

ALASKA STATE LEGISLATURE
HOUSE RULES STANDING COMMITTEE

April 14, 2010

9:05 a.m.

MEMBERS PRESENT

Representative Nancy Dahlstrom, Chair
Representative Charisse Millett
Representative Mark Neuman
Representative Kurt Olson
Representative Berta Gardner
Representative Beth Kerttula

MEMBERS ABSENT

Representative Bob Herron, Vice Chair

COMMITTEE CALENDAR

HOUSE RESOLUTION NO. 16

Relating to the mining and processing of rare earth elements in Alaska and to the stockpiling of rare earth elements; and urging the United States Congress to pass H.R. 4866.

- MOVED HR 16 OUT OF COMMITTEE

HOUSE RESOLUTION NO. 17

Urging the United States Department of Energy to expeditiously approve a two-year extension of the export license for the Kenai liquid natural gas plant.

- MOVED CSHR 17(RLS) OUT OF COMMITTEE

SENATE BILL NO. 301

"An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

- MOVED HCS SB 301(RLS) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HR 16

SHORT TITLE: MINING/PROCESSING OF RARE EARTH ELEMENTS

SPONSOR(s): RESOURCES

04/09/10 (H) READ THE FIRST TIME - REFERRALS
04/09/10 (H) RLS
04/14/10 (H) RLS AT 9:00 AM CAPITOL 120

BILL: HR 17

SHORT TITLE: EXPORT LICENSE EXT. FOR KENAI LNG PLANT

SPONSOR(s): RULES BY REQUEST

04/10/10 (H) READ THE FIRST TIME - REFERRALS
04/10/10 (H) RLS
04/14/10 (H) RLS AT 9:00 AM CAPITOL 120

BILL: SB 301

SHORT TITLE: POWER PROJECT FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/26/10 (S) READ THE FIRST TIME - REFERRALS
02/26/10 (S) RES, FIN
03/15/10 (S) RES AT 3:30 PM BUTROVICH 205
03/15/10 (S) Heard & Held
03/15/10 (S) MINUTE(RES)
03/17/10 (S) RES AT 3:30 PM BUTROVICH 205
03/17/10 (S) Moved SB 301 Out of Committee
03/17/10 (S) MINUTE(RES)
03/22/10 (S) RES RPT 2DP 5NR
03/22/10 (S) DP: MCGUIRE, WIELECHOWSKI
03/22/10 (S) NR: HUGGINS, STEVENS, STEDMAN, WAGONER,
FRENCH
04/05/10 (S) FIN AT 10:00 AM SENATE FINANCE 532
04/05/10 (S) Heard & Held
04/05/10 (S) MINUTE(FIN)
04/07/10 (S) FIN RPT 3DP 3NR
04/07/10 (S) DP: HOFFMAN, HUGGINS, THOMAS
04/07/10 (S) NR: STEDMAN, OLSON, ELLIS
04/07/10 (S) FIN AT 9:00 AM SENATE FINANCE 532
04/07/10 (S) Moved SB 301 Out of Committee
04/07/10 (S) MINUTE(FIN)
04/08/10 (S) TRANSMITTED TO (H)
04/08/10 (S) VERSION: SB 301
04/09/10 (H) READ THE FIRST TIME - REFERRALS
04/09/10 (H) RES, FIN

04/10/10 (H) RES AT 10:00 AM BARNES 124
 04/10/10 (H) Scheduled But Not Heard
 04/11/10 (H) RES AT 12:00 AM BARNES 124
 04/11/10 (H) Scheduled But Not Heard
 04/12/10 (H) RES RPT 5DP 3NR
 04/12/10 (H) DP: EDGMON, P.WILSON, SEATON, NEUMAN,
 JOHNSON
 04/12/10 (H) NR: OLSON, GUTTENBERG, KAWASAKI
 04/12/10 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/12/10 (H) Scheduled But Not Heard
 04/12/10 (H) RES AT 1:00 PM BARNES 124
 04/12/10 (H) Moved Out of Committee
 04/12/10 (H) MINUTE(RES)
 04/13/10 (H) FIN RPT HCS(FIN) NT 6DP 4NR
 04/13/10 (H) DP: THOMAS, KELLY, GARA, SALMON,
 STOLTZE, HAWKER
 04/13/10 (H) NR: N.FOSTER, DOOGAN, AUSTERMAN,
 FAIRCLOUGH
 04/13/10 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 04/13/10 (H) Moved HCS SB 301(FIN) Out of Committee
 04/13/10 (H) MINUTE(FIN)
 04/14/10 (H) RLS AT 9:00 AM CAPITOL 120

WITNESS REGISTER

REPRESENTATIVE CRAIG JOHNSON
 Alaska State Legislature

POSITION STATEMENT: Spoke as the sponsor of HR 16.

