

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 10, 2009

3:36 p.m.

MEMBERS PRESENT

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Hollis French
Senator Gary Stevens
Senator Thomas Wagoner

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

Confirmation Hearing - Judge Karl Johnstone - Board of Fisheries
Confirmation Advanced

Overview: Fischer-Tropsch Synthetic Fuels Pilot Program
Heard

SENATE BILL NO. 177

"An Act repealing the termination of licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

MOVED CSSB 177(RES) OUT OF COMMITTEE

SENATE BILL NO. 108

"An Act creating the Stampede State Recreation Area."

MOVED CSSB 108(RES) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 134(RES)

"An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other wastewater; establishing a science advisory panel on wastewater treatment and effluent quality in the Department of Environmental Conservation; and providing for an effective date."

MOVED SCS CSHB 134(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 177

SHORT TITLE: NO REPEAL OF SPORT FISH GUIDE LICENSING

SPONSOR(s): SENATOR(s) MEYER

04/01/09 (S) READ THE FIRST TIME - REFERRALS
04/01/09 (S) RES, FIN
04/06/09 (S) RES AT 3:30 PM BUTROVICH 205
04/06/09 (S) Heard & Held
04/06/09 (S) MINUTE(RES)
04/10/09 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 108

SHORT TITLE: STAMPEDE STATE RECREATION AREA

SPONSOR(s): SENATOR(s) THOMAS

02/17/09 (S) READ THE FIRST TIME - REFERRALS
02/17/09 (S) RES, FIN
03/20/09 (S) RES AT 3:30 PM BUTROVICH 205
03/20/09 (S) -- MEETING CANCELED --
03/27/09 (S) RES AT 3:30 PM BUTROVICH 205
03/27/09 (S) Heard & Held
03/27/09 (S) MINUTE(RES)
04/10/09 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 134

SHORT TITLE: CRUISE SHIP WASTEWATER DISCHARGE PERMITS

SPONSOR(s): REPRESENTATIVE(s) HARRIS

02/13/09 (H) READ THE FIRST TIME - REFERRALS
02/13/09 (H) CRA, RES
02/17/09 (H) CRA AT 8:00 AM BARNES 124
02/17/09 (H) Moved CSHB 134(CRA) Out of Committee
02/17/09 (H) MINUTE(CRA)
02/18/09 (H) CRA RPT CS(CRA) NT 5DP
02/18/09 (H) DP: HARRIS, MILLETT, KELLER, HERRON,
MUNOZ
03/02/09 (H) RES AT 1:00 PM BARNES 124
03/02/09 (H) Heard & Held
03/02/09 (H) MINUTE(RES)
03/16/09 (H) RES AT 1:00 PM BARNES 124
03/16/09 (H) Heard & Held
03/16/09 (H) MINUTE(RES)
03/25/09 (H) RES AT 1:00 PM BARNES 124
03/30/09 (H) DP: WILSON, JOHNSON, NEUMAN
03/30/09 (H) NR: OLSON, EDGMON, GUTTENBERG, TUCK
03/30/09 (H) RES RPT CS(RES) NT 3DP 1DNP 4NR 1AM

03/30/09 (H) AM: SEATON
03/30/09 (H) DNP: KAWASAKI
04/01/09 (H) CORRECTED RES RPT CS(RES) NT 3DP 4NR
2AM
04/01/09 (H) KAWASAKI SIGNED AM
04/02/09 (H) MOTION TO RETURN TO SECOND FOR AM 1
WITHDRAWN
04/02/09 (H) TRANSMITTED TO (S)
04/02/09 (H) VERSION: CSHB 134(RES)
04/03/09 (S) RES, FIN
04/03/09 (S) READ THE FIRST TIME - REFERRALS

WITNESS REGISTER

JUDGE KARL JOHNSTONE, Nominee
Board of Fisheries

POSITION STATEMENT: Presented background and qualifications.

MEL MORRIS, Member
Board of Fisheries
Kodiak, AK

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

JOHN JENSON, Chair
Board of Fisheries
Petersburg, AK

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

THERESA WISER, President
Sitka Charter Boat Operators Association

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

MONTE ROBERTS, President
Kenai River Professional Guide Association

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

RICKIE DEES, Executive Director
Kenai River Sport Fishing Association

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

STANLEY MALCOLM
Petersburg Charter Boat Association

POSITION STATEMENT: Supported Mr. Johnstone's appointment to the Board of Fisheries.

MARK K. IDEN, Deputy Director
Operations
Defense Energy Support Center (DESC)
Department of Defense

POSITION STATEMENT: Presented overview of Fischer-Tropsch Synthetic fuels pilot program.

SENATOR MEYER
State Capital Bldg.
Juneau, AK

POSITION STATEMENT: Sponsor of SB 177.

JOE HARDENBROOK
Staff to Senator Thomas
State Capital Bldg.
Juneau, AK

POSITION STATEMENT: Available to answer questions on SB 108 and said the sponsor opposed the administration's proposed amendment.

MARY SIROKI, Special Assistant to the Commissioner
Department of Transportation and Public Facilities (DOTPF)

POSITION STATEMENT: Supported SB 108 with administration's amendment.

JEFF FARBER, Board Member
Sitka, Alaska Long Line Fishing Association (ALFA)

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for provision (e) on page 2, line 7.

JENNIFER GIBBONS, Executive Director
Prince William Soundkeeper

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

CAROLYN ROSEBURY, representing herself
Cordova, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

ERIC LEON, representing himself
Member, Cordova District Fishermen United

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

STEVE SMITH

Cordova District Fishermen United

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

JOHN FALKNER

POSITION STATEMENT: Supported CSHB 134(RES) without a sunset date for (e).

DON HERNANDEZ, representing himself

Petersburg, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

PAULA TERREL

Alaska Trollers Association

Juneau, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

KARLA HART, representing herself

Juneau, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a seven-year sunset for (e) from the time of the vote.

JOHN BINKLEY, President

Alaska Cruise Association

POSITION STATEMENT: Supported CSHB 134(RES) without a sunset for provision (e).

GERSHON COHEN

Campaign to Safeguard America's Waters (CSAW)

Haines, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

ROD PFLEIGER, Manager

Membership and Community Relations

Alaska Cruise Association

POSITION STATEMENT: Supported CSHB 134(RES) without the sunset for (e).

TAMMY GRIFFIN

Alaska Hotel Lodging Association

POSITION STATEMENT: Supported CSHB 134(RES) without the sunset for (e).

TIM JUNE, representing himself
Haines, AK

POSITION STATEMENT: Supported CSHB 134(RES) with a sunset for (e) on page 2, line 7.

ALPHEUS BULLARD, Legislative Counsel
Legislative Affairs Agency
Alaska State Legislature

POSITION STATEMENT: Explained how the sunset amendment changes the intent language of HB 134.

TELITHA and HANNA WILSON
Alaska Youth for Environmental Action

POSITION STATEMENT: Presented statement in support of investment in renewable energy technologies in Alaska.

