vessel Compliance Program from HB 522.

CHAIR ELLIS thanked them for testifying and said he would have a CS for the next meeting.

SENATOR ELTON didn't know of any opposition. The language of HB 522 was thoroughly vetted when it was passed.

There being no further business to come before the committee, CHAIR ELLIS adjourned the meeting at [2:20:04 PM](#).