

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 29, 2010

3:33 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 143

"An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to transition, financial plan, and reporting requirements regarding planning for the initial business operations of the Greater Railbelt Energy and Transmission Corporation; relating to a report on legislation regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and Transmission Corporation; authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt Energy and Transmission Corporation; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 245

"An Act relating to the salmon product development tax credit; and providing for an effective date by amending an effective date in sec. 7, ch. 57, SLA 2003, as amended by sec. 4, ch. 3, SLA 2006, and by sec. 4, ch. 8, SLA 2008."

- HEARD AND HELD

SENATE BILL NO. 255

"An Act relating to sharing records regarding fish purchased by fish processors with certain federal agencies, to requirements

to obtain and maintain a fisheries business license, and to payment of industry fees required of fish processors; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 162

"An Act establishing the Southeast State Forest and relating to the Southeast State Forest; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 143

SHORT TITLE: RAILBELT ENERGY & TRANSMISSION CORP.

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/09/09	(S)	READ THE FIRST TIME - REFERRALS
03/09/09	(S)	ENE, RES, FIN
03/19/09	(S)	ENE AT 11:00 AM BUTROVICH 205
03/19/09	(S)	Heard & Held
03/19/09	(S)	MINUTE(ENE)
04/06/09	(S)	ENE AT 5:00 PM BUTROVICH 205
04/06/09	(S)	OPPOSE UN DESIGNATION OF ARCTIC OCEAN
04/09/09	(S)	ENE AT 2:30 PM BUTROVICH 205
04/09/09	(S)	Heard & Held
04/09/09	(S)	MINUTE(ENE)
03/17/10	(S)	ENE AT 3:30 PM BUTROVICH 205
03/17/10	(S)	Heard & Held
03/17/10	(S)	MINUTE(ENE)
03/22/10	(S)	ENE REFERRAL WAIVED
03/24/10	(S)	RES AT 3:30 PM BUTROVICH 205
03/24/10	(S)	Heard & Held
03/24/10	(S)	MINUTE(RES)
03/25/10	(S)	RES AT 3:30 PM BUTROVICH 205
03/25/10	(S)	Heard & Held
03/25/10	(S)	MINUTE(RES)

BILL: SB 245

SHORT TITLE: SALMON PRODUCT DEVELOP. TAX CREDIT

SPONSOR(S): FINANCE

01/29/10	(S)	READ THE FIRST TIME - REFERRALS
01/29/10	(S)	RES, FIN

03/29/10 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 255

SHORT TITLE: FISH PROCESSOR FEES, LICENSES, RECORDS

SPONSOR(S): OLSON

02/03/10 (S) READ THE FIRST TIME - REFERRALS

02/03/10 (S) RES, FIN

03/29/10 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 162

SHORT TITLE: SOUTHEAST STATE FOREST

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/02/09 (H) READ THE FIRST TIME - REFERRALS

03/02/09 (H) RES, FIN

04/08/09 (H) RES AT 1:00 PM BARNES 124

04/08/09 (H) Moved Out of Committee

04/08/09 (H) MINUTE(RES)

04/10/09 (H) RES RPT 7DP 1AM

04/10/09 (H) DP: OLSON, EDGMON, TUCK, SEATON,
WILSON, JOHNSON, NEUMAN

04/10/09 (H) AM: KAWASAKI

04/13/09 (H) FIN RPT 5DP 5NR

04/13/09 (H) DP: THOMAS, FOSTER, AUSTERMAN,
FAIRCLOUGH, JOULE

04/13/09 (H) NR: GARA, CRAWFORD, KELLY, SALMON,
STOLTZE

04/13/09 (H) FIN AT 8:30 AM HOUSE FINANCE 519

04/13/09 (H) Moved Out of Committee

04/13/09 (H) MINUTE(FIN)

04/15/09 (H) TRANSMITTED TO (S)

04/15/09 (H) VERSION: HB 162

04/16/09 (S) READ THE FIRST TIME - REFERRALS

04/16/09 (S) RES

01/20/10 (S) FIN REFERRAL ADDED

03/29/10 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

MARK JOHNSON, General Counsel
Chugach Electric Association &
Staff to the Joint Utility Task Force
POSITION STATEMENT: Supported SB 143.

DARWIN PETERSON
Staff to Senator Stedman

Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on SB 245 for the sponsor.

MARK PALMER

Ocean Beauty Seafoods

POSITION STATEMENT: Supported SB 245.

CHRIS NORRIS

Icicle Seafoods

POSITION STATEMENT: Supported SB 245.

MARY MCDOWELL, Vice President

Pacific Seafood Processors Association

Juneau, AK

POSITION STATEMENT: Supported SB 245.

MARK VINSEL, Executive Director

United Fishermen of Alaska (UFA)

Juneau, AK

POSITION STATEMENT: Supported SB 245.

TIMOTHY COTTONGIM

Tax Division

Department of Revenue (DOR)

Juneau, AK

POSITION STATEMENT: Supported SB 245.

BOB PICKETT, Chairman

Regulatory Commission of Alaska (RCA)

Anchorage, AK

POSITION STATEMENT: Commented on SB 143.

TIM BENINTENDI

Staff to Senator Olson

Alaska State Legislature

Juneau, AK

POSITION STATEMENT: Commented on SB 255 for the sponsor.

ROB ZUANICH, Manager

Southeast Revitalization Association (SRA)

Juneau, AK

POSITION STATEMENT: Supported SB 255.

BOB THORSTENSON, Executive Director

Southeast Alaska Seiners Association (SASA)

Juneau, AK

POSITION STATEMENT: Supported SB 255.

FRANK HOHMAN, Commissioner
Commercial Fisheries Entry Commission (CFEC)
POSITION STATEMENT: Supported SB 255.

JOE PLESHA, General Counsel
Trident Seafoods
POSITION STATEMENT: Supported SB 255.

MARK PALMER, President
Ocean Beauty Seafoods
POSITION STATEMENT: Supported SB 255.

CHRIS MAISCH, Director
Division of Forestry
Department of Natural Resources (DNR)
Juneau, AK
POSITION STATEMENT: Supported HB 162.

DICK COOSE, representing himself
Ketchikan, AK
POSITION STATEMENT: Supported HB 162.

