

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 12, 2011

3:04 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Thomas Wagoner
Senator Albert Kookesh
Senator Linda Menard

MEMBERS ABSENT

Senator Johnny Ellis

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 197(FIN)

"An Act recognizing the Alaska Housing Finance Corporation as the authorizing agency to approve home energy rating systems for the state; and providing for an effective date."

- MOVED CSHB 197(FIN) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 27

Supporting the relocation of the home port of the Coastal Villages Region Fund fishing fleet from Seattle to Alaska.

- MOVED HJR 27 OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 17(CRA)

Urging the United States Congress to pass legislation concerning regulation of drinking water and wastewater treatment by the United States Environmental Protection Agency.

- MOVED CSHJR 17(CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 197

SHORT TITLE: HOME ENERGY RATING SYSTEM

SPONSOR(S): REPRESENTATIVE(S) PRUITT

03/16/11	(H)	READ THE FIRST TIME - REFERRALS
03/16/11	(H)	ENE, FIN
03/29/11	(H)	ENE AT 3:00 PM BARNES 124
03/29/11	(H)	Moved Out of Committee

03/29/11 (H) MINUTE(ENE)
 03/30/11 (H) ENE RPT 3DP 3NR
 03/30/11 (H) DP: SADDLER, LYNN, PRUITT
 03/30/11 (H) NR: TUCK, PETERSEN, FOSTER
 04/05/11 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/05/11 (H) Moved CSHB 197(FIN) Out of Committee
 04/05/11 (H) MINUTE(FIN)
 04/06/11 (H) FIN RPT CS(FIN) 11DP
 04/06/11 (H) DP: GARA, FAIRCLOUGH, GUTTENBERG,
 T.WILSON, HAWKER, COSTELLO, EDGMON,
 DOOGAN,
 04/06/11 (H) JOULE, STOLTZE, THOMAS
 04/07/11 (H) TRANSMITTED TO (S)
 04/07/11 (H) VERSION: CSHB 197(FIN)
 04/08/11 (S) READ THE FIRST TIME - REFERRALS
 04/08/11 (S) CRA, FIN
 04/11/11 (S) CRA AT 3:00 PM BELTZ 105 (TSBldg)
 04/11/11 (S) -- Rescheduled to 4/12/11 --
 04/12/11 (S) CRA AT 3:00 PM BUTROVICH 205

BILL: HJR 27

SHORT TITLE: RELOCATE COASTAL VILLAGES REGION FUND
 SPONSOR(s): REPRESENTATIVE(s) SEATON

04/04/11 (H) READ THE FIRST TIME - REFERRALS
 04/04/11 (H) RES
 04/05/11 (H) RES REFERRAL REMOVED
 04/05/11 (H) EDT REFERRAL ADDED BEFORE RLS
 04/07/11 (H) EDT RPT 6DP
 04/07/11 (H) DP: GARDNER, THOMPSON, OLSON, TUCK,
 FOSTER, HERRON
 04/07/11 (H) EDT AT 8:00 AM BARNES 124
 04/07/11 (H) Moved Out of Committee
 04/07/11 (H) MINUTE(EDT)
 04/08/11 (H) TRANSMITTED TO (S)
 04/08/11 (H) VERSION: HJR 27
 04/11/11 (S) READ THE FIRST TIME - REFERRALS
 04/11/11 (S) CRA
 04/12/11 (S) CRA AT 3:00 PM BUTROVICH 205

BILL: HJR 17

SHORT TITLE: WATER & WASTE WATER REGULATION
 SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

03/07/11 (H) READ THE FIRST TIME - REFERRALS
 03/07/11 (H) CRA, RES
 03/15/11 (H) CRA AT 8:00 AM BARNES 124

03/15/11 (H) Moved CSHJR 17(CRA) Out of Committee
 03/15/11 (H) MINUTE(CRA)
 03/16/11 (H) CRA RPT CS(CRA) 5DP
 03/16/11 (H) DP: AUSTERMAN, DICK, GARDNER, SADDLER,
 MUNOZ
 03/25/11 (H) RES REFERRAL WAIVED
 04/04/11 (H) TRANSMITTED TO (S)
 04/04/11 (H) VERSION: CSHJR 17(CRA)
 04/06/11 (S) READ THE FIRST TIME - REFERRALS
 04/06/11 (S) CRA
 04/11/11 (S) CRA AT 3:00 PM BELTZ 105 (TSBldg)
 04/11/11 (S) HOME ENERGY RATING SYSTEM
 04/12/11 (S) CRA AT 3:00 PM BUTROVICH 205

WITNESS REGISTER

JEREMIAH CAMPBELL

Staff to Representative Lance Pruitt
 Alaska State Legislature
 Juneau, AK

POSITION STATEMENT: Introduced HB 197 on behalf of the sponsor,
 Representative Lance Pruitt.

BOB GREEN

Rural Housing and Research Programs
 Alaska Housing Finance Corporation
 Department of Revenue (DOR)

POSITION STATEMENT: Provided supporting information on HB 197.