ACTION NARRATIVE

[3:36:35 PM](#)

CO-CHAIR LESIL MCGUIRE called the Senate Resources Standing Committee meeting to order at 3:36 p.m. Present at the call to order were Senators Wagoner, French, Stevens, Wielechowski, Huggins and McGuire.

Confirmation Hearing - Judge Karl Johnstone, Board of Fisheries

[3:37:08 PM](#)

CO-CHAIR MCGUIRE announced the confirmation hearing for Judge Karl Johnstone, nominee for the Board of Fisheries, to be the first order of business.

[3:37:45 PM](#)

KARL JOHNSTONE said he has been in Alaska since 1967 and has been a user of the resource. He is intensely interested in the Alaska's fisheries, and finds it to be challenging. He thinks he could do a good job, and it gives him an opportunity to "give back" to the state that has been very good to him.

[3:39:40 PM](#)

SENATOR WAGONER asked what his position is on the Board meeting throughout the state of Alaska on issues pertaining to each particular region. Currently, the Board doesn't seem to have the wherewithal to do that.

MR. JOHNSTONE answered that there are many factors to consider. The area has to have adequate infrastructure, hotels, restaurants, Internet and cell phone service, emergency services and airline services. After that the number of stakeholders, cultural impacts, and economic impacts on the relevant community should be considered. It's not cut and dried he said, and he's all for having hearings in the area that the proposals affect once the basics are met.

SENATOR WAGONER asked if he lives in Arizona right now.

MR. JOHNSTONE answered yes; he lives in Prescott, but he spends more time in Alaska; it's close to 50/50. He would expect to be spending even more time in Alaska because of the Board meetings.

[3:45:32 PM](#)

SENATOR HUGGINS said a commercial fishing group in Cook Inlet filed a suit that might impact Alaskan dip netters and he wanted his view on that issue.

MR. JOHNSTONE replied that he would hate to see any impact that would take allocations away from the personal use dip net fishery, particularly in the Kenai River, where a lot of fish are harvested for personal use. Upper Cook Inlet has a fully allocated fishery, but he would hate to see it go away. People use them for personal consumption throughout the year.

SENATOR HUGGINS asked if he had any thoughts on the priority of protecting fish versus allocation of them in the Cook Inlet area.

MR. JOHNSTONE replied that the Board's rules and regulations require it to address the stocks when they become "stocks of concern." He wants to make sure none of those stocks becomes totally depleted in the first place - using science. The Chinook salmon fishery in upper Cook Inlet is of concern and people have to share equally in the cutbacks in order to sustain the resource.

[3:50:15 PM](#)

SENATOR HUGGINS said he had a number of complimentary e-mails about Judge Johnstone. On the other hand, he specifically wanted to know this year about the Deshka River where it appears that up until mid-June people will not be able to keep a fish for four days out of the week. What sort of thoughts come to his mind in terms as fish management when a fish can't be kept for a majority of the week?

MR. JOHNSTONE replied that is going to be necessary on the Deshka River, as well as at Alexander Creek. That fishery looks like it is slowly going away, and if it does, none of them will have fulfilled their constitutional mandate. Everybody is going to have to share in getting it back on its feet.

[3:52:41 PM](#)

SENATOR STEVENS asked what he has done to prepare himself for serving on the Board.

MR. JOHNSTONE replied other than having an inquisitive background and using his background as a judge in interpreting information, he has put in a lot of hours in learning the ropes, regulations and statutes that pertain to the Board.

[3:54:06 PM](#)

SENATOR WAGONER suggested that he look at the Kenai system in the 60s when it was totally shut down for a number of years, and that helped it recover pretty well.

MR. JOHNSTONE said he wouldn't hesitate to do that again if it becomes necessary and the science backs up that decision.

[3:55:01 PM](#)

SENATOR WAGONER asked if he cared to discuss the appointment of Richard McVey as the Coroner.

MR. JOHNSTONE said as the presiding judge, he was required to hire a lot of people and one of them was the coroner. He wasn't very happy with any of the applicants. Chief Justice Daniel Moray told him about Richard Mr. McVey's interest in the job. He is a former U.S. attorney, a former legislator for the State of Alaska, former city attorney and a well-known lawyer that he respected; so he offered him the job. He didn't want to take up any more time on the issue. This was a mistake, but he was reprimanded by the Supreme Court for giving the appearance of impropriety, but Mr. McVey is still a great choice.

[3:56:57 PM](#)

MEL MORRIS, member, Board of Fisheries, said he lives in Kodiak and supported Judge Johnstone's appointment. He comes to the meetings prepared and he is impressed with his performance on the Board so far.

[3:58:22 PM](#)

JOHN JENSON, Chair, Board of Fisheries, said he is a resident of Petersburg and is a commercial fisherman. He supported Mr. Johnstone's appointment for the reasons stated by Mr. Morris. He's great to work with and comes to meetings prepared.

THERESA WISER, President, Sitka Charter Boat Operators Association, Sitka lodge owner, supported Mr. Johnstone's appointment to the Board of Fisheries for all the reasons already stated. He is very articulate and cares about the resource.

[3:59:50 PM](#)

MONTE ROBERTS, President, Kenai River Professional Guide Association, supported Mr. Johnstone's appointment to the Board of Fisheries. He's a great choice.

RICKIE DEES, Executive Director, Kenai River Sport Fishing Association, fully supported Mr. Johnstone's appointment to the Board of Fisheries. He takes a comprehensive view and is well-informed and balanced. He puts the resource first.

[4:00:58 PM](#)

STANLEY MALCOLM, Petersburg Charter Boat Association, supported Mr. Johnstone's appointment to the Board of Fisheries. He had good information and was interested in listening to the people in front of him. He didn't show preference to any one user group.

SENATOR STEVENS said in accordance with AS 39.05.080, the Senate Resources Committee had reviewed the Governor's appointment of Karl Johnstone to the Board of Fisheries and recommended that his name be forwarded to a joint session for consideration. There were no objections and it was so ordered.

Overview: Fischer-Tropsch Synthetic Fuels Pilot Program

[4:02:40 PM](#)

CO-CHAIR MCGUIRE announced the Fischer-Tropsch overview presented by Mark Iden. She reminded members that Alaska had been included in a pilot project for synthetic fuels production by the Department of Defense with a deadline of 2014 for 50/50 synfuels.

MARK K. IDEN, Deputy Director, Operations, Defense Energy Support Center (DESC), Defense Agency Logistics Agency, Department of Defense (DOD), introduced Major John Martin who takes care of the day to day energy business in Alaska for DESC.

4:03:23 PM

MR. IDEN said DESC is part of the Defense Agency Logistics Agency within the Department of Defense. DESC is called the "petroleum purchasing arm" for the Pentagon. Their mission is to buy fuel for the DOD customers - Army, Navy, Air Force, Marines. DESC is more than just fuels; it is an energy support customer. They are involved in installing energy - natural gas, coal, electricity and a whole series of services. As a matter of fact, they privatized 12 utility systems here last year at the Army locations (Fort Wainwright, Fort Greely, and Fort Richardson) for \$1-plus billion, and now they are buying back energy from Doyon, the new provider. The bottom line is that they perform a very broad range of missions for their customers.

