

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 11, 2010
11:31 a.m.

MEMBERS PRESENT

Senator Joe Paskvan, Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Con Bunde

MEMBERS ABSENT

Senator Joe Thomas, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 342

"An Act extending the termination date of the Board of Certified Real Estate Appraisers; and providing for an effective date."

- MOVED HB 342 OUT OF COMMITTEE

HOUSE BILL NO. 376

"An Act extending the termination date of the Board of Psychologist and Psychological Associate Examiners; and providing for an effective date."

- MOVED HB 376 OUT OF COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 19

Urging the Alaska Industrial Development and Export Authority to present a business case to the Alaska State Legislature that includes a method for financing, a plan to solicit proposals for a public and private venture, and an analysis of the economic feasibility of a state-built and privately operated fuel storage facility that would serve the public interest by providing Alaskans with a reliable source of jet fuel, diesel, and gasoline at competitive prices.

- MOVED HCR 19 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 51

Supporting certain changes to proposed regulations to implement the Secure and Fair Enforcement for Mortgage Licensing Act of 2008.

- MOVED HJR 51 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 342

SHORT TITLE: EXTEND BOARD OF REAL ESTATE APPRAISERS

SPONSOR(S): REPRESENTATIVE(S) T.WILSON

02/12/10 (H) READ THE FIRST TIME - REFERRALS
02/12/10 (H) L&C, FIN
02/24/10 (H) L&C AT 3:15 PM BARNES 124
02/24/10 (H) Moved Out of Committee
02/24/10 (H) MINUTE(L&C)
02/26/10 (H) L&C RPT 6DP 1NR
02/26/10 (H) DP: LYNN, NEUMAN, CHENAULT, HOLMES,
T.WILSON, OLSON
02/26/10 (H) NR: BUCH
03/11/10 (H) FIN RPT 6DP 5NR
03/11/10 (H) DP: THOMAS, GARA, JOULE, KELLY,
AUSTERMAN, N.FOSTER
03/11/10 (H) NR: DOOGAN, SALMON, FAIRCLOUGH, HAWKER,
STOLTZE
03/11/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/11/10 (H) Moved Out of Committee
03/11/10 (H) MINUTE(FIN)
03/12/10 (H) TRANSMITTED TO (S)
03/12/10 (H) VERSION: HB 342
03/15/10 (S) READ THE FIRST TIME - REFERRALS
03/15/10 (S) L&C, FIN
04/11/10 (S) L&C AT 11:30 AM BUTROVICH 205

BILL: HB 376

SHORT TITLE: EXTEND BD OF PSYCHOLOGIST & PSYCH. ASSOC.

SPONSOR(S): HEALTH & SOCIAL SERVICES

02/23/10 (H) READ THE FIRST TIME - REFERRALS
02/23/10 (H) L&C, FIN
03/15/10 (H) L&C AT 3:15 PM BARNES 124
03/15/10 (H) Moved Out of Committee
03/15/10 (H) MINUTE(L&C)
03/17/10 (H) L&C RPT 4DP 1NR
03/17/10 (H) DP: LYNN, HOLMES, T.WILSON, OLSON
03/17/10 (H) NR: BUCH
03/29/10 (H) FIN RPT 8DP
03/29/10 (H) DP: THOMAS, N.FOSTER, GARA, JOULE,
FAIRCLOUGH, KELLY, STOLTZE, HAWKER

03/29/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/29/10 (H) Moved Out of Committee
03/29/10 (H) MINUTE(FIN)
03/30/10 (H) TRANSMITTED TO (S)
03/30/10 (H) VERSION: HB 376
03/31/10 (S) READ THE FIRST TIME - REFERRALS
03/31/10 (S) L&C, FIN
04/11/10 (S) L&C AT 11:30 AM BUTROVICH 205