JACK SLAGHT, representing himself
Petersburg, AK
POSITION STATEMENT: Supported HB 162.

OWEN GRAHAM
Alaska Forest Association
Juneau, AK
POSITION STATEMENT: Supported HB 162.

MARK VINSEL, Executive Director
United Fishermen of Alaska (UFA)
Juneau, AK
POSITION STATEMENT: Supported HB 162.

RON WOLFE
Alaska Native Corporation representative to the Board of
Forestry &
Sealaska Corporation Natural Resource Manager
Juneau, AK
POSITION STATEMENT: Supported HB 162.

WAYNE NICOLS, member
State Board of Forestry and Society of American Foresters

Juneau, AK

POSITION STATEMENT: Supported HB 162.

JOHN SANDOR, representing himself

Juneau, AK

POSITION STATEMENT: Supported HB 162.

ACTION NARRATIVE

[3:33:56 PM](#)

CO-CHAIR BILL WIELECHOWSKI called the Senate Resources Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators French, Wagoner, Stevens, Huggins, and Wielechowski.

SB 143-RAILBELT ENERGY & TRANSMISSION CORP.

[3:34:44 PM](#)

CO-CHAIR WIELECHOWSKI announced SB 143 to be up for consideration. He said they would focus on the issue of how the new Greater Railbelt Energy and Transmission Corporation (GRETC) entity would be regulated by the Regulatory Commission of Alaska (RCA).

[3:35:02 PM](#)

MARK JOHNSON, General Counsel, Chugach Electric Association, and staff to the Joint Utility Task Force as well as former chair of the RCA, said the task force does not support GRETC regulation by the RCA, but they have agreed with the Governor's Office to accept RCA regulation for five years. GRETC, like the utilities that will provide the governance for it, will operate on a not-for-profit basis to serve their member owners at the lowest reasonable cost. GRETC is founded on the Bradley Lake model that has worked well for 20 years; its books and operations are open to the public and audits are performed annually. "If you follow the Bradley Lake model, regulation is unnecessary," he said.

The governance of the boards and the board of GRETC are democratically elected with one member appointed by the governor. Mr. Johnson said this makes GRETC very different than a for-profit utility and it is important to keep this in mind throughout the discussion on regulation.

MR. JOHNSON said that Chugach does not believe GRETC needs to be rate regulated, because nationally Chugach finds itself as the only generation and transmission (G&T) cooperative that accesses the public markets for all of its financing needs that is

regulated. Financers have told them they are concerned because this increases risk in financing. They do not want to see GRETC affected by the same risk.

He related that the state, through the just completed Regional Integrated Resource Plan (IRP), has looked into the future and analyzed what energy and transmission are required by comparing customer needs with what is available, and further what new resources, power supply and conservation measures can be brought to bear on those needs. One of the greatest threats to consumer interest is when utilities make large scale decisions on investment without a transparent and public process. Currently the IRP has substantially advanced transparency and public process. If a utility or GRETC is going to follow the IRP in the development of a particular project, that project is a presumptively prudent and necessary investment decision. It doesn't need additional regulatory review.

He asked the It appears now there are some pretty well defined regulatory goals.

[3:38:29 PM](#)

MR. JOHNSON said the committee to consider regulatory goals in a broader context and referred them to slide 3 that illustrated how regulatory goals are addressed through the GRETC legislation. One of the top ones was to protect consumers; and the people who will govern and receive the services of GRETC are the consumers. They will buy the energy and will have an enormous interest in making sure that electricity and services are reasonably priced and best serve consumers.

[3:39:22 PM](#)

SENATOR STEDMAN joined the committee.

[3:40:32 PM](#)

MR. JOHNSON said other more specific goals of regulation were taken from a treatise called "The Regulation of Public Utilities" by Charles Phillips. One is that regulation is intended to prevent monopoly prices. In the case of GRETC the entities that would be GRETC's customers also have other options. They are not limited to a monopoly provider in GERTC; they can choose to self-generate electricity or buy it from IPPs.

Another goal is an effort to contain and define utility investments. GRETC will act in compliance with the IRP plan, and the directors that sit on the board have no interest (since they

are the consumers) in overinvestment. They want the best prices for the companies that are going to buy energy. He said the lenders also have a very strong interest in a right size of utility plant and services.

[3:41:45 PM](#)

Along with the regulatory goal of insuring the lowest cost to consumers, Mr. Johnson said, it's important to remember that the generation of electricity is one of the few industries and circumstances where you actually have economies of scale in production. Consumers benefit from large projects because they reduce overall costs to them, and that is one of the market characteristics that exists in the case of electric generation.

MR. JOHNSON said the GRETC utilities have no interest in high operating costs. When it comes to capital investment, GRETC has a superior risk profile for investors and will, therefore, have greater access to capital. So, they believe GRETC is a superior arrangement in terms of insuring low overall capital cost to consumers.

As it relates to certain consumer protection issues, whether or not consumers are being fairly treated in the market place by providers, Mr. Johnson said, GRETC will not serve retail customers; the customers are at the wholesale level with the large electric utilities. So, those concerns do not arise in its case.

He stated that this legislation also addresses rate discrimination and that some utilities feared making investments they could not recover and wanted to be regulated. In the case of GRETC, they seek to define very clearly how rate making would take place. Another issue is market failure, and that boils down to whether or not a utility is required to insure service availability to various customers. Once again, GRETC has insured statutorily that it will coordinate the functions of transmission to distribute electricity throughout the Railbelt. Also in the category of market failure is the question of preventing duplicate facilities. If GRETC is complying with the IRP process, it will have a very exceptional ability to insure that they have appropriate facilities that serve all the potential consumers of the energy produced by the utility.

Finally, Mr. Johnson said, the legislation addresses two other potential regulatory goals - the environment and safety by providing for the legislature to enact whatever state laws it thought appropriate in addressing those issues.

[3:44:47 PM](#)

MR. JOHNSON said one of the goals over the years regarding utility regulation is to promote economic development, a matter of great interest to him when he was on the RCA. In the case of the GRETC legislation, it is conceived to promote economic prosperity and to provide low cost energy. They believe it is a superior model. To sum up, he said, they believe this GRETC legislation adequately addresses all the goals has see no compelling need for closely crafted economic regulation.