REPRESENTATIVE PAUL SEATON

Alaska State Legislature
 Juneau, AK

POSITION STATEMENT: Sponsor of HJR 27.

PHILLIP OATES, Manager

City of Seward
 Seward, AK

POSITION STATEMENT: Testified in support of HJR 27.

NEIL RODRIGUEZ, Regulatory Manager

Coastal Villages Region Fund (CVRF)
 Anchorage, AK

POSITION STATEMENT: Testified in support of HJR 27.

PAUL LABOLLE

Staff to Representative Neal Foster
 Alaska State Legislature

Juneau, AK

POSITION STATEMENT: Introduced HJR 17 on behalf of the sponsor, Representative Foster.

SHIRLEY MARQUARDT, Mayor
City of Unalaska
Unalaska, Alaska

POSITION STATEMENT: Testified in support of HJR 17.

ACTION NARRATIVE

[3:04:41 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:04 p.m. Present at the call to order were Senators Kookesh, Wagoner and Chair Olson.

HB 197-HOME ENERGY RATING SYSTEM

[3:05:14 PM](#)

CHAIR OLSON announced the consideration of HB 197. [CSHB 197(FIN) was before the committee.]

[3:05:26 PM](#)

JEREMIAH CAMPBELL, staff to Representative Lance Pruitt, sponsor of HB 197, stated that HB 197 recognizes the Alaska Housing Finance Corporation (AHFC) as the state's authorizing agency for the Home Energy Rating System (HERS). This legislation seeks to protect the investment that AHFC has already made in developing its own Alaska-specific rating system software called AkWarm. This investment is jeopardized because non-governmental, for-profit, third-parties are currently attempting to be identified in federal legislation as the state's HERS verifying agency. If successful, these outside entities would control state policy on the issue. The AkWarm software is directly tied to the state's home energy rebate and weatherization programs, interest rate reductions, and Alaska Building Energy Efficiency Standards. HB 197 will enable AHFC to ensure that any home energy rating system utilized in Alaska will be appropriate for Alaska's climate.

SENATOR KOOKESH asked if he could name a specific non-government third-party.

MR. CAMPBELL replied the Residential Energy Services Network (RESNET) is the entity that's currently active in the Lower 48. He deferred further questions to Mr. Green from AHFC.

[3:07:42 PM](#)

BOB GREEN, Rural Housing and Research Programs, Alaska Housing Finance Corporation, Department of Revenue (DOR), explained that RESNET started as the national organization for state energy rating officials that segued first into a 501(c)(3) and then into a for-profit corporation called RESNET. Its role is to help approve home energy rating systems used in the Lower 48, particularly for states that do not want to get into that business. By comparison, Alaska, through AHFC, already plays a significant role in the HERS. The AkWarm software was specifically developed for Alaska and about 100 home energy raters have been trained. The AHFC wants to ensure that it has a direct relationship with the federal government and that a third-party doesn't insert itself and dictate policy in this state.

MR. GREEN explained that the AkWarm software was specifically developed to acknowledge Alaska's different weather patterns and unique conditions. He opined that it's unlikely that any rating system software that's created in the Lower 48 would do the same. HB 197 assures that any rating system that's used in the state will be closely examined to make sure that it's appropriate with regard to energy conservation and home construction in the state of Alaska.

[3:10:45 PM](#)

CHAIR OLSON asked why a government entity should run the program when a private entity such as RESNET can do it more efficiently. He noted he didn't see a fiscal note.

MR. CAMPBELL responded that the bill has a zero fiscal note.

CHAIR OLSON questioned giving the state what is essentially a monopoly when private enterprise tends to operate more efficiently.

MR. GREEN explained that the AHFC is statutorily prohibited from issuing loans on homes that do not meet the minimum building energy efficiency standard. Currently this is four star plus. The AkWarm software is used to measure homes to make sure that they meet that mark and thus qualify for AHFC financing. He noted that several years ago AHFC looked at the same public/private question and concluded that it was most important to ensure that home ratings are accurate. AHFC decided that the best way to do this was to create and maintain public domain energy rating software and to invest in training home energy

raters. To date, about 100 home energy raters have been trained and they're all proficient and certified. The private sector has used this mechanism as a marketing tool to sell an energy efficient product, which makes a nice working partnership between the AHFC and the building industry.

[3:14:02 PM](#)

CHAIR OLSON asked if it would adversely affect home builders to have an effective date that falls in the middle of the construction season.

MR. GREEN said he didn't believe so because the AkWarm software tool and AHFC trained energy raters are already in widespread use. There is the possibility today, however, for a builder from the Lower 48 to build a house in Alaska that's rated three star plus and have it financed by Freddy Mac or Fanny Mae. But AHFC couldn't finance that home in the event of a resale because it doesn't meet the minimum four star plus rating. The Alaska building industry has keyed in on this and recognizes the benefit of building to AHFC energy specifications such that financing is available from any funding source.