DESC sells about 130 million/barrels of fuel a year, which equates to about 4.5-5 billion gallons of fuel; this is a big part of their business. They are engaging more and more on the installation energy side to the tune of \$1 billion/year. They are a small organization by Washington, D.C. standards, with about 1,000 people world-wide doing \$15-17.5 billion/year of business. They support war fighters and a lot of federal civilian agencies throughout the United States.

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(Slide 5) MR. IDEN said he would now talk about the Fischer-Tropsch Synthetic Fuels Pilot program, an Alaskan pilot program. DESC had an industry summit in Anchorage on March 11-12 where they introduced this program to the state and to the industry in particular. They had been working on the background of this for a couple of years and elected to pick the State of Alaska to go forward with this particular initiative for reasons he would talk about later. A series of experts from DESC were present to talk about how the contract would be worked, how proposals would be structured, how they would be evaluated, and all the issues associated with this initiative. It is very complex in nature. There are a lot of pricing and financial matters, and quality and environmental considerations that need to be addressed. They were very pleased with the conference; the second day saw individual breakout sessions with a number of firms present.

(Slide 6) DESC picked the state of Alaska for this pilot because natural gas and coal are two of the primary feed stocks that can be used in the Fischer-Tropsch process and Alaska has plenty of both. The other aspect of their decision is that they needed all of their customers to agree to go to this different fuel instead

of the typical JP8 fuel that is currently used, and this area is somewhat self-contained.

SENATOR STEVENS asked for a little bit of history behind Fischer-Tropsch fuel.

MR. IDEN answered that Fischer-Tropsch is a chemical process where different feedstocks - coal, natural gas and bio-mass - are converted to a liquid-based fuel. Fischer-Tropsch is named after the two Germans who developed this process. It was used significantly by Germany at the end of WWII when they lost their oil reserves out of Romania and had to use coal, basically, to create liquid fuels. South Africa, all through apartheid, could not get crude oil supplies and they used their coal resources to create liquid fuels also. So, it's a proven technology that hasn't been applied before because crude oil is so plentiful.

Anything that is a diesel burner can use JP8 fuel in the eyes of the military, and that is the predominant fuel DESC buys worldwide. It is equivalent to commercial jet A1 fuel. The one difference is that special additives are used because of military applications.

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SENATOR WAGONER asked the difference between this fuel and the diesel that is currently produced that is low sulfur.

MR. IDEN said that is an interesting question. It's gotten to the point now where aviation fuel is no longer considered the clean pristine fuel, and the ultra-low sulfur diesel fuels have been found to be cleaner burning. JP8 is their current fuel; the synfuel blend that they are looking to buy in the future will actually help them become a cleaner grade fuel. It is so clean that it lowers the emissions criteria. Stricter emission standards are coming down the federal pike soon and this fuel will help the state meet those requirements.

SENATOR WAGONER said he understands that, but everyone in the state is required, whether it's a fishing boat or a truck, to use the low sulfur diesel. He thought Mr. Iden said they use the JP8 as a base fuel for ground operations. "So what's good for us is not necessarily good for the federal government?"

MR. IDEN said he was correct. They use JP8 for ground fuel applications. "It is what it is."

[4:11:42 PM](#)

CO-CHAIR MCGUIRE asked what the additives are in Jet A1 fuel.

MR. IDEN replied that JP8 is very similar to the international commercial jet fuel (Jet A1). There is a Jet A fuel in the Lower 48 that is slightly different; it has a lesser freeze point restriction than Jet A1 does. JP8 has an identical freeze point; the additives are things like fuel system icing inhibitor, corrosion inhibitor, and lubricity improver. These additives are unique to military systems and the performance characteristics of their weapons systems.

MR. IDEN said they do not have synthetic fuel plants built throughout the United States, because it is a large dollar investment. Right now they do their business round the world on annual contracts. They have the ability to go up to 5-year contracts with five 1-year options on top of that for a total of 10 years, but industry has asked for up to 20-year contracts.

The Fischer-Tropsch process is easily adaptable for them. The key point is that they are looking to go "feedstock neutral," which means they won't be telling anyone what to use - leaving it to industry to figure out what makes the most sense to them. But they do require a 50/50 blend of synthetic/conventional fuel, because that is what all the weapons systems are using. DESC's distribution system cannot blend, so the suppliers will have to provide that function.

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JP8 pricing needs to be competitive, he said, but industry has said it could do this even when oil was at \$140/barrel.

SENATOR HUGGINS asked what other locations are going to have demonstration projects.

MR. IDEN replied they are using Alaska as the pilot project, and they will eventually apply the success from this, hopefully, to the Lower 48. The Air Force requires 50 percent of its domestic fuel to be blended 50/50 by 2016. In the Lower 48 he has hundreds of customers and they are not all on board yet, and the detail of having a location where he can get all of his customers on board is critical; so the focus is on Alaska.

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CO-CHAIR MCGUIRE said what makes this pilot project unique is that Alaska has all the five military bases together in one spot and they are all in agreement. She wanted to know how this could

encourage economic development in Alaska and get fuel to Alaskans in a more affordable fashion.

SENATOR WAGONER asked if this is the only process he is accepting proposals on at this time.

MR. IDEN replied they are focusing on the Fischer-Tropsch process because that is what is happening right now. They are looking at other initiatives, but those are high in the R&D side. They have a 2016 deadline, so they need a technology that is already up and running.

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He said Section 526 of the Energy Independence and Security Act of 2007 talks about life-cycle green house gas requirements and it says when they buy this fuel for other than testing and certification procedures, they need to insure that the life-cycle green house gas requirements of the blended fuel are less than or equal to a conventional petroleum product. So when they start talking about feedstocks of coal and natural gas, they need to look at, basically, the CO₂ footprint and make sure it is no higher than the existing process for conventional petroleum products. Natural gas comes in with a very good footprint. It basically starts out in a positive arena; coal has a very high carbon footprint, which becomes a potential problem. Blended fuels are basically cleaner than conventional fuel.

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CO-CHAIR MCGUIRE asked if part of the pilot project is a recognition that at some point there will be a cap and trade association with carbon.

MR. IDEN answered they aren't actively engaged in the cap and trade aspect. They want to identify the model and tell folks what the standard is.

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(Slide 7) For a little more background on this initiative, he said it's a DOD-level program with the Air Force as the lead. The Air Force is the biggest customer of DESC products, and they have indicated they want to certify all of their platforms by 2011 on this 50/50 blend product. They have already certified and tested the B52, the B1 Bomber, the C17 Cargo Aircraft, and they are in the process of getting ready to test all of their fighter aircraft, also. The Army is currently testing its ground fuel and aviation equipment, helicopters in particular. Everyone

is wanting to get their equipment tested and certified and ready to go within a short period of time.