BILL: HCR 19

SHORT TITLE: AIDEA REPORT ON IN-STATE FUEL STORAGE
SPONSOR(S): RAMRAS

01/27/10 (H) READ THE FIRST TIME - REFERRALS
01/27/10 (H) L&C, FIN
02/22/10 (H) L&C AT 3:15 PM BARNES 124
02/22/10 (H) -- Meeting Postponed to 02/24/10 --
02/24/10 (H) L&C AT 3:15 PM BARNES 124
02/24/10 (H) Heard & Held
02/24/10 (H) MINUTE(L&C)
03/01/10 (H) L&C AT 3:15 PM BARNES 124
03/01/10 (H) Moved Out of Committee
03/01/10 (H) MINUTE(L&C)
03/04/10 (H) L&C RPT 3DP 1DNP 2NR
03/04/10 (H) DP: BUCH, NEUMAN, CHENAULT
03/04/10 (H) DNP: T.WILSON
03/04/10 (H) NR: LYNN, OLSON
03/29/10 (H) FIN RPT 5DP 5NR
03/29/10 (H) DP: FAIRCLOUGH, KELLY, THOMAS, STOLTZE,
HAWKER
03/29/10 (H) NR: JOULE, DOOGAN, GARA, N.FOSTER,
SALMON
03/29/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/29/10 (H) <Bill Hearing Rescheduled to 1:30 pm>
03/29/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/29/10 (H) Moved Out of Committee
03/29/10 (H) MINUTE(FIN)
04/05/10 (H) TRANSMITTED TO (S)
04/05/10 (H) VERSION: HCR 19
04/06/10 (S) READ THE FIRST TIME - REFERRALS
04/06/10 (S) L&C, FIN
04/11/10 (S) L&C AT 11:30 AM BUTROVICH 205

BILL: HJR 51

SHORT TITLE: PROPOSED FED. MORTGAGE LICENSING REGS
SPONSOR(S): KELLER

02/23/10 (H) READ THE FIRST TIME - REFERRALS
02/23/10 (H) L&C
03/08/10 (H) L&C AT 3:15 PM BARNES 124
03/08/10 (H) Moved Out of Committee
03/08/10 (H) MINUTE(L&C)
03/10/10 (H) L&C RPT 3DP 1NR
03/10/10 (H) DP: NEUMAN, CHENAULT, OLSON
03/10/10 (H) NR: BUCH
03/31/10 (H) TRANSMITTED TO (S)
03/31/10 (H) VERSION: HJR 51
04/01/10 (S) READ THE FIRST TIME - REFERRALS
04/01/10 (S) L&C
04/11/10 (S) L&C AT 11:30 AM BUTROVICH 205

WITNESS REGISTER

MICHELLE SIGMA

Staff to Representative Wilson
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Presented HB 342 for the sponsor.

LIZ CLEMENT

Staff to Representative Bob Herron
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HB 376 for the sponsor.

PAT DAVIDSON, Auditor
Division of Legislative Audit
Legislative Affairs
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Supported HB 376.

REPRESENTATIVE JAY RAMRAS

Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HCR 19.

TED LEONARD, Executive Director

Alaska Industrial Development and Export Authority (AIDEA)

POSITION STATEMENT: Explained how AIDEA would participate in program outlined in HCR 19.

JAMES HEMSATH, Deputy Director

Development and Finance Program

Alaska Industrial Development and Export Authority (AIDEA)
POSITION STATEMENT: Commented on financial technicalities regarding AIDEA's potential in HCR 19.

PAT CARTER
Delta Western Fuel Distribution Company
POSITION STATEMENT: Commented on HCR 19.

JIM POUND
Staff to Representative Keller
Alaska State Legislature
Juneau, AK
POSITION STATEMENT: Commented on HJR 51 for the sponsor.

ACTION NARRATIVE

[11:31:52 AM](#)

CHAIR JOE PASKVAN called the Senate Labor and Commerce Standing Committee meeting to order at 11:31 a.m. Present at the call to order were Senators Davis, Meyer, and Paskvan.

HB 342-EXTEND BOARD OF REAL ESTATE APPRAISERS

[11:32:42 AM](#)

CHAIR JOE PASKVAN announced consideration of HB 342.

[11:33:20 AM](#)

MICHELLE SIGMA, staff to Representative Wilson, sponsor of HB 342, said that it extends the Board of Certified Real Estate Appraisers to the year 2014. No new funds are required to implement the bill she said.

[11:34:19 AM](#)

SENATOR CON BUNDE joined the meeting.

[11:34:28 AM](#)

SENATOR BETTYE DAVIS moved to report HB 342 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried and HB 342 passed out of the committee.

HB 376-EXTEND BD OF PSYCHOLOGIST & PSYCH. ASSOC.

[11:36:06 AM](#)

CHAIR PASKVAN announced consideration of HB 376.

[11:37:02 AM](#)

LIZ CLEMENT, staff to Representative Bob Herron, sponsor of HB 376, explained that this bill extends the expiration date of the Board of Psychologists and Psychological Associate Examiners eight years from its current expiration date of June 30, 2010 to a new sunset of June 30, 2018. The board is composed of five volunteer members who, with support from the staff of the Department of Commerce, Community and Economic Development (DCCED), license and regulate psychologists and psychological associates in Alaska. In doing so, they ensure that Alaska's practitioners meet appropriate educational and practice standards and provide safe professional psychological support services to anyone who seeks them.