MR. JOHNSON said in his opinion the legislation has been crafted to provide a good framework for GRETC to move forward without regulation. He said regulation is a red flag issue when it comes to obtaining low cost financing; and the dangers of obtaining fuel supplies under regulation are well known. Also, he mentioned a significant risk in inconsistent application of the regulations. Because statutes rarely provide the kind of guidance that one would like to have, that unfortunately raises the prospect that regulators, however well-intentioned, will reach for solutions that aren't necessarily good ones. This is not a good risk to take and it won't produce benefits to consumers. Again, he said, they believe the classic formulation of regulatory goals is addressed by this legislation.

[3:49:09 PM](#)

SENATOR FRENCH asked if anything in the bill forces GRETC to follow the IRP in the development of a project or is that an option - in referenced to Mr. Johnson's testimony that if a utility or GRETC is willing to follow the IRP in the development of a particular project, that project is a presumptively prudent and necessary investment decision and it does not need additional regulatory review.

MR. JOHNSON answered that language on page 12 says that GRETC will adopt an IRP and follow it.

[3:50:33 PM](#)

CO-CHAIR WIELECHOWSKI thanked Mr. Johnson for his testimony and held the bill. He then announced an at ease from 3:50 to 3:52 p.m.

[3:52:00 PM](#)

SB 245-SALMON PRODUCT DEVELOP. TAX CREDIT

[3:52:25 PM](#)

CO-CHAIR WIELECHOWSKI called the meeting back to order and announced SB 245 to be up for consideration.

[3:52:43 PM](#)

DARWIN PETERSON, Staff to Senator Stedman, sponsor of SB 245, said it extends the deadline for salmon processors in Alaska to apply for their salmon product development tax credit. The program allows applicants to claim a credit on their annual fisheries business tax for the purchase of eligible equipment. Credits received may not exceed 50 percent of a taxpayer's liability. Under current law, processors can claim the credit for property first placed in service by December 31, 2001. This bill would extend that date to December 31, 2015 allowing the processors ample time to continue their long-range investment planning that is already in place.

He explained that the salmon product development tax credit was a key recommendation of the Joint Legislative Salmon Industry Task Force that was first enacted in 2003 by Senator Stevens. The credit was part of an effort by the legislature and the fishing industry to develop innovative value-added salmon products. Since then the program has stimulated some important changes in Alaska's commercial fishing industry.

He explained that new processing equipment eligible for the tax credit enables businesses to offer a more diverse compliment of Alaska salmon products which helps increase overall customer acceptance. Modern equipment also helps increase efficiency of processing operations and improves throughput. This tax credit also encourages instate processing of out salmon which is critical to job creation and retention in fishing communities.

MR. PETERSON said that although the Alaska salmon industry is beginning to recover from years of low values caused by factors such as competition from fish farming, the industry continues to be challenged by the recent economic depression, changes in the market place, and increasing labor and energy costs. Extending the tax credit beyond its current sunset date of December 31, 2011 will allow the industry to continue the progress that is being made in developing and producing salmon products that will keep Alaska's fisheries competitive in the world markets.

[3:55:07 PM](#)

MARK PALMER, Ocean Beauty Seafoods, supported SB 245. He said this tax credit has given Ocean Beauty the ability to change the complexity of the products they offer to the market.

He explained that when Ocean Beauty first started, the Alaska salmon industry was headed and gutted frozen fish and lots of canned salmon. But this bill has given them the ability to invest in value-added processing equipment that they have put into four of their seven facilities. The incremental jobs created with each one of these lines range anywhere from 24-38 employees. In each instance they have also created jobs that go beyond the peak of the season; it's most efficient to run these for as many days as possible when you are managing a steady flow of fish. So, the kinds of jobs they have created in the communities where their shore-based processing exists lend themselves to local employment.

The tax credit has also given them the ability to increase capacity through their production facilities. For example, in Southeast the pink salmon fishery was always tasked with a capacity issue, and in the last six years daily production capacity has increased by 70 percent. In that same time they have seen grounds prices to fishermen increase by over two and a half times. In other parts of the state, because they have premium programs to attract fishermen that have the ability to ice and bleed and take better care of their fish, they get better raw material to put into their fillet line. Areas like Bristol Bay are seeing more and more premiums being paid to the fleet to deliver higher quality raw materials. So, there is a direct benefit to the fishermen on these investments, as well.

MR. PALMER said the communities they reside in as a shore-based processor were generally a large component of the employment base in them. As they install more equipment they can hire more people. Developments for Ocean Beauty have accelerated considerably and he believed it had done so across the industry.

[3:58:50 PM](#)

CHRIS NORRIS, Icicle Seafoods, supported SB 245. She said they process salmon in Southeast, Prince William Sound, Kodiak, Cook Inlet and Bristol Bay, and they have used the salmon tax credit to purchase new equipment that has allowed them to develop new products in all of these areas. She said all of their fishermen have benefited in the communities they operate in.

[3:59:31 PM](#)

SENATOR STEVENS asked how the Alaska fishing industry is doing compared to farmed salmon.

MS. NORRIS answered that Alaska's wild products are well-received in the market place. But being in the global market

place is challenging. One of the challenges is competing against other protein sources in addition to seafood in countries without environmental, health, and safety regulations and where their workers don't get paid much.

SENATOR HUGGINS asked how much the tax is worth to them in dollars and cents.

MS. NORRIS answered that she didn't have annual figures, but she knew it was a range from a couple hundred thousand up to six hundred thousand, and she said they didn't use it every year. She explained that in their business some of the seasons are very short and sometimes when they purchase new equipment it takes a while to get it tuned up and running. And you're reluctant to buy more equipment until the first set is running.

[4:01:34 PM](#)

MARY MCDOWELL, Vice President, Pacific Seafood Processors Association, supported SB 245. She said her association has member companies with salmon operations in 15 communities around Alaska including Southeast, Prince William Sound, the Alaska Peninsula and Bristol Bay. The tax credit is tightly constructed to accomplish specific goals and it has been very successful so far. It is a way that Alaska can invest in the future to keep its products positioned in world markets. She said there were many letters from companies in their packet who had made good use of it, but there is still a lot to do.