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MR. IDEN said this process was started 2.5-3 years ago when they went to industry with two requests for information (RFI); and in 2006 they received 28 responses moving forward in this general area. Twenty-seven came back saying that Fischer-Tropsch is the way to go. They also talked about the price concerns and financial issues. In 2007 DESC did another more detailed RFI to industry: could they blend fuel for them and put additives in, and were there concerns about the contract duration.

[4:22:29 PM](#)

(Slide 8) They decided back then that they could approach this from two ways. The short term acquisition was for certification and testing; they awarded two series of contracts. The first one was over 300,000 gallons of GTL product to Shell Malaysia that has all been used.

Because DESC used gas for the first go-round, in June 2006 they had a 60,000 gallon requirement specifically for testing the other fuel, coal. That was awarded to the South African State Oil Company (SASOL). DESC awarded a follow-on contract for another 300,000-plus gallons - not because they mandated coal, but because it was just the cheapest feedstock available at the time. That fuel is in their distribution process right now - again for testing and certification programs. That gets them over the "initial hump." Now they need "to go operational."

[4:24:01 PM](#)

MR. IDEN said about 70 percent of the oil in the U.S. is from foreign locations, and their goal was to get away from using foreign oil and on to using domestic production. Building in Alaska will be different than in the Gulf Coast area, but once the plant is up and operational, the requirement will be sustainable.

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(Slide 9) Why do this? It's energy security. The department looked at this in the late 70s/early 80s during some Arab oil embargos, but it was really a price-related issue then. Now it's energy security. It wants domestic resources and has environmental considerations, and this will help them get headed in that direction. These plants take upwards of 3-5 years depending on the size, scope and location to build; so they literally need to start now.

Current petroleum providers like BP's Nikiski plant could do this, but they are really looking at the new synthetic fuel suppliers - like the ones that attended their Anchorage summit. But participation by both is needed.

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CO-CHAIR MCGUIRE asked if he was going to address what the criteria will be for processing the bids, and whether he would weigh domestic companies more heavily.

MR. IDEN said that subject is a few charts ahead. Chart 10 is the map and bulk fuel business locations in Alaska. Their major customers are Elmendorf and Eielson where JP8 fuel will be replaced. He explained that JP4 is an older version of fuel that was used during the Viet Nam war, and now only a few locations use it because of associated cold property issues.

Eielson JP8 is a little bit unique because some separate federal earmark money might be building a CTL plant there. But if that plant is built, it will be done separately and Eielson's fuel requirements will probably be met by the DESC contract. He further explained that this CTL program, which is called enhanced use lease (EUL), was looked at in the Malmstrom Air Force Base in Montana where essentially the base would just provide the property for a plant to be sighted on. So if that initiative goes forward, there is the potential for sighting a CTL plant on Eielson Air Force Base. However, the ability to sell the fuel from that facility is not part of that arrangement. Some other vehicle would have to actually sell the fuel to the government or other people, and DESC's contract would be that vehicle.

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CO-CHAIR MCGUIRE asked if the supply will be born out of an RFP process that will be open and competitive not only to the CTL Eielson project, but to anyone who might be looking at GTL or biomass to liquids.

MR. IDEN responded that was absolutely correct. They have other programs that buy smaller volumes of fuel in the state, an annual requirement of about 70-80 million gallons of fuel has been identified so far. This sounds impressive, but compared to Anchorage International Airport that uses more than 800-900 million gallons/year, their requirements are relatively small. Fairbanks uses about 100-200 million gallons/year. DESC's requirements within DOD are not enough to build a proper-sized

plant, so it is critical from his point of view that other commercial requirements are looked at to make this project feasible - like Anchorage, Fairbanks, and the state ferry system.

SENATOR WAGONER asked what overall negative affect this would have on the North Pole Tesoro Refineries. It sounds like he would be going directly into competition with them eventually.

MR. IDEN replied that is a great question. The 50 percent synfuel is displacing some of the existing petroleum refineries' capabilities. They were invited to their summit, but he has adopted a wait-and-see approach. He hasn't received any negative input from them. This might be a positive for some refineries because they might have to expand or do additional work. Another thing is the emission standards are going up, and the current jet fuels are going to have a problem meeting those criteria.

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SENATOR HUGGINS asked if the producers would start certifying the engines at some point.

MR. IDEN answered that work is going on right now. A lot of the engines the military uses, the bombers and the cargo aircraft, are very similar to what the commercial aircraft use. He is working hand in hand with Commercial Aviation Alternative Fuel Initiative (CAFFI) on this process. "This is not a DOD go-it-alone effort."

[4:34:04 PM](#)

A question was raised earlier today about the diesel engine - Cummins and Detroit Diesel - and he knows the Army is doing similar testing and certification on their diesel engines. He assumed a bridge would be built between the commercial side and DOD, "because a lot of similar motors are used out there." But he has been more focused on the aviation side so far.

(Slide 11) They had their summit in March and their goal was to explain their concept and approach, solicit input and feedback from industry, which they got a lot of. They are going to refine their acquisition strategy, issue an RFP, get offers, evaluate the offers and eventually award a contract. They expect it will take 4-5 years to actually build a plant, depending on where it is located. From an operational point of view, their contract will start once fuel is delivered; so they won't "eat into our contract duration" during the construction time.

[4:34:55 PM](#)

(Slide 12) The "Notional Timeline" is how they traditionally do business in their bulk fuels business. The idea was to put something on the wall so people could "pick at it." The issue solicitation of June 1, 2009 and first delivery of product in 2014 were okay, but in between there was a lot of input. Industry said it needed 18 months to put a proposal together. DESC knew a 60-day solicitation wasn't right, but it stimulated discussion. They may go through a "pre-feasibility" or a "down-select process" to let people know how they are going forward and how they can discuss their projects with them. They would down-select two or three viable alternatives and then issue the formal solicitation that says, "Now I need your pricing proposal, now I need your real specifics."

CO-CHAIR MCGUIRE asked him to let the committee know what date they come up with.

[4:36:43 PM](#)

(Slide 13) Industry Summit Summation. They achieved what they wanted to do in Anchorage; they got a lot of people together, and categorized the feedback into three broad areas and 10 specific items. They are following up with legislative hearings and continue to work this issue inside the Beltway with the Air Force, the Pentagon and other people to refine their strategy. This is a difficult complex initiative and they are going to do it right.

He said a show stopper is if they can't get commercial industry involved. The synfuel could be produced up here and potentially be shipped to the Pacific Rim, but those transportation costs will make it cost prohibitive. It must have in-state use.