She said the 2009 Division of Legislative Audit report included in their packet found no substantive problems with the board or its performance saying it affirmed the value of the role it fills and recommended an eight-year extension. The fiscal note provided by DCCED estimated an annual budget of \$78,500 covered fully by licensing fees collected from applicants. No further dollars are required.

[11:38:23 AM](#)

SENATOR MEYER asked what a courtesy license is.

MS. CLEMENT answered that it is a temporary license issued by the board, perhaps to someone who is already licensed in another state.

SENATOR MEYER asked Ms. Davidson if she was comfortable with this bill.

[11:39:36 AM](#)

PAT DAVIDSON, Auditor, Division of Legislative Audit, said their concerns and recommendations are addressed more to the administrative support of the board rather than the board itself. She was comfortable with the eight-year recommendation.

[11:40:37 AM](#)

SENATOR BUNDE asked why they waited until the last week of session to address this.

MS. CLEMENT said as a staff person she wasn't qualified to answer that.

SENATOR PASKVAN said that scheduling of the bills is the responsibility of the chair of the committee.

[11:41:56 AM](#)

SENATOR MEYER moved to report HB 376 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

CHAIR PASKVAN announced an at ease from 11:41 to 11:44 a.m.

HCR 19-AIDEA REPORT ON IN-STATE FUEL STORAGE

[11:44:15 AM](#)

CHAIR PASKVAN announced consideration of HCR 19.

[11:44:22 AM](#)

REPRESENTATIVE JAY RAMRAS, sponsor of HCR 19, said he gave the committee a copy of the Alaska Gasoline Pricing Report and explained that the previous Speaker of the House charged the House Judiciary Committee to look into why Alaskans were paying so much for gasoline as a companion to the Attorney General's study. They Attorney General addressed the legal issue - if there was price gouging, for instance.

The committee actually hypothesized other potential solutions. He directed them to page 44 of the report that concluded incentivizing more gas storage in Alaska could help. When they first approached Governor Sheffield who is in charge of the Port of Anchorage there was simply not enough space available at the port. Since then, the Port has been expanded to the extent that it can now handle more liquid fuel storage - for jet aviation, low sulphur diesel for rural Alaska, and gasoline for all Alaskans. In this particular case, 85 percent of the gasoline is produced in Nikiski and 15 percent in North Pole at the Flint Hills Refinery. Both refineries have embedded structural flaws that increase the cost of producing wholesale gasoline.

REPRESENTATIVE RAMRAS explained that the Nikiski Refinery has to refine all of the oil they buy. They sell the bottoms (the lower one-third of the value added material) at a loss and that loss becomes embedded in the cost of the other two-thirds of the barrels that they sell, much of which is gasoline.

He explained that the Flint Hills Refinery is a topping plant and takes royalty oil out of the pipeline and puts the rest of the barrels back in. Unfortunately, it is the only refinery in the United States that refines oil with oil as opposed to with

natural gas. Because of this and the fact that a lot of electricity is used in refining gasoline, the cost of producing it in Fairbanks can be 22-23 cents kwh. So, both of the refineries have embedded problems that mean the price of their gas is higher.

REPRESENTATIVE RAMRAS said beyond that, Alaska is also a trapped market, meaning we don't have highways where other refined gasoline can come from other states and compete to bring the cost of gasoline down. Also with government regulation and a lack of increasing demand, Alaska hasn't been able to induce a third refinery to go into the gasoline business. This has driven him to begin a dialogue with Alaska Industrial Development and Energy Authority (AIDEA) about preparing a business case for in-state gas storage.

REPRESENTATIVE RAMRAS said the state's military industrial complex, Elmendorf, is short 350,000 gallons of storage and the Ted Stevens Airport needs to be competitive for jet aviation fuel, and because Flint Hills has gone from operating three towers to two towers, there have been shortages. The future of Flint Hills is not known, but it may not be in the market place within 1000 days from now because of the aging refinery and their decision not to reinvest in it. Without it Alaska would lose the ability to produce jet aviation fuel.