[4:02:36 PM](#)

MARK VINSEL, Executive Director, United Fishermen of Alaska (UFA), supported SB 245 for the reasons that have already been stated especially well in the sponsor summary. Getting Alaska's salmon into a range of products has allowed fishermen to stay in the business and communities to be able to thrive on their salmon resource. They can never rest on their laurels, because the market is very competitive, but increasing sales are coming from the value-added processing the credit encourages.

SENATOR FRENCH asked if this tax credit should be expanded to other species.

MR. VINSEL replied that idea is something to keep in mind. Many professional fishermen have had to diversify into other species. Some in the farmed salmon industry have had problems, but in the meanwhile other farmed fish are quite successful in growing market share.

[4:05:13 PM](#)

TIMOTHY COTTONGIM, Tax Division, Department of Revenue (DOR), said the administration recognizes the benefit this credit has offered to the processors and supported SB 245.

SENATOR STEDMAN asked for a synopsis of the kinds of equipment that are being purchased under this program.

MR. COTTONGIM replied that they had seen brining equipment, curing equipment, fillet lines, filleting machines, blast freezers, glazers, Ikura packing machines, pin bone machines, plate freezers, the pop top canning equipment, roe drying machines, roe rubbing machines, roe separators, roe vibrating machines, roe washers, skinning machines, smoke houses, and vacuum packaging machines - to name a majority of them.

SENATOR FRENCH asked for a copy of the list.

SENATOR STEDMAN asked what equipment is excluded.

MR. COTTONGIM answered the same list has a list of things that don't qualify like building construction, equipment overhauling costs, retooling, retrofitting (with the exception of pop top canning), fishing vessels, grinders (dealing with waste), heading machines that are beyond the heading and gutting requirement of the value-added salmon product definition, scales, tables, tools, and totes.

SENATOR STEDMAN noted that the list of inclusions is half the size of the exclusions. So they have tailored it well.

CO-CHAIR WIELECHOWSKI closed public testimony and held the bill.

[4:09:32 PM](#)

SB 143-RAILBELT ENERGY & TRANSMISSION CORP.

CO-CHAIR WIELECHOWSKI announced SB 143 to be back before the committee. He asked Mr. Pickett to give his thoughts on the bill.

BOB PICKETT, Chairman, Regulatory Commission of Alaska (RCA), said he was referring to work draft version S and that the legislative intent in section on page 2, starting on line 2, was very critical in this matter. It provides the basis for the interim five-year period that the RCA is being asked to provide some sort of regulatory function.

He said that "In setting or reviewing rates" language on page 2, line 27 was confusing, and explained that generally a utility sets or changes its rates, files the tariff revision and then the commission investigates and either approves or modifies those revisions. He asked in what context the Commission would actually review rates without setting them. Moving on to "rates for" he said generally the Commission sets rates "of" the utility and he wanted to know if something different was meant.

[4:11:08 PM](#)

Line 28 said "The Commission may not disallow in traditional rate making that focuses on the end result just and reasonable rates." It has none of the intermediate steps of determining the revenue requirements, rate of return or rate base, and Mr. Pickett wondered how this would be reviewed by the courts. Will just and reasonable rates at the end of the process be the source of the inquiry or will the rate making process now become a mechanical application of some formula to the component parts?

Towards the end of line 28 in "a rate base or revenue requirement" he wondered why "a" is used. Will GRETC have more than one each? It's unclear. The subsection does apply to the GRETC so the requirements are addressed to a single entity at a time.

[4:12:05 PM](#)

Going down to the line that has "amounts necessarily reasonable" he asked by what standard "reasonable" would be measured. He said this is a new concept and asked how will the Commission would know what a reasonable amount is when it is presented. What evidence should be produced to support the proposition or is it sufficient for the management to just assert that it's reasonable?

On lines 29-30 "for the corporation to fund a cost reasonably anticipated" Mr. Pickett asked if costs that were anticipated but never incurred would be subject to repayment to ratepayers and if costs that are anticipated and incurred but never benefit ratepayers ever removed from rate base. How do you calculate depreciation or amortization of an anticipated cost? To become a just and reasonable cost (line 30) - he said costs themselves are not generally evaluated as "just and reasonable" except in the aggregate when the rates themselves are reviewed. The usual method of evaluating operating costs is whether they are related to the provision of public utility service and in an amount that is not excessive. The usual method of evaluating capital related

costs is whether the investment is used and useful in an amount that is prudently incurred.

[4:13:28 PM](#)

On page 2, line 31 through page 3, lines 1 and 2, he asked if "including costs for the repair, replacement and retirement of a project owned and operated by the corporation" meant they can recover future capital replacement cost of an asset they don't own. And if so, based on what theory?

He asked if the language on page 3, lines 3 and 4 "including costs to permit the corporation to build reasonably necessary equity for future operations" is an attempt to allow the corporation to derive a desired profit number and kind of set the rates to achieve that target. He explained that usually the attraction and accumulation of equity is not a cost; it's a capital transaction or the product of profitable operations.

He also questioned using the conjunctive "and" in language saying "including costs by the corporation and incurred to permit". Do both conditions have to be met or is it just a list of non-exclusive costs that can be passed through to the ratepayers?

MR. PICKETT said a number of policy and technical questions had arisen. An underlying policy assumption that auditing equals regulation, but the Commission has not taken a position on that, and he said, "I think nothing could be further from the truth."

Also, he said language on page 13, lines 28-31, references the corporation issuing equity and debt. How is it proposed that GRETC will issue equity? He was under the impression GRETC was a not-for-profit, and was this a contribution on the part of the members?

MR. PICKETT said he had other questions. Bradley Lake has often been sighted as an example of a project that clearly demonstrates there is no need for regulatory oversight of GRETC. It is fair to raise the example of Healy clean coal and if deregulation is a de facto main goal of GRETC, that decision should be transparent and out in the open with the ratepayers well aware of what is going on. Currently in AS 42.05.711(h) and AS 42.05.712 there are clear provisions for deregulation - elections. He said the Commission would be taking this up at 9am on Wednesday.

[4:16:50 PM](#)

SENATOR FRENCH said if the Bradley Lake model is so successful, why is that not a good example to look at in considering this bill.