(Slide 14) The three broad categories are:

- defining the requirement quantity/location, commercial sector requirements, feedstock source/plant restrictions, and Eielson AFB requirements.
- structuring the RFP for success: They can't go forward until the 526 environmental criteria are fully specified; the DESC, the EPA and the Air Force are working on them. That's why they may do the interim process of the down select. He said that Nikiski produces a syncrude that goes to a traditional petroleum refinery that blends it with traditional crude oil for a finished product.
- pricing structure: They thought they would price their product just like regular JP8 that they buy. When they buy it in Alaska they use existing market indexes. Alaska

doesn't have a big trading environment; so when they buy for Alaska they work their pricing structure off an average of a San Francisco/Los Angeles/Seattle set of pricing criteria - like a Platts Oilgram. They thought they would do the same thing for this because it is a drop-in replacement product. The people who want to produce using a coal stream said they prefer their coal-derived product be priced according to the coal market place; the folks who are producing product from a gas point of view prefer to use a syn-component according to a natural gas structure. The bottom line is that everyone needs to be evaluated fairly - a coal offer and a gas offer at the same time.

- proceed by establishing a timeline of acquisition and go through the pre-feasibility/down select process as he described previously.

4:40:49 PM

(Slide 15) Areas for state assistance:

- financial incentives to industry to participate through tax credits and loan guarantees.
- encourage the commercial aviation industry with incentives for participation and price considerations. They are the 90 percent player in this game.
- streamline regulatory requirements for permitting and easements and environmental standards.

4:42:21 PM

CO-CHAIR WIELECHOWSKI asked if this project is definitely moving forward.

MR. IDEN answered that it doesn't have the final stamp of approval, but they are moving in that direction. It has many complex levels, but right now everyone remains onboard and it appears to be a feasible approach. They have to know the environmental guidelines first.

CO-CHAIR WIELECHOWSKI remarked that this is a great project; it's better than shipping our product out of state. Why do we need to incentivize this project, because it sounds like it's going already? Is 30,000 gallons/day enough for one plant to produce?

MR. IDEN answered the DOD's requirements in-state are 2,500 gallons/day and the industry has identified a good sized economic plant would be about 25,000 gallons/day. DESC is a tenth of the overall requirement; the commercial side of the house makes up the difference. The commercial aviation industry

is saying it's not paying an extra penny for a gallon of fuel because their costs are already so high. That is where he sees part of the incentives going.

There are a lot of good reasons to do this from the state point of view, from DOD's point of view and an American's point of view. Now they need to put it together and figure out how to best package it. They want to go forward, but he doesn't have enough horse-power in terms of requirements to make it happen. Incentives the state might provide potentially will be reaped in the benefits of bringing that industry here and having the workforce to build the plants. West Virginia estimated it would take 2-3,000 people over a 3-4 year period of time. People would have to run this plant on a continual basis. More construction is associated with delivering the feedstock. "If it doesn't make sense, industry will be the first to tell us, because they won't bid on our efforts and they'll back out of it."

[4:46:38 PM](#)

SENATOR WAGONER said the figures on slide 10 add up to a little less than 5,000 barrels/day, but that's a blend. So, only 50 percent of that figure would come from the plant's production. Mr. Iden indicated that was correct. Then he asked where the CO₂ would be sequestered; the state has very few areas right now for that.

MR. IDEN said he isn't involved in the valuation of that project, but he could offer some generalizations. You can pump the CO₂ into wells and help the flow. A CTL plant would have to meet that criterion.

[4:48:07 PM](#)

(Slide 19) Environmental Considerations: He said Section 526 language applies to a federal agency like him. So, these criteria do not apply to whomever buys the fuel at Anchorage International Airport, and the state and local entities haven't defined their criteria yet. He is a little bit like the tail wagging the dog.

The following charts showed some of the complexities they would meet in the Lower 48.

[4:50:51 PM](#)

CO-CHAIR MCGUIRE thanked him and said the Senate sent Eugene Arnett to their forum and he brought material back; she met with Representative Neuman yesterday to coordinate efforts. They are excited about the program.

SB 177-NO REPEAL OF SPORT FISH GUIDE LICENSING

[4:53:33 PM](#)

CO-CHAIR MCGUIRE announced SB 177 to be up for consideration.

SENATOR MEYER, sponsor of SB 177, said he thought they had a pretty good discussion of this bill on Monday, and he was available for questions. It continues an existing successful program.

SENATOR HUGGINS said that some people have mentioned establishing a sunset date of 2015, and asked if he would object to that.

SENATOR HUGGINS moved to adopt conceptual Amendment 1 to extend the sunset to 2015. There was no objection and Amendment 1 was adopted.

CO-CHAIR MCGUIRE announced that she had already closed public testimony on this bill and she apologized for that, but if there are new aspects of testimony to offer, she would be happy to receive them at 465-2267. There was no further committee discussion.

SENATOR HUGGINS moved to report SB 177 as amended from committee with individual recommendations and attached fiscal note(s). There being no objection, CSSB 177(RES) moved from committee.

SB 108-STAMPEDE STATE RECREATION AREA

[4:56:14 PM](#)

CO-CHAIR MCGUIRE announced SB 108 to be up for consideration.

CO-CHAIR WIELECHOWSKI moved to adopt the committee substitute (CS) to SB 108, labeled 26-LS0568\R. There was no objection and version R was before the committee.

JOE HARDENBROOK, staff to Senator Thomas, sponsor of SB 108, said the bill had already been heard once before, and the administration wanted to make a statement on their proposed amendment.

CO-CHAIR MCGUIRE said because of the lateness of the hour, she asked Ms. Siroki to present the amendment in the next committee, which is Finance, but she agreed that it is important to get the

administration's position on the record on what the bill would be without the amendment.

4:57:35 PM

MARY SIROKI, Special Assistant, Department of Transportation and Public Facilities (DOTPF), said they worked with the DNR to assure they were on the same page and put together an amendment that had legislative intent as well as specific clarifying language that identified transportation and utility right-of-ways. The intent meets the needs of Department of Natural Resources (DNR) and says the DOTPF will issue to the DNR an easement permit for their management of recreational activities and the construction of recreational facilities within the transportation right-of-way. The second part of the intent language clearly says that the DOTPF will move and/or pay for the relocation of infrastructure should DNR have constructed any such infrastructure in the right-of-way. The third part of the intent language states that the commissioners of DNR and DOTPF may relocate the right-of-way within the Stampede Recreational area.

The actual amendment specifically states that the DOTPF would have a utilities and transportation right-of-way that exists in the space of 500 ft. on either side of the RS2477 right-of-way; it would go to the park boundary and then parallel the park boundary and come back in where the RS2477 trail reenters the recreation area. It also states that upon completion of a transportation or utility improvement within the Stampede Recreation Area the Department will only retain such right-of-way as necessary for the operation of that route and will vacate the rest of it.

5:00:23 PM

She said it is the administration's position that the inclusion of a transportation and utility easement right-of-way through this recreation area is necessary for its support of this bill.

SENATOR FRENCH, to understand the nature of the disagreement they have before them, he asked how the sponsor views the administration's request for an amendment.

MR. HARDENBROOK replied that Senator Thomas introduced this bill to reflect the wishes of the Denali Borough and its elected Assembly and administration. He has circulated to the members of the committee a memo from the Denali Borough Mayor, Dave Talerico, stating opposition to the proposed right-of-way. So

most people who will be most impacted by this amendment oppose it and so does Senator Thomas.

SENATOR WAGONER said this could be taken care of later, but asked if the Denali Borough is a second or first class borough.