TOM WRIGHT, Staff
 Representative Mike Chenault
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Presented HR 17 on behalf of the sponsor, Representative Chenault.

PORTIA BABCOCK, Director
 State Government Affairs
 ConocoPhillips

POSITION STATEMENT: During hearing of HR 17, answered questions.

ACTION NARRATIVE

[9:05:43 AM](#)

CHAIR NANCY DAHLSTROM called the House Rules Standing Committee meeting to order at 9:05 a.m. Representatives Dahlstrom, Millett, Neuman, Olson, Kerttula, and Gardner were present at the call to order.

[9:06:04 AM](#)

HR 16-MINING/PROCESSING OF RARE EARTH ELEMENTS

[9:06:13 AM](#)

CHAIR DAHLSTROM announced that the first order of business would be HOUSE RESOLUTION NO. 16, Relating to the mining and processing of rare earth elements in Alaska and to the stockpiling of rare earth elements; and urging the United States Congress to pass H.R. 4866.

[9:06:32 AM](#)

REPRESENTATIVE CRAIG JOHNSON, Alaska State Legislature, speaking as the sponsor of HR 16, explained that HR 16 requests support for the U.S. Congress to pass H.R. 4866, which encourages the U.S. to become independent of foreign powers in terms of rare earth elements. He noted that these rare earth elements are essential and are used in defense and light bulbs. Currently, about 97 percent of rare earth minerals are imported from China. He noted that Alaska is blessed with these rare earth minerals. In fact, a mine is being constructed in Bokan Mountain, which is located in southern Alaska. He encouraged the committee to forward HR 16 in order to forward Alaska's message that it's prepared to stand on its own and develop its own resources.

[9:08:55 AM](#)

REPRESENTATIVE GARDNER said that she finds this very exciting. She then inquired as to whether H.R. 4866 is necessary to move forward with the mine located at Bokan Mountain. With regard to the processing, refining, and purification part of this industry, Representative Gardner asked if the minerals are extracted in small enough quantities to have value-added activities in Alaska, without increasing the shipping cost.

REPRESENTATIVE JOHNSON responded that now there is only one processing facility in the U.S., located in California, and it can't handle the minerals that would be mined. This resolution would call for Alaska to develop [this technology for rare elements]. The minerals are very low radioactive level

minerals. He explained that the mines for these rare earth minerals are narrow shaft mines because the minerals, which are in small quantities, are located in very narrow veins with high concentrates. Therefore, it's practical to have the processing plants in Alaska, although it's more practical to adapt the California facility immediately. Representative Johnson noted that he has asked the Department of Natural Resources (DNR), when performing its aerial mapping of Alaska, to include equipment that would seek [and identify] these minerals.

[9:11:38 AM](#)

REPRESENTATIVE GARDNER expressed hope that one would find a way to have a situation in which the rare ore is [processed] within the state.

REPRESENTATIVE JOHNSON agreed with trying to add value by processing these rare elements in the state.

[9:12:10 AM](#)

REPRESENTATIVE NEUMAN pointed out that processing any minerals will take energy, which will require a gas pipeline. He related his excitement with regard to the value-added aspect of mining and processing these rare earth elements in Alaska.

REPRESENTATIVE JOHNSON added that these minerals are present in water found in oil fields and in geothermal waters throughout the world. Therefore, he has requested that the waters across the inlet from Anchorage be tested for rare earth elements. He then noted that the largest rare earth mine is in Australia. In closing, Representative Johnson pointed out that Alaska can be on the cutting edge with rare earth elements because these minerals aren't sold on the market.

[9:15:47 AM](#)

REPRESENTATIVE KERTTULA thanked the sponsor and Chair Dahlstrom with regard to how they handled this resolution.

[9:16:04 AM](#)

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

[9:16:30 AM](#)

The committee took a brief at-ease.