MR. PICKETT replied that it is a successful example of the public private partnership, but it is important to keep in mind that it produces a very small percent of the overall electrical generation capacity of the Railbelt. Comments last week about one of the major changes in this version of GRETC versus what was originally presented to the legislature is a bit of a softening of its monopolistic posture that perhaps it had in the earlier version. The individual utilities could choose to opt out for instance.

MR. PICKETT stated that it is also fair to say that this bill has positioned GRETC as being the primary recipient of state funds, and there are good public policy reasons for that. Mr. Johnson raised the concern of the capital markets, and at its inception GRETC will have minimal assets. The key and critical element is going to be how it will generate equity. Will the legislature have to fund it or will there be riders to build up equity from the respective member cooperatives and participating utilities to prefund capital projects? Those are good questions and in the end that will be what will shape GRETC's ability to attract capital.

CO-CHAIR WIELECHOWSKI asked his views on sunseting the RCA review after five years.

MR. PICKETT answered that he is a skeptic and believes in checks and balances for federal and state government. He didn't think that auditing was an adequate proxy for regulation. There are models that address rather unique situations which GRETC will present such as the area of capital project surcharges and the use of operating ratios rather than rate of return for utilities that are essentially startups or that have contributed plant or are fully depreciated, simplified rate making rules, and adjustment clauses for fuel and purchase power costs.

CO-CHAIR WIELECHOWSKI said he had given them a lot to think about and it is obvious that the bill has some questions that still need to be answered and it would not move today.

SENATOR STEDMAN commented that this bill came into the body late in the session it and should be set aside and worked on over the interim.

CO-CHAIR WIELECHOWSKI agreed.

SB 255-FISH PROCESSOR FEES, LICENSES, RECORDS

4:21:41 PM

CO-CHAIR WIELECHOWSKI announced SB 255 to be up for consideration.

4:22:29 PM

TIM BENINTENDI, staff to Senator Olson, sponsor of SB 255, explained that a program is already in place whereby the National Marine Fishery Service provides loans to groups formed for the purpose of reducing fleet capacity by engaging in permit buy-backs. The Southeast Revitalization Association (SRA) is engaged in such an arrangement and operates with a self-imposed 3 percent fee on fish sales from those remaining permit holders.

He said this fee is the basis for repaying federal loans and any new fish buyer must agree to collect and remit the fee upon entering the fishery. SB 255 authorizes the Alaska Department of Fish and Game (ADF&G) and the Commercial Fishery Entry Commission (CFEC) to provide individual fish ticket data to the National Marine Fishery Service (NMFS) that will support monitoring the loan program by allowing them to confirm that the assessments are correct and have been paid. SB 255 is supported by the CFEC, several fisheries groups and it also has a zero fiscal note.

SENATOR STEDMAN asked if anyone opposed the bill.

MR. BENINTENDI answered that he hadn't heard of any opposition. The Pacific Seafood Processors Association (PSPA) had an issue once, but an arrangement has been worked out in terms of the draft letter of intent, which the sponsor supports.

4:24:14 PM

CO-CHAIR WIELECHOWSKI noted the letter of intent that had just come to them.

MR. BENINTENDI explained that there was a difference of opinion on a peripheral issue, and it came through by virtue of this bill into a discussion. The letter of intent is a product of the resolution.

CO-CHAIR WIELECHOWSKI said it is proposed by the seiners and processors, but nothing had been formalized.

SENATOR HUGGINS asked if the administration supports this bill.

MR. BENINTENDI answered yes.

4:25:52 PM

ROB ZUANICH, Manager, Southeast Revitalization Association (SRA), said he represents the 180 Southeast purse seine limited entry permit holders for the salmon fishery. He provided testimony entitled "The Long Road to Implementing a Consolidation Program for the Southeast Purse Seine Salmon Fishery." He said the genesis of this concept came up in the Salmon Legislative Task Force at the same time the salmon production credit came up.

In 2002 the legislature allowed associations to be formed to consolidate permits, and in 2004 the SRA was created for that purpose. In 2005, they went to Congress to specifically amend the Magnuson Stevens Act to give them access to a federal loan program to finance this consolidation plan. In 2006 Congress appropriated money to guarantee the loan; in 2008 this legislature appropriated \$3 million in grants to allow the first phase of this program to go forward. In 2009, they had this bill that the NMFS says is required before they can finance the loan before them.

MR. ZUANICH said the loan program provides that permit holders can voluntarily decide to sell their permit and submit a bid for a dollar amount that they wish to sell it for. If they submit a bid, they sign a contract agreeing to relinquish their permit if it is accepted. The bids will be submitted to a certified public accountant that will rank them and report the results. The SRA will then look at those bids and if they are satisfied, that is the basis to go forward with the consolidation plan. They submit it to the NMFS. The NMFS would then conduct a referendum of the permit holders to see whether they are willing to go along with the plan. If a majority approves it, the plan will be implemented. The plan will also require that only a minimum of 260 permits will remain in the fishery after this program is implemented.

SENATOR STEDMAN asked of the potential permits that will be retired how many are held by Alaskans.

MR. ZUANICH answered that a majority of the permits to be retired will be owned by non-residents. In phase 1 of the program 31 of the 35 permits retired were of non-residents. So,

they believe it will stabilize and "Alaskan-ize" the purse seine fishery.

[4:29:55 PM](#)

SENATOR STEDMAN asked why 260 was the number of permits selected as the number to remain.

MR. ZUANICH replied, "I guess it was your back room brokered agreement between the Southeast Seiners Association and the affected seafood processors." Their concern was that the program could go too far and there would be too few fishermen to harvest the available salmon to supply their plants. They are trying to show that past large catches have been when 209 and 213 permits were fished; so they are satisfied that the 260 threshold is more than adequate.

SENATOR WAGONER said the biologists have the ability to adjust the catch with openings and number of days fished.

[4:30:55 PM](#)

BOB THORSTENSON, Executive Director, Southeast Alaska Seiners Association (SASA), supported SB 255. He said the number of 260 permits was carefully chosen by his members. It will be good for long term stability of the industry for both investments in the processing sector and the fishery. It will be good for young fishermen, because it allows more permits than are currently fished. Also buying into the fishery now would cost \$500,000 to \$1 million knowing that twice as many boats won't be coming up in the future is reassuring for that kind of investment.