MR. HARDENBROOK replied that they are a second class borough without road powers.

SENATOR WAGONER stated if they don't have road powers, the only person who is going to be building a road through there is the State of Alaska. He understands why the state needs a road right-of-way, but he didn't understand why they needed it to be that big.

MS. SIROKI replied that the DOTPF believes that a 1,000-ft. right-of-way gives them enough room to be able to locate a road in the best area possible - so they could look at substrate and avoid wetlands and historic and archeological sites.

SENATOR WAGONER suggested letting the next committee of referral look at it.

At ease from 5:02 p.m. to 5:10 p.m.

[5:10:55 PM](#)

CO-CHAIR WIELECHOWSKI moved to report SB 108 from committee with individual recommendations and attached fiscal note(s). There being no objection, CSSB 108(RES) moved from committee.

CSHB 134(RES)-CRUISE SHIP WASTEWATER DISCHARGE PERMITS

[5:12:39 PM](#)

CO-CHAIR MCGUIRE announced CSHB 134(RES) to be up for consideration. She said they already had public testimony, but she would open it up briefly to see if people had something different to say than they said before.

[5:13:33 PM](#)

JEFF FARBER, Alaska Long Line Fishing Association (ALFA), Sitka, had a letter that she asked him to summarize. He supported HB 134. He is a 10-year resident of Sitka and a 20-year commercial fisherman. He values pristine clear waters that Alaska's fish are harvested from. They have worked really hard to get that message out to the public and don't want that message to be degraded or compromised. They are committed to being good stewards of Alaska's resources and expect that same commitment

from other users. He supported a sunset on the mixing zones for cruise ship discharges.

[5:15:28 PM](#)

JENNIFER GIBBONS, Executive Director, Prince William Sound Keepers, and serves on the Board of the Cordova Chamber of Commerce. She sees this issue from both an environmental perspective and tourist perspective. They have made good progress in allowing industry some flexibility with the timeline and that is both realistic and fair. But that needs to be balanced with protecting our Alaskan waters by insuring there is a deadline that will sunset the waivers allowed in Section (e). They know that both from the technology conference earlier this year and from DEC's March 2 report that the technology is advancing, that the deadline has been the driving incentive behind progress and that it is possible to meet the goal within the next several years.

[5:17:06 PM](#)

CAROLYN ROSEBURY, representing herself, Cordova, urged amending section (e) to sunset in 3-5 years, because this deadline is the only incentive for compliance.

ERIC LEON, representing himself, said he is a member of Cordova District Fishermen United, agreed with previous comments in support of sunseting section (e).

STEVE SMITH, Board Member, Cordova District Fishermen United, supported HB 134 and sunseting section (e) in 3-5 years. Everything depends on fishing for him, so the cleanliness of our waters is paramount.

JOHN FALKNER, representing himself, Homer, supported passing CSHB 134(RES) without the sunset amendment. He operates three hotel properties on the Kenai Peninsula, and has worked hard to develop ground-based motor coach tours with the cruise companies there. They are very price-sensitive and are the first things visitors cancel when the price of their trip increases. In 2009 he had 600 more room cancelations than in 2008. More importantly, he said the entire Clean Water Initiative should be under review by this committee, because the process was "flawed to the core."

[5:20:47 PM](#)

He is totally ignorant of chemicals and mixing zones, and his research shows that those who voted for this initiative had no idea what they were voting on. Secondly, how can an initiative

be considered valid if what the initiative implements is unachievable?

[5:21:36 PM](#)

DON HERNANDEZ, representing himself, Petersburg, said he had been a commercial gillnet fisherman in Southeast Alaska for 27 years and very much opposed allowing mixing zones in its waters. He supported the sunset section (e) in 3-5 years and monitoring at the point of release.

He has three major concerns: one is that he fishes in waters where cruise ships are transiting. So he is concerned with how their discharges affect his nets, with how they pollute our waters and they affect public perception in the marketplace of how pristine our waters are.

[5:22:58 PM](#)

PAULA TERREL, Alaska Trollers Association, said she and her husband had been commercial fisherman in Southeast Alaska for 30 years. She complimented everyone on the compromise in HB 134, but, she said, section (e) on the mixing zone waivers needs a sunset. She said if the industry for some reason can't implement the technology, the sunset provision could be extended or removed later, but for now there needs to be a level playing field.

[5:24:45 PM](#)

KARLA HART, representing herself, Juneau, asked to give the industry no more than seven years from the date the Alaska voters passed the cruise ship initiative for compliance. The cruise industry excels at marketing and public relations, and they will use the economic crisis and its impact on tourism to give them added leverage in asking to roll back elements of the voter-approved initiative.

She has worked around Alaska tourism since the 1960s; she served on the Alaska Tourism Marketing Council in the 1990s and regularly follows the cruise industry and Alaska tourism as a matter of interest. Although there appear to be quite a few cruise industry players in Alaska, it boils down to three; of those, Carnival Corporation has about two-thirds of the ships operating under the Princess, Holland America and Carnival brands. Carnival is a publicly traded company; and this is one company that has the resources to actually get this technology.

Carnival's 2008 annual report indicated that globally they have \$33 billion in assets, 88 ships, capacity of 170,000 passengers,

86,000 employees; they transport over 8 million passengers with revenues of \$14.5 billion, and have a net income of \$2.3 billion. They have over \$9 billion of vessels on order as they "continue to grow their global footprint" as they say. Alaska voters said they don't want that global footprint rimmed with sewer sludge and toxic waste. Cruise lines have the resources to address this but they lack the will. Their 2008 report said they are improving fuel efficiencies, reducing their carbon footprint and helping their bottom line. The problem is that meeting clean water standards does not improve the corporate bottom line.

She stated that Mick Aaronson, Carnival's, largest single shareholder, recently announced pulling a ship from Alaska in 2010 due to the \$50/head tax also included in this voter initiative. She believes this is part of their announced cost-cutting measures that include leveraging all ships for purchasing and negotiating contracts in Alaska. It's a game of strategy and strategic investment. If he took all of his ships and went home, Alaska tourism would survive. There would be a crisis for the businesses that have become dependent on cruise lines, but there would also be an opportunity to restructure Alaska tourism from current monopolistic foreign controlled tourism to a diverse resilient locally owned and controlled tourism economy.

[5:28:02 PM](#)

JOHN BINKLEY, President, Alaska Cruise Association, said the volumes the cruise ships discharge is relatively low compared to municipal systems. The ships are not in a line and discharging in spurts one after the other. They discharge continually whether at dock or under way; as they produce the clean water it is discharged from the ship. Because it is extremely clean it is allowed to discharge continuously with a few exceptions, one being Glacier Bay.

An EPA study indicated that an average ship discharges about 143,000 gallons per 24-hour period -compare that to communities like Juneau that discharges over 9 million gallons in a 24-hour period. It would take 53 cruise ships parked in Gastineau Channel to equal what Juneau puts into the channel in one day.