[11:49:46 AM](#)

He continued some concerns have been raised that they are trying to use a state agency to compete with refineries, but they aren't talking about funding another refinery; they are talking about AIDEA funding storage capacity. Much of the unbranded gasoline that is sold in Alaska is to Cost Co., Fred Meyers, Sams Club and Safeway and he saw an opportunity to bring in competition other than some of the price gouging legislation that moved through both bodies.

REPRESENTATIVE RAMRAS said they would be looking for an entity with a balance sheet strong enough that it would make refineries drop their prices. At this point, it is simply a business case. There is nothing to be fearful of; there are no capital costs, no funding request. He said building capacity might make it possible to take advantage of some seasonal arbitrage and barge in fuel at a time when it may be more attractive to buy it to lower the cost for Rural Alaskans who can only get fuel by barge at a certain time of year that happens to coincide with the most expensive part of the driving season.

[11:52:21 AM](#)

SENATOR BUNDE asked if the zero fiscal note simply refers to the creation of the report and not to any costs that might be related to building a storage facility.

REPRESENTATIVE RAMRAS indicated that was correct.

SENATOR BUNDE asked if financing were put in place for the storage of he perceived that this would provide Alaskans a subsidy or would the cost of the storage be borne by the consumers.

REPRESENTATIVE RAMRAS replied that he sees this as a competitive mechanism in the market place. This is simply to build a business case to demonstrate whether there is an opportunity or if the state has to incentivize building a facility in the Port of Anchorage. They anticipate that if a business case can be built, someone with a strong enough balance sheet might be interested in coming in to build a facility. Currently the refineries have a strangle-hold on Alaskan consumers.

[11:55:04 AM](#)

SENATOR BUNDE said he understands that, but he wanted to know if the consumer would have to pay for this increased storage capacity or would it become state subsidized.

REPRESENTATIVE RAMRAS replied that it will not be a state subsidy. If AIDEA, in fact, financed a storage terminal, they would only do it if there was a third party that had a balance sheet that could withstand it. It would be leased out to other entities that would store the fuel. The fuel would be bought at a much lower rack rate, and then the carrying cost for the fuel as well as the amortized cost of the fuel storage facility would then be embedded in the price. That's why a business case has to be built. In addition, the cost of the facility can be amortized. He thought consumers would save dollars on the gallons.

[11:57:44 AM](#)

SENATOR BUNDE asked if this might put Flint Hills out of business.

REPRESENTATIVE RAMRAS replied that Flint Hills has its own problems with an aging facility, and he had asked them to view this storage facility as a safety net. It would store millions of gallons of fuel, but it is a small fraction of the aggregate amount of liquid fuel that Alaskans consume annually. It would

not displace Flint Hills, but it would bring more competitiveness to the market.

[12:00:27 PM](#)

SENATOR MEYER asked how the North Star refinery in Valdez would play into the refinery mix.

REPRESENTATIVE RAMRAS replied that the North Star refinery makes low sulphur diesel and not gasoline and this measure is driven largely by the disparity in the price of gasoline for Railbelt consumers. He commented that the state's royalty throughput in Nikiski is so low that they buy all of the Alaskan oil they can, but only a quarter of the oil they buy actually comes from Alaska. They cannot get any more Alaskan oil because the rest of it is committed to the West Coast. Flint Hills' oil is taken right off the pipeline, because it's a topping plant, and then put right back on the pipeline; they actually pay a premium over Alaska royalty oil. So, when Alaskans are looking for a villain as to why the costs are so high and they look to the base commodity, it's Alaskan oil. The Alaskan treasury is setting the price in a manner of speaking along with the lack of competitiveness in the market place for oil.

[12:02:07 PM](#)

SENATOR MEYER followed up saying that the state's 12 percent royalty share could be refined and be sold at a lesser price, but then there are constitutional issues of whether or not that is the highest and best use of the resource.

REPRESENTATIVE RAMRAS agreed.

[12:02:55 PM](#)

SENATOR MEYER said it would be an interesting conversation as to whether or not this money should go to new playground equipment at a school versus keeping somebody warm during the winter.

[12:03:29 PM](#)

TED LEONARD, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), said they believe one of their roles is as an economic adviser to the legislature for infrastructure projects. One of the interesting questions coming out of the House Finance Committee was whether AIDEA could do this by itself without a resolution, and he thought they could.

MR. LEONARD explained that AIDEA would probably look at a project like this based on jet A fuel. They have heard concerns in the Anchorage area for the international airport and the

military that there may be a problem with the security of fuel issue.

One of the eight in Anchorage is tied to air transportation. The reason they think that this process is good is because, if they thought this was a good project, they would have to come to the legislature to justify it when they would ask for bond financing.