He said they really appreciate the support the legislature has given them. This bill is really a simple accounting procedure, but it is a very important nexus to the federal loan program. This is the first state waters fishery that has been able to access a federal loan program. His members have polled 77-86 percent in favor of this program over the last 20 years; and the processing sector is either for it or neutral.

SENATOR HUGGINS asked the geographical boundaries of the bill.

MR. THORSTENSON replied that the bill applies to any limited entry fishery in Alaska. He is attempting to apply it to S01A, the Southeast Alaska Purse Seine.

SENATOR HUGGINS asked what the numbers of the fisheries were in the state a decade ago.

MR. THORSTENSON replied that his constituents fish in Southeast Alaska and that is the reason there is an emphasis on Southeast. They are the only ones who have used the 2002 legislation (HB 286) to organize and proceed with the federally funded buy back. About 22 percent of the permits have already been retired through grant money. This is the final closing document for paying the loan.

SENATOR STEDMAN wanted the geographic breakdown of the 212 permits that were fished in 2008 along with the 168 that weren't fished.

MR. THORSTENSON responded that he could get that information for them.

[4:36:38 PM](#)

FRANK HOHMAN, Commissioner, Commercial Fisheries Entry Commission (CFEC), said their packets had a one-page statistical breakdown of the fleets for the last 12 years. It had a breakdown of resident and non-resident figures. In 2008 of the 212 that fished 113 were resident and 90 were non-resident. Of the 168 that did not fish, 55 percent were non-residents and 44 percent were residents. Looking back over the statistics, a majority of not fished permits have been owned by non-residents.

CO-CHAIR WIELECHOWSKI asked if the administration supports this.

MR. HOHMAN said that every administration since 2002 has worked to resolve this issue.

SENATOR HUGGINS asked what affect reducing the number of permits to 260 would have on the value of the permits.

MR. HOHMAN replied that the tendency would be for them to become more valuable, but the main emphasis behind the program was to enhance economic return to the participants.

[4:43:18 PM](#)

SENATOR STEDMAN said he had heard that the state might help some of the smaller villages in buying entry permits to help them regain the fishing fleets that they used to have. He asked if the state would be able to issue additional permits in the future or would it have to buy some of the 260 permits and spread those around.

MR. HOHMAN answered that the way the Limited Entry Law is structured, only an *individual* could hold an entry permit;

villages can't. But the state has two loan programs - the Division of Investments and the Commercial Fishing and Agriculture Bank - that have the ability to loan for permits in any field. In this program specifically, the permits would be retired permanently. The state couldn't reissue them. The state would always maintain its responsibility for managing the fishery and if the situation - either through conservation or management or economics - changed in the future, the state would always have the ability to put more permits back into any fishery, but that would be done through a complicated process involving an optimum number study.

[4:46:24 PM](#)

JOE PLESHA, General Counsel, Trident Seafoods, supported SB 255 with the understanding that the SESA has agreed that 260 permits will be available at the end of this process. He said Trident has seafood processing facilities in Ketchikan, Petersburg and Wrangell; they have spent millions of dollars in the last few years increasing capacity as well as value-added product forms that are produced from pink salmon. As a result of those efforts and efforts and those of other processors, the market for pink salmon is very healthy and permit values are as high now as they were in the mid-1990s.

He said Trident was concerned that they didn't know the scope of this program and if too many permits were bought back it wouldn't allow for processors to achieve their daily production capacities through their plants. They believe 260 permits will allow for them to attain financial stability as well as for the Seiners Association.

[4:47:47 PM](#)

MARK PALMER, President, Ocean Beauty Seafoods, supported SB 255. He said it is important to consider investments that have been made in the production facilities in the shore-based communities they exist in. The number of 260 permits ensures their long term viability as well as their ability to grow and meet the needs of the markets they are in today.

[4:48:33 PM](#)

CO-CHAIR WIELECHOWSKI closed public testimony and set SB 255 aside.

HB 162-SOUTHEAST STATE FOREST

[4:49:34 PM](#)

CO-CHAIR WIELECHOWSKI announced HB 162 to be up for consideration.

[4:49:38 PM](#)

CHRIS MAISCH, Director, Division of Forestry, Department of Natural Resources (DNR), said that HB 162 would establish a new Southern Southeast State Forest and it would be managed as part of the State Forest system under AS 41.17.200-230. Lands in the State Forest would continue to be open for multiple uses including wildlife habitat and harvest and recreational activities. The State Forest designation would not affect the Wrangell Borough municipal entitlement nor would it affect calculation of entitlement acreage for future municipalities in Southeast Alaska.

He explained that Section 1 (a) and (d) provide legal descriptions for the lands to be designated as a Southeast State Forest in AS 29.65.030. Designated lands include 20 parcels totaling approximately 25,291 acres on Prince of Wales, Tuxekan, Kosciusko, Hecate, Revilla and Gravina islands, and on the mainland at Crittenden Creek. These parcels are an important part of the state timber base but are classified as general use lands, which may be sold in the future. Legislatively designating a state forest would ensure that some land will remain available for long term forest management and enable thinning to increase timber volumes. Designated lands exclude areas identified as important sites for future state land disposals.

MR. MAISCH said the management plan and transportation corridors were in subsection (b). It directs DNR to prepare a management plan for the Southeast State Forest. Under AS 41.17.230 a management plan is required within three years after a state forest is established; and state forest management plans must consider and permit multiple uses including recreation, tourism, mining, use of fish and wildlife, and other traditional uses unless the commissioner issues a site specific written finding that a use is incompatible with one or more of the other uses. Public interagency and board of Forestry review is required prior to adoption of the state forest management plan. As in other state forests, subsection (c) states the DNR commissioner may also establish transportation corridors within the state forest.

The next category (section 1) is municipal entitlements, and subsection (e) clarifies the relationship of the Southeast State Forest to current and potential municipal entitlements. State

Forest can affect the amount of land a municipality is entitled to select and the land available for selection. The amount of land a municipality may select is based on the maximum total acreage of vacant unappropriated and unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). Municipal selections are limited to VUU land; land classified as general use land is VUU land, but state forests are not.