MR. BINKLEY said copper is another item of concern and cruise ships under the existing regulations produce far less than communities in Southeast or Southcentral Alaska. The amount of copper in parts per billion is much lower in any given gallon that goes out and the gallons are far lower.

It's disconcerting to him to hear so much concern from the fishing industry, because it is very important to the visitor industry and cruise ships specifically to maintain clean pristine waters, not only for Alaska, but for the world. That is the livelihood of the ships, and if they don't maintain that they are out of business, just like those in the fishing industry.

He said they take great pride in bringing visitors to Alaska to promote wild clean Alaska seafood. Many cruise lines buy millions of dollars of seafood and promote it so that people who go home have a desire to continue to buy Alaskan seafood. He said it's simply not true that cruise ships are polluting the waters of Alaska.

[5:31:51 PM](#)

Further, Mr. Binkley said that sunset provision (e) will have the exact opposite effect. Industry has already invested over \$200 million complying with the initiative would have no further incentive to invest if a set standard is not attainable. Instead they investment in getting around Alaska regulations by holding more waste water, altering itineraries to discharge in waters beyond Alaska and simply ignoring the permitting system that Alaska has in place. He opposed the amendment and supported allowing the compromise to go through as it is, so the industry can continue to work with the regulators to improve their existing systems.

[5:33:20 PM](#)

GERSHON COHEN, Campaign to Safeguard America's Waters (CSAW), said he is one of the sponsors of the cruise ship ballot initiative, Haines, and he studied the issue of mixing zones for nearly 20 years. At the last hearing there was a lot of talk about the mechanics of mixing zones - how much pollution can be absorbed, how big a mixing zone should be, who has mixing zones, the impacts, et cetera. Unfortunately, most of these questions cannot be answered with any certainty, because mixing zones are not a matter of science where you control a set of conditions, change one thing and make observations.

Mixing zones are a risk analysis with a laundry list of variables. For each ship and course setting you need to know the size of the mixing zone, the rate of the discharge, the speed and design of the ship, the water body depth, temperature, salinity and topography, the number of ships discharging in the same area, the chemical relationships between multiple pollutants, detailed profiles of local biota in terms of

tolerance potential for avoidance and proximity to a ship, whether someone is harvesting and consuming contaminated organisms, how the food will be prepared, and on and on. DEC has never to his knowledge answered most of these questions when approving a mixing zone nor does it routinely measure pollutants at the boundaries of a mixing zone or the impacts within it.

The bottom line is the benefits of mixing zones are received by the polluter; but the risks are borne by the public. He said it's not true that this bill is an acceptable compromise to all parties. The point of discharge phrase was reinserted, but the original concept has been replaced with a temporary waiver provision and no sunset date. In practical terms, without a deadline there is no incentive for the rest of the ships to improve performance.

Contrary to what was said a few moments ago, nearly one-third of last summer's sampling events demonstrated ships can meet the so-called impossible standards. DEC has documented that the technologies exist to meet the water quality standards, although some need to be reconfigured to fit on a ship.

MR. COHEN concluded that he thought a compromise and the fundamental principal of the bill can be reached if it contains a reasonable sunset of the temporary waiver provision. Then the sponsors of the cruise initiative will support the bill.

[5:36:43 PM](#)

ROD PFLEIGER, Manager, Membership and Community Relations, Alaska Cruise Association, said the complications of a sunset to an ongoing business for planning purposes and itineraries will continue to add a negative impact on the family businesses throughout the state. Forty-five communities, including governmental agencies, the Alaska Municipal League, the Southeast Conference, and approximately 30 other organizations represented by communities from chambers and visitors bureaus, throughout the state have agreed on CSHB 134(RES) without a sunset clause for (e).

[5:38:35 PM](#)

TAMMY GRIFFIN, Alaska Hotel Lodging Association, said she is a director of operations for a hotel management company that has eight hotels in Alaska. She is a life-long Alaskan and cares about keeping the tourism industry healthy. She is having a very difficult time understand why they are not allowing the regulatory agency, DEC, to manage such things. Why let a ballot initiative create laws when DEC manages from a scientific point

of view? It is not a mere threat that ships can be leaving Alaska because the return on investment is not making sense. She supported CSHB 134(RES) without the sunset provision (e).

TIM JUNE, representing himself, Haines, AK, said he was originally on the cruise ship initiative committee and has been a member of two Governor's Water Quality Task Forces, has been a commercial fisherman for 25 years in Southeast Alaska, and was a 2001 special assistant to Governor Knowles for Oceans and Watersheds. He encouraged the committee to respect the voter initiative that passed by 58 percent, but more significantly it passed with one side spending \$8,000 while the cruise industry spent \$1.4 million. There is tremendous passion behind passing this initiative.

He addressed the issue of copper, specifically, saying the aquatic life standard for copper is 2.9 parts per billion. It is significant in that a 2001 study showed that cruise ships were putting about 7100 parts per billion before treatment at the high end, for an average of 850 parts per billion. The point is that copper "totally screws up" a salmon's olfactory senses and their ability to come back to where they were born and to ward off predators. The presence of high copper levels is very significant and they should not let it be discharged into a mixing zone.

MR. JUNE reminded them that these ships are mobile dischargers, they are not like a town or city where they know what the discharge point is. They discharge commonly in waters that are frequented by sensitive life cycle of salmon fry that are even more sensitive to copper.

He said they can use the existing DEC variance position until this technology is available to ships. It is available to land-based systems now. They have ways to get rid of the metals and the ammonia, but it has to be adapted to the ship. It is good for the DEC to work with the industry and the sunset clause is very important to do that.

In closing, he reminded the committee that this industry has been very successful in terms of major campaign contributions and has access to the legislature.

CO-CHAIR MCGUIRE responded that many people who have testified here on this subject also have offered campaign donations, and they appreciate his testimony.

5:44:58 PM

CO-CHAIR MCGUIRE closed public testimony.

CO-CHAIR WIELECHOWSKI moved to adopt Amendment 1 identified as 26-LS0570\W.3.

26-LS0570\W.3
Bullard

AMENDMENT 1

OFFERED IN THE SENATE BY THE SENATE RESOURCES
COMMITTEE
TO: CSHB 134(RES), Draft Version "W"

Page 1, line 11:
Delete "if the"
Insert ". The"

Page 1, lines 12 - 14:
Delete ", in consultation with its science advisory panel on wastewater treatment, determines that compliance with those limits or standards is the most technologically effective and economically feasible"

Insert "shall establish and consult with a science advisory panel on wastewater treatment to evaluate the most technologically effective and economically feasible treatment options."