In response to Senator Bunde's question about cost, he said if AIDEA was to do this financing, by statute they have to prove they would get paid back for it, and it would probably be through an open season type of process where people would guarantee that they would buy a portion of the space for their fuel. So, if AIDEA was going to be doing this total project, it would not be done as a subsidy.

[12:06:05 PM](#)

SENATOR BUNDE said that is what he expected. He just wanted it on the record that this is not a silver bullet for cheaper gasoline for some people in the state.

MR. LEONARD agreed.

[12:06:43 PM](#)

JAMES HEMSATH, Deputy Director, Development and Finance Program, AIDEA, said he sees the goal of this resolution is for AIDEA to provide a financial and business review of the possibility of additional storage at the Port of Anchorage that would impact the fuel chain infrastructure in the state and through their ability to finance and own a project they might have a lower hurdle rate if that business case would be competitive and bring lower fuel costs to, predominantly, the Railbelt but potentially Western Alaska.

[12:07:45 PM](#)

PAT CARTER, Delta Western Fuel Distribution Company, said he was available for questions.

[12:08:10 PM](#)

[12:08:33 PM](#)

REPRESENTATIVE RAMRAS asked if he could find what benefit Delta Western would derive from this since they are a bulk fuel shipper to rural Alaska.

[12:08:59 PM](#)

MR. CARTER answered that this project started out of discussions about price gouging and Representative's Ramras interest in lowering fuel prices throughout the state. He said that Delta Western had a number of meetings on what they could do and identified fuel storage as the main issue.

He said that Delta Western met with the Port this fall about sufficient room for storage expansion and then met with the AIDEA folks; then they met with Representative Ramras. The bottom line is they don't have enough storage in Southcentral to meet all of their needs. Over time they have had fairly steady demand, but a decrease in production from the refineries. This caused them to increase their importation of fuels from Outside, so the economies of scale they use now are on barges. They do not have capacity to bring a tanker from somewhere else and would need about 300,000 barrels of storage to do that. If they had that sort of storage they could wait for a time when prices were depressed and buy the fuel fully or in part with another fuel transportation company and import it at a greatly reduced cost.

The model they have chosen to use would be for a storage facility operated independently, so Delta Western wouldn't actually pay for the storage. It would be financed as Representative Ramras represented through an open season process. The benefit that would be gained by this would be that historically the price differential has been around 10-15 cents in the rack prices between Seattle and Anchorage. Over the last couple of years that has grown to somewhere over \$1.00. If they get proprietary storage that price wouldn't change much because whoever owns the storage would raise the price of the storage. If the storage is with a third-party and they can buy fuel on the open market from around the world at competitive prices and import it, the trend would push those prices down over time because they have other options rather than the local refineries to purchase from. Local refineries could benefit from this; they could also purchase fuel and bid on storage as well.

[12:14:05 PM](#)

CHAIR PASKVAN thanked Mr. Carter for his comments and finding no further comments, closed public testimony.

[12:14:50 PM](#)

SENATOR DAVIS commended Representative Ramras for this legislation. She moved to report HCR 19 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[12:15:57 PM](#)

CHAIR PASKVAN called a brief at ease from 12:15-12:17 p.m.

HJR 51-PROPOSED FED. MORTGAGE LICENSING REGS

[12:17:48 PM](#)

CHAIR PASKVAN announced consideration of HJR 51.

JIM POUND, staff to Representative Keller, sponsor of HJR 51, said HJR 51 is a statement against the "one size fits all" attitude in the 2008 Secure and Fair Enforcement Act (SAFE) that primarily responds to the housing bubble burst in the Lower 48, but that Alaskans watched from afar. It restricts who can finance a home or property and it establishes traditional urban and housing guidelines that don't work for Alaska. He explained that many Alaskan properties sold in Alaska such as hunting and fishing cabins don't meet those Lower 48 standards. Traditional lending institutions under SAFE cannot finance them leaving it up to the owner. Unfortunately, also under the federal law and the soon to be adopted regulations the owner cannot finance it either. Alaska needs some exemptions and the regulations need a closer look; that is what HCR 51 does.

[12:19:13 PM](#)

CHAIR PASKVAN closed public testimony.

[12:19:43 PM](#)

SENATOR MEYER moved to report HJR 51 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[12:20:21 PM](#)

Finding no further business to come before the committee, Chair Paskvan adjourned the meeting at 12:20 p.m.