He said that Southern Southeast State Forest is designated to have no impact on Wrangell Borough land selections. The amount of land that the Wrangell Borough may select is already fixed by its date of incorporation and this bill specifies that it may select state forest land within the borough boundary. Three parcels in the Southeast State Forest are within the Wrangell Borough Boundary. If new municipalities are incorporated before June 30, 2019, the Southeast State Forest will not affect the amount of land that they can select.

MR. MAISCH said HB 162 specifies that state forest lands that were VUU lands before establishment of the State Forest will be included in the calculation of the entitlement acreage. However, parcels in the southern Southeast State Forest may not be selected. If municipalities form after 2019, the amount and location of their entitlement would be based on the VUU land at that time.

MR. MAISCH said section 2, authorizes DNR to immediately adopt regulations to implement the bill. Section 3 is the effective date for regulations; section 2 takes effect immediately and finally section 4 provides for an effective date of July 1 for the State Forest; it currently reads 2008 and that will be amended.

[4:54:47 PM](#)

He noted letters of support from the Resource Development Council, the Southeast Conference, the Society of American Foresters - both Juneau and Statewide Chapters, the City of Wrangell, the Community of Coffman Cove, and the Alaska Forest Association. The Board of Forestry supports this; the membership of the board includes Alaska Native corporations, the Forest Industry Trade Association, a non-government professional forester, a non-governmental professional fish and wildlife biologist, a mining organization, a commercial fish organization, a recreation organization, and an environmental organization. All those entities reached consensus on this and unanimously supported this legislation. He said this is a

governor-sponsored bill and the administration supports it wholeheartedly. He said this bill helps show the State of Alaska will make investments in long term forest management in southern Southeast and help these communities maintain diversification.

[4:56:34 PM](#)

SENATOR WAGONER asked if it is safe to assume all the units either have water frontage for the timber to be taken off or other access.

MR. MAISCH answered yes; all the parcels have either log transfer facility access or the logs are already accessed by a transportation system. On Prince of Wales that would be primarily a road system.

SENATOR FRENCH asked what other steps would be necessary besides passing this bill to get thinning started on these lands - either through the state or other agencies.

MR. MAISCH replied that pre-commercial thinning can be done on these lands now, but they have not been willing to make that investment because these lands could be sold, selected by a future municipal process or essentially be lost to state ownership - and it's an expensive proposition to do pre-commercial thinning. He said they did secure some American Recovery and Reinvestment Act (ARRA) funding for thinning, which they will use.

SENATOR FRENCH asked what the state expenses are and why aren't they borne by the people who are selling the logs.

[4:58:27 PM](#)

MR. MAISCH answered that the state currently has a pre-commercial thinning program in the Haines State Forest (in Southeast). They have not been willing to spend their funding on land that is not allocated for long term management. The ARRA funds supplement the money they already have.

SENATOR STEDMAN asked how much timber volume is on these lands in percentage of old growth versus what had been harvested since industrialized logging in the 1950s.

MR. MAISCH replied about 1,100 acres of state forest land has previously been harvested. The 29,000 acres is not all productive forest land. The allowable cut for these parcels of land is 8.7 million feet annually. To put that in perspective, he said the current Tongass Land Use Management Plan (TLUMP)

calls for up to 100 million feet of volume to be harvested annually.

SENATOR STEDMAN said he thought they used to do around 369 million board feet.

MR. MAISCH explained there are three phases of the TLUMP, and the third phase calls for up to 280 million feet.

SENATOR STEDMAN said the forest is proposed to be 25,300 acres and asked how much acreage is commercial timber, second growth and scrub land that has no significant timber volume.

MR. MAISCH said he didn't know the actual acreage of the old growth volume that is present on that 25,000 acres, but that translates to an 8.5 million annual figure. He offered to get accurate information for the committee.

[5:00:53 PM](#)

SENATOR STEDMAN said some would be more interested in old growth selection rather than swamps.

MR. MAISCH replied that this land was through an area planning process and so these lands were selected for their forestry potential. They worked closely with the Division of Mining, Land and Water to look at the total 49,000-acre package they have that is identified as GU with forest management intent, and from a forestry perspective, these lands are the most productive in that 49,000 acres.

SENATOR FRENCH asked for an estimate of how many jobs would be created with the opening of these lands.

MR. MAISCH said he could estimate, but the industry is growing with the enhanced value added concept. He said the state timber program has become more and more important to the remaining mills that are left in Southeast. One large mill is left on Prince of Wales Island and a bridge timber program has supplied some of the critical volume to that mill to keep it open. Volume is also provided to many small one and two person operations that are scattered through Southeast Alaska, including Icy Straits Lumber Corporation in Hoonah. It's hard to estimate the number of jobs, but it is very important volume because of what has happened to the federal timber sale program in Southeast.

SENATOR HUGGINS asked how often a new state forest is established.

MR. MAISCH answered it's not very frequent. There are only two other Alaska state forests in existence - the Tanana Valley State Forest, which is the largest at 1.8 million acres and the Haines State Forest. This would be the third forest in that system and would be the first one since the Tanana Valley State Forest was authorized in the 1980s.

SENATOR HUGGINS asked how long he had been working on this project.

MR. MAISCH answered for the better part of four years. He said the federal program in Southeast is in dire straits, and they have been working with the federal government to try and turn that program around. "This is a very important comment to make, in my opinion, to the communities and to the Forest Service that the state supports long term management and this is the way to do that by designating the state forest."

SENATOR HUGGINS said he supports what they are trying to do.

CO-CHAIR WIELECHOWSKI asked what kind of public process they went through and if they found any opposition to the bill.

MR. MAISCH answered that they had an extensive process; they met internally and other agencies that would have potential interest in them establishing a state forest. After that they did further outreach to communities in the areas the state forest would be around, they talked before the Tongass Futures Round Table Organization, he presented twice to the Southeast Conference, talked to local community councils, legislative bodies, and environmental groups. By and large they have found strong support for this bill.

Last year, Mr. Maisch said, concerns were expressed about two of the parcels - one was Crittenden Creek and the other was on Gravina Island - by some individuals who worried about their location and the fact that they would be used for forest management purposes. He provided a lengthy response that is in the record. Briefly, it says the lands had been through an extensive area planning process which included public meetings in all these communities, a lot of public outreach, and these lands were chosen to be set aside for GU purposes, but with a forestry management intent. It continued that the City of Wrangell may indeed select the Crittenden Creek parcel and that would put that parcel in local control which means the local

community could decide what the best use of that particular parcel might be.

[5:07:26 PM](#)

DICK COOSE, representing himself, Ketchikan, supported HB 162. He said he is a retired forester and knows it will allow more efficient multi use management of those state lands. The use of the forest products that comes from these lands helps the local economy and adds jobs. Alaska is now a leader in quality effective and efficient management of forest lands; the more lands that can be designated as state forest lands the better off we are. The feds aren't managing their lands effectively.

[5:08:57 PM](#)

JACK SLAGHT, representing himself, Petersburg, Alaska, said he supported HB 162 and believes that Southeast Alaska needs to strive to rebuild a diversified economy. In the past 20 years a relentless assault has remained on the forest products industry by environmental groups that has reduced that industry to almost nothing. Currently only fishing, processing and some tourism exist in the Petersburg area. Thankfully some mining is still being done. There will be increased competition for ocean resources, and no one knows how future energy costs will affect fishing and processing.

[5:12:33 PM](#)

OWEN GRAHAM, Alaska Forest Association, supported HB 162. He said the division wants to make sure the money they invest in these lands won't be lost and the trees will be allowed to grow to maturity after thinning so that investment can be recouped through timber sales in the future. He said this industry has shrunk by 85 percent since 1990 and it is solely the result of an inadequate supply of timber. The federal timber supply has just disappeared, and the federal government controls more than 90 percent of the timber lands in Southeast Alaska. In contrast the Division of Forestry has done a good job with its timber sale program.

[5:14:22 PM](#)

MARK VINSEL, Executive Director, United Fishermen of Alaska (UFA), said he is speaking as the seat designated for commercial fishing on the Board of Forestry. He pointed out that the board works on a consensus basis and there was no opposition to this bill. He had not heard of any opposition from UFA members or individual fishermen on this bill.

[5:15:13 PM](#)

RON WOLFE, Alaska Native Corporation representative to the Board of Forestry, said he is also the Sea Alaska Corporation Natural Resource Manager. He added his support to this legislation.

5:15:53 PM

WAYNE NICOLS, member, State Board of Forestry and the Society of American Foresters, supported HB 162. He said he is also a Certified Forester and is retired after working 37 years for the Forest Service. There are several reasons for establishing a state forest in this area and they have heard most of them. A primary reason is to enable long term investment in forest land. Effective forest management involves investments in terms of creating access for harvest and for subsequent management activities. Investments in good forest management are only feasible and prudent with long term ownership provided by dedication of forest land as in a designated state forest.

He said that timber management on the Tongass National Forest has become very limited due to litigation and other factors. While the state forest cannot begin to compensate entirely, it can help offset it. As such, mature timber existing now can be properly harvested soon contributing a wood supply for the industry and creating jobs. As the harvested portions of the new forest degenerate the young growth will be managed for optimum or maximum quality and quantity to establish cultural treatment of new stands and increase their value as the years pass.

MR. NICOLS said all state forests are managed by the Division of Forestry successfully under the very effective State Forest Resources and Practices Act. It provides an umbrella-like set of regulations and best management practices to protect and enhance other resources, most notably streams and water sheds. He said this act is exemplary among at least 35 states that have similar laws, and that most forest management enhances fish and wildlife habitat.

He said that the Society of American Foresters is a unit of the largest such organization in the world and is the only professional forestry organization in the United State. By a resolution first initiated by the Juneau Chapter, and subsequently by unanimous conference the statewide organization endorses establishes of the Southeast Forest. He hoped they recognized the importance and wisdom to environmental and economic benefit of all Alaskans of establishing a new state forest in Southeast Alaska.

5:20:06 PM

MR. WOLFE responded to a question from Senator French about why the purchaser didn't bear the cost by saying that would be difficult simply because of the time period involved. Typically, pre-commercial thinning is done 15-20 years following timber harvest. So image factoring that funding into your bid. It is not uncommon for the purchaser to be responsible for reforestation, however in the kind of forest Southeast Alaska has that is rarely a problem.

[5:21:00 PM](#)

MR. NICHOLS commented in regard to Senator Huggins' question about how often state forests happen that he hoped they would hear lots more about them in the future.

[5:21:28 PM](#)

JOHN SANDOR, representing himself, Juneau, supported HB 162. He said he is a former regional forester and commissioner of the Department of Environmental Conservation (DEC). He said the state forest would be professionally managed in accordance with the Alaska Forest Practices Act, and the DNR and the Forester has an excellent record of managing Alaska's diverse ecosystems. Since the closure of Southeast Alaska pulp mills in Ketchikan and Sitka and with the ongoing political and legal challenges to virtually every U.S. Forest Service road and timber sale in Southeast Alaska, the integrated forest products industry of Southeast Alaska that had generated more than 3500 jobs has been eliminated - to the detriment of every Southeast community. To this day any road timber sale cannot be proved locally, but has to be submitted to the Secretary of Agriculture's office for approval.

The establishment of the Alaska Southeast State Forest authorized by HB 162 will help begin the process of restoring professional forest management practices with multiple benefits from timber recreation, wildlife, fisheries, and other uses, resulting in economic and environmental and quality of life benefits to Wrangell and other Southeast communities.

SENATOR WAGONER commented that the state of Utah has taken a solid stance against the federal government. He asked what he thought about having the state take over the federal lands in the State of Alaska.

MR. SANDOR said he is very much in favor of that move. Over 90 percent of Southeast Alaska is managed by the federal government and even though the Tongass plan authorizes up to 100 million feet to be harvested, less than 25 million is harvested. It is a

fact that the 1890 and 1900 census of the State of Alaska recorded more saw mills operating than today in Southeast Alaska.

[5:25:42 PM](#)

CO-CHAIR WIELECHOWSKI thanked everyone for their comments and held HB 162 for further work. He adjourned the meeting at 5:25 p.m.