Page 2, following line 18:
Insert a new bill section to read:

"* **Sec. 3.** AS 46.03.462(b), as amended by sec. 2 of this Act, is amended to read:

(b) The minimum standard terms and conditions for all discharge permits authorized under this section require that the owner or operator

(1) may not discharge untreated sewage, treated sewage, graywater, or other wastewaters in a manner that violates any applicable effluent limits or standards under state or federal law, including Alaska Water Quality Standards governing pollution at the point of discharge [, EXCEPT AS PROVIDED IN (e) OF THIS SECTION];

(2) shall maintain records and provide the reports required under AS 46.03.465(a);

(3) shall collect and test samples as required under AS 46.03.465(b) and (d) and provide the reports with respect those samples required by AS 46.03.475(c);

(4) shall report discharges in accordance with AS 46.03.475(a);

(5) shall allow the department access to the vessel at the time samples are taken under AS 46.03.465 for purposes of taking the samples or for purposes of verifying the integrity of the sampling process; and

(6) shall submit records, notices, and reports to the department in accordance with AS 46.03.475(b), (d), and (e)."

Renumber the following bill sections accordingly.

Page 4, line 2:

Delete "2014"

Insert "2015"

Page 4, line 17: It will be difficult because

Delete "2014"

Insert "2015"

Page 4, line 26:

Delete "AS 46.03.464 is"

Insert "AS 46.03.462(e), 46.03.462(f), and 46.03.464 are"

Page 4, line 27:

Delete all material and insert:

"* **Sec. 8.** Sections 3 and 7 of this Act take effect January 1, 2015."

Page 4, line 28:

Delete "Sections 1 through 5 of this Act take"

Insert "Except as provided in sec. 8 of this Act, this Act takes"

CO-CHAIR MCGUIRE objected.

CO-CHAIR WIELECHOWSKI said he thought this would be a one-line amendment, but it's two-pages. This is a major policy decision; and they need to remember people voted overwhelmingly. This is a

compromise to accommodate the industry by adding six years to comply, and they have already had three. This sunset clause will give them nine years to comply from the time voters voted on it. The initiative sponsors support it, the sponsor supports it, and he has been told the Governor supported it at her press conference today.

ALPHEUS BULLARD, Legislative Counsel, Legislative Affairs Agency, explained the amendment substantially changes the intent language that prefaces the W version of this bill. Page 1, line 13, of the amendment provides what AS 46.03.462(b) will look like once January 1, 2015 rolls around. The rest of the amendment beginning on page 2, line 14, is conforming language that changes some of the sections dealing with the Science Advisory Committee, making their last report in 2016. On line 22 the amendment repeals AS 46.03.462(f) and AS 46.03.464 all in 2015. He offered to answer questions.

SENATOR FRENCH asked how all of those are repealed in 2015, specifically language on page 2, lines 22-24.

MR. BULLARD directed him to page 4, line 26, of the version W where section 6 provides that AS 46.03.464 is repealed. This is the section dealing with the Science Advisory Panel. The amendment amends AS 46.03.462(e) and (f); those are the exceptions. Another subsection provides for how the exception to the water discharge standards at point of discharge work. Section 7 provides that all of this will take effect as amended in 2015.

[5:50:10 PM](#)

CO-CHAIR MCGUIRE announced an at ease.

[5:50:22 PM](#)

CO-CHAIR MCGUIRE called the meeting back to order at 5:50.

SENATOR FRENCH said as Mr. Bullard was reaching the end of his description, he had trouble tracking exactly how the repeal works, and specifically referenced page 4, line 26, [CSHB 134(RES) version W] that says "AS 46.03.464 is repealed," but it gives no date.

MR. BULLARD explained that the next line of the bill provides when that section takes effect.

SENATOR FRENCH said he got it now. It's the same mechanism for inserting the sunset.

MR. BULLARD answered yes. That large block at the beginning of the amendment on page 1, line 13 through page 2, line 10, provides that would occur at the moment those sections are repealed, which brings that provision back into line as it existed before the effective date of this act.

SENATOR FRENCH thanked him.

[5:52:28 PM](#)

SENATOR HUGGINS admitted that he didn't vote for this initiative; it makes him uncomfortable when they do things to the other guy - Juneau has one standard and we have another standard for those who come to visit us if they are riding on a cruise ship. Everyone wants pristine waters; and it disappoints him that fishermen want a different standard for cruise ships. It's a double standard and society has said over and over again "equal opportunity, equal standards for equal people." But he would reluctantly support the amendment, because it's important to move the bill along.

[5:54:57 PM](#)

CO-CHAIR MCGUIRE added that their job as policy makers is to balance development, the management of the state's resources, the economy, the jobs and all of the things out there. She is also troubled by the prevailing theme in Alaska in the last five years that is anti-industry and anti those who want to spend money and invest in this state. "We do want business," and these cruise ships bring between almost one million people to visit. Jobs throughout Alaska are 100 percent dependent on their participation in its economy. The state is going to see a 40 percent decline in the tourism industry, bankruptcies and businesses closing. Part of it is due to the economy and part is due to the direct impact of the decisions that the cruise ship industry has made with respect to investment in this state. This is the place to argue about it.

She agreed with Senator Huggins that she values the pristine waters of our state, but they need to be very careful when they start to impose standards that are not only different and distinct, but technologically impossible. She would not be supporting the amendment, but she understands the sentiment with which it is offered.

CO-CHAIR MCGUIRE asked if CO-CHAIR WIELECHOWSKI if he wanted to look at the new version of the amendment.

CO-CHAIR WIELECHOWSKI responded that his staff put this language together to help facilitate the dialogue. It places the amendment into the bill; it is not a different version.

[5:57:56 PM](#)

SENATOR HUGGINS clarified that this is a six-year sunset provision.

CO-CHAIR WIELECHOWSKI wanted that verified by Mr. Bullard.

MR. BULLARD answered that this amendment moves the sunset date to January 1, 2015.

A roll call vote was taken. Senators Huggins, French, Stevens, and Wielechowski voted yea; Senator McGuire voted nay; so Amendment 1 was adopted.

[5:59:03 PM](#)

SENATOR FRENCH moved to report CS for HB 134(RES), as amended, from committee with individual recommendations and attached fiscal note(s). There being no objection, SCS CSHB 134(RES) moved from committee.

At ease from 5:59 p.m. to 6:00 p.m.

[6:00:27 PM](#)

CO-CHAIR MCGUIRE invited Telitha and Hanna Wilson, Juneau Douglas, High School students, Alaska Youth for Environmental Action, to come before the committee.

TELITHA WILSON, Alaska Youth for Environmental Action, said this year their focus is on renewable energy in Alaska. As part of this campaign they collected over 600 signatures from youth and adults across the state from both rural and urban communities who support investment in renewable energy technology.

[6:01:33 PM](#)

HANNA WILSON, Alaska Youth for Environmental Action, read the petition that basically said they support renewable energy because it provides a brighter future of Alaska. It will create long-lasting jobs, stabilize energy costs, lower carbon emissions and protect Alaska's wild beauty. They support expending the \$100 million that was appropriated last year for renewable energy projects, passing the proposed additional \$50 million for the Renewable Energy Fund in the 2009 state budget and supporting a strong federal renewable electricity standard that will benefit Alaska.

CO-CHAIR MCGUIRE thanked them for their presentation.

6:02:14 PM

Finding no further business to come before the committee, Chair McGuire adjourned the meeting at 6:02 p.m.