CHAIR OLSON asked if that puts other lending institutions at a disadvantage.

MR. GREEN replied Freddie Mac and Fannie Mae recognize the standard that AHFC is encouraging builders to achieve and the building industry is telling the financing institutions that it is building energy efficient products that will qualify for all available financing. It's a good marketing tool.

[3:16:59 PM](#)

CHAIR OLSON asked who opposes the bill.

MR. CAMPBELL replied there's been no opposition and both AARP and the Homebuilders Association have stated support for the bill.

CHAIR OLSON noted that no one had signed up to testify.

[3:17:31 PM](#)

SENATOR WAGONER moved to report CSHB 197(FIN), version B, from the committee with individual recommendations and attached fiscal note(s).

CHAIR OLSON announced that without objection, CS HB 197(FIN) moved from the Senate Community and Regional Affairs Standing Committee.

At ease from 3:18 p.m. to 3:19 p.m.

HJR 27-RELOCATE COASTAL VILLAGES REGION FUND

3:19:01 PM

CHAIR OLSON announced the consideration of HJR 27.

3:19:14 PM

REPRESENTATIVE PAUL SEATON, sponsor of HJR 27, said this resolution supports "Alaskanizing" the fishing fleet, including the large vessels that operate in the Bering Sea and within one of the six Community Development Quota (CDQ) groups. These CDQ groups were established to give communities along the Bering Sea access to the fisheries resource. The Coastal Villages Region Fund (CVRF) is the largest CDQ group with a 341 foot Bering Sea Pollack trawler, four 100 plus foot crab boats, seven 100 plus foot ground fish vessels as well as smaller tenders and other vessels. The homeport for this fleet has been Seattle, but CVRF made a decision to find a homeport in Alaska. The City of Seward has what the fleet needs including an ice-free port, upland space for development, the Alaska Vocational Technical Center (AVTEC) training facility, and a large vessel lift facility. HJR 27 supports the return of this private industry to Alaska and hopefully it will bring economic development to from Seward to Anchorage.

REPRESENTATIVE SEATON noted that the packets contain numerous expressions of support for the resolution and bringing private industry jobs to Alaska.

3:22:19 PM

CHAIR OLSON asked why the CVRF initially made the decision to homeport in Seattle.

REPRESENTATIVE SEATON replied Seattle had long all the necessary facilities in one place, including road and rail access and sufficient dock space. In anticipation of becoming the homeport for the CVRF fleet, Seward did a preliminary analysis to make sure it had sufficient dock space. In addition, the capital budget allocates \$400,000 to do a more detailed economic study.

CHAIR OLSON asked if he had an idea of what it might cost the community of Seward to be able to handle these large vessels.

REPRESENTATIVE SEATON replied the detailed facility design will give the economic analysis.

CHAIR OLSON asked who will maintain this large facility.

REPRESENTATIVE SEATON replied it will probably be the City of Seward.

[3:25:15 PM](#)

CHAIR OLSON asked if the City of Seward would look to the state for operating capital if it had trouble maintaining the facility.

REPRESENTATIVE SEATON said he hopes the facility will be built to a standard such that major maintenance wouldn't be necessary for 15-20 years.

CHAIR OLSON asked what adverse effects the large vessels and increased traffic will have on the smaller vessels.

REPRESENTATIVE SEATON replied that shouldn't be a problem; the large vessels will be located on the east side of the bay across from Seward. At this point there is no intention to place these large vessels inside the municipal boat harbor. He added that he doesn't foresee a traffic problem.

CHAIR OLSON asked if he'd sought comment from the local CDQ group.

REPRESENTATIVE SEATON answered yes. He offered to provide a copy of the video presentation CVRF made. This will be a great economic development for not just Seward but also the Kenai Peninsula to Anchorage.

CHAIR OLSON asked when the actual move will take place.

REPRESENTATIVE SEATON replied 2014 is the timeline.

[3:27:38 PM](#)

SENATOR WAGONER asked how much of its own money the CDQ will invest and if that would be enough to ensure that CVRF will stay in Seward.

REPRESENTATIVE SEATON replied that's a question for the CDQ but there has been talk about contractual obligations to use the facilities over time.

[3:28:43 PM](#)

PHILLIP OATES, Manager, City of Seward, informed the committee that the CDQ groups were formed as a result of the Magnuson-Stevens Act. The vision in the '70s was first to Americanize the foreign-dominated fishing fleets. Second, it was to give some of the fishing quota to the communities that surround the prime fishing areas of the Bering Sea. Third, it was to allow those communities and development groups to reinvest their earnings into the fishing industry through training and education. Finally, the vision was to "Alaskanize" the fishing fleets. That is the current focus.

Responding to the question about why the CVRF vessels have been homeported in Seattle, he explained that the location of the homeport is an owner's decision and the CDQ groups initially didn't own their vessels. The Coastal Villages Region Fund is the most successