

HOUSE FINANCE COMMITTEE
April 19, 2011
3:37 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 3:37 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Alan Dick; Sarah Fisher-Goad, Executive Director, Alaska Energy Authority.

PRESENT VIA TELECONFERENCE

None

SUMMARY

CSSB 42 (FIN)

POWER PROJECT; ALASKA ENERGY AUTHORITY

CSSB 42 (FIN) was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal notes: FN 8 (CED), FN 9 (CED).

#sb42

CS FOR SENATE BILL NO. 42(FIN)

"An Act relating to the quorum of the Alaska Energy Authority; relating to the powers and duties of the Alaska Energy Authority; relating to the acquisition or construction of a Susitna River power project by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; providing legislative approval for certain loans from the power project fund; and providing for an effective date."

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SARAH FISHER-GOAD, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, explained that SB 42 allowed the Alaska Energy Authority (AEA) to move forward with the Susitna River hydroelectric project and increased the quorum for the board of directors of AEA and Alaska Industrial Development Export Authority (AIDEA) from three to four out of seven members. The bill also provided legislative approval for two power fund loan projects. The bill was similar to HB 103 that had been reported out of the House Finance Committee the prior week. She delineated that the only difference between both bills was the inclusion of the word "acquisition" on Page 2, Line 29 in HB 103. The language was not included in SB 42. She relayed that the change was acceptable to AEA and that Page 3, Paragraph 18 provided AEA with ample authorization to advance the Susitna River hydroelectric power project.

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Representative Doogan wondered how the legislation was impacted by the inclusion of the word "acquire" on Page 3, Line 30 and the removal of the word "acquisition" on Page 2, Line 29. Ms. Fisher-Goad replied that both the Senate Finance Committee and House Finance Committee versions narrowed the scope of the legislation to allow AEA to move forward specifically on the Susitna River hydroelectric power project. She discussed that the inclusion of "acquire" and "construct" on Page 3, Paragraph 12, allowed AEA to apply to the appropriate agencies for permits and licenses. She believed that Paragraph 18 included the

language that actually allowed AEA to construct and own the hydroelectric project.

Representative Doogan wondered why the authority to acquire had been removed from Page 2 and was left in on Page 3 of the bill. Ms. Fisher-Goad did not know why the Senate had left Paragraph 12 of SB 42 intact. She relayed that the original versions of HB 103 and SB 42 were both broader in scope and were not limited specifically to the Susitna project.

Representative Costello believed that the difference was related to language on Page 2, Line 28 "subject to concurrence of the legislature." She did not think that concurrence with the legislature was needed in the new version. Ms. Fisher-Goad asked for clarification on the question. She relayed that the SB 42 left the language intact in the paragraph.

Representative Costello referred to Page 2, Paragraph 10 that outlined the powers of the authority; the word "acquisition" had been removed from the paragraph that included the language "subject to concurrence of the legislature." The Senate had inserted the word "acquire" on Page 3, Lines 10 and 30. She pointed out that no requirement for the concurrence of the legislature was included on Page 3. She interpreted that the Senate version of the bill removed the concurrence of the legislature from the ability for AEA to acquire the Susitna power project.

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Vice-chair Fairclough explained that the difference between the House and Senate versions related to the removal of "acquisition" on Page 2, Line 29 "...with a foreign country or its agencies, for the construction, financing, operation, and maintenance..." She furthered that on [Page 3] Paragraph 10 pertained to the agency entering into a contract; the Senate removed the ability for an agency to enter into a contract without legislative concurrence. Paragraph 12 permitted AEA to apply to the appropriate agencies for permits, licenses, etc. in order to acquire, construct, and operate a power project. She concluded that the powers remained the same in both bills with the exception of Page 2, Line 29 (removal of the word "acquisition") the Senate removed the ability for AEA to enter into a contract without legislative approval.

Representative Guttenberg ascertained that the legislation cleared the way to begin the Federal Energy Regulatory Commission (FERC) process. He wondered whether the legislation essentially allowed the state to move forward. Ms. Fisher-Goad replied in the affirmative.

Representative Guttenberg wondered what subsequent steps would require legislative concurrence. Ms. Fisher-Goad stated that the FERC process would take five to six years. She believed that additional funds would be required for the licensing process. She added that the construction and power-sales agreements were additional opportunities for legislative approval.

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Representative Gara qualified his support of the project based on impacts to fisheries. He wanted to ensure that the legislature had the ability to vote on the project before construction begins. He deemed that nothing in statute required legislative approval for the project to proceed in the future. Ms. Fisher-Goad replied that Paragraph 18 contained the authorization for AEA to proceed with the project.

Representative Gara shared concerns that the project could advance without legislative approval. He spoke of the undetermined cost of the project. He was uncomfortable giving the agency the blanket authority to move forward with the project without knowing whether it was cost effective or harmful to fisheries. Ms. Fisher-Goad affirmed that SB 42 granted legislative authority for AEA to own and construct the project in Paragraph 18. She clarified that AEA must obtain the ability to own the project before they can apply to FERC.

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Representative Doogan referred to the deletion of the word "acquisition". He wondered whether the change was substantive. Ms. Fisher-Goad responded that it was not a substantive change. She informed the committee that the intent of the change was to narrow the scope of the legislation to the Susitna project. The removal of the term "acquisition" does not impede AEA's ability to advance the project.

Representative Doogan asked whether a substantive change within the functioning of AEA would happen with the deletion of the word "acquisition." Ms. Fisher-Goad responded in the negative.

Representative Wilson summarized that Paragraph 10 narrowed the project to Susitna and required legislative authorization for contracts. Paragraph 18 authorized acquisition of the project. Ms. Fisher-Goad answered in the affirmative.

Co-Chair Stoltze OPENED and CLOSED public testimony.

Vice-chair Fairclough referenced published fiscal note number 9 (CED) in the amount of \$1.763 million in FY 12 and \$1.418.5 million in the out years, for employee costs for the Susitna Project Office. She cited published fiscal note number 8 (CED) in the amount of \$1.125 million in FY 12 and \$1.181.3 million in FY 13. The appropriation denoted interagency receipts for estimated employee costs related to the transfer of AIDEA employees contracted to AEA for the Susitna project.

Representative Edgmon asked how the funding source related to the Railbelt Energy Fund. Ms. Fisher-Goad answered that the funding source for the fiscal note (FN 9) reflected capital improvement projects (CIP) receipts, deducted from a \$65 million capital budget appropriation. The contractual costs would remain a capital budget expense but are echoed in the operating budget.

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Representative Edgmon wondered whether more money was required for the following year's expenses. Ms. Fisher-Goad responded that the annual report would provide more detail. She was uncertain when the agency would require additional funding.

Representative Gara asked if Paragraph 18 related to the Susitna project subject to Paragraph 10 in the legislation. Ms. Fisher-Goad explained that Paragraph 18 authorized AEA to own and construct the Susitna power project. The legislative approval was embedded in the legislation. Paragraph 10 referred to entering into contracts, which required legislative approval. Her interpretation of

Paragraph 18 was that it granted AEA the approval to move forward with the Susitna project.

Representative Gara surmised that Paragraph 10 pertained to other projects and Paragraph 18 was limited to the Susitna project. Ms. Fisher-Goad replied in the affirmative. She expounded that AEA did not have a revolving fund to enable AEA to spend for its corporate purposes. The agency was subject to the Executive Budget Act for its powers, including appropriations to advance projects. She noted that other routes could have been taken to obtain legislative approval for the Susitna project. Legislative approval was granted in Paragraph 18 of SB 42. Without access to financing or a financing plan, the agency must return to the legislature for additional funds.

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Co-Chair Thomas MOVED to report CSSB 42 (FIN) out of committee with individual recommendations and the accompanying fiscal note(s)

CSSB 42 (FIN) was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal notes: FN 8 (CED), FN 9 (CED).

ADJOURNMENT

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The meeting was adjourned at 4:05 PM.