HR 17-EXPORT LICENSE EXT. FOR KENAI LNG PLANT

[9:17:53 AM](#)

CHAIR DAHLSTROM announced that the next order of business would be HOUSE RESOLUTION NO. 17, Urging the United States Department of Energy to expeditiously approve a two-year extension of the export license for the Kenai liquid natural gas plant.

CHAIR DAHLSTROM then announced that before the committee is CSHR 17, Version 26-LS1670\R, Wayne, 4/13/10.

[9:17:58 AM](#)

TOM WRIGHT, Staff, Representative Mike Chenault, Alaska State Legislature, speaking on behalf of the sponsor of HR 17, Representative Chenault, explained that HR 17 supports the extension of the export license of the Kenai liquefied natural gas (LNG) facility. The facility has been operating for over 40 years. Currently, the Kenai LNG facility is the only significant industrial user of natural gas in Southcentral Alaska. The facility received a two-year extension to its export license in March 2009 and thus will expire in 2011. The facility, he related, is owned by the Kenai LNG Corporation with ConocoPhillips owning 70 percent and Marathon owning 30 percent. Both parties have agreed to seek an extension of the export license. The application would extend the export authorization through March 2013. He noted that the extension request will be for existing volumes of natural gas and no increase in volume for export will be requested for the 99 trillion British thermal units (Btus) that was authorized by the U.S. Department of Energy in 2009. Mr. Wright highlighted that the Kenai LNG facility contributes heavily, \$130 million per year, to state and local economies and supports 60 direct jobs and 50 indirect jobs, which account for \$17 million annually in personal income. Furthermore, production of gas for feedstock to the facility and the sale of LNG generate approximately \$60 million in royalties and taxes for the state and the Kenai Peninsula Borough. In conclusion, Mr. Wright pointed out that this resolution is of importance to the sponsor's district as well as the state.

[9:20:01 AM](#)

REPRESENTATIVE GARDNER noted her strong support of the proposed extension as it serves an important function for the Railbelt energy. She then recalled that the Kenai LNG facility has an agreement that it would reduce its gas consumption in a circumstance in which the Anchorage area utilities are in a crisis situation.

MR. WRIGHT deferred to the representative from ConocoPhillips.

[9:20:46 AM](#)

PORTIA BABCOCK, Director, State Government Affairs, ConocoPhillips, confirmed that the Kenai LNG facility does divert gas from the Kenai LNG facility to the local markets during emergencies and when there are critical deliverability events, as they arise. She said that the aforementioned will continue to be the case. In further response to Representative Gardner, Ms. Babcock clarified that there isn't a formal agreement to that effect; rather it's just an understanding.

[9:21:33 AM](#)

REPRESENTATIVE OLSON moved to report CSHR 17, Version 26-LS1670\R, Wayne, 4/13/10, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHR 17(RLS) was reported from the House Rules Standing Committee.

[9:21:46 AM](#)

The committee took an at-ease from 9:21 a.m. to 9:24 a.m.

SB 301-POWER PROJECT FUND

[9:24:24 AM](#)

CHAIR DAHLSTROM announced that the final order of business would be SENATE BILL NO. 301, "An Act relating to the power project fund; authorizing the Alaska Energy Authority to charge and collect fees relating to the power project fund; authorizing the Alaska Energy Authority to sell and authorizing the Alaska Industrial Development and Export Authority to purchase loans of the power project fund; providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010; and providing for an effective date."

[Before the committee is HCS SB 301(FIN).]

CHAIR DAHLSTROM related her understanding that the Alaska Energy Authority (AEA) views Amendment 1 as acceptable. She noted that Sara Fisher-Goade, AEA, nodded to confirm that is the case.

[9:25:17 AM](#)

REPRESENTATIVE OLSON moved to adopt Amendment 1, labeled 26-GS2974\R, Kane, 4/13/10, which read:

Page 2, line 1, following "loans":

Insert "appropriated by the legislature"

There being no objection, Amendment 1 was adopted.

[9:25:32 AM](#)

REPRESENTATIVE OLSON moved to report HCS SB 301(FIN), as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS SB 301(RLS) was reported from the House Rules Standing Committee.

[9:25:49 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Rules Standing Committee meeting was adjourned at 9:25 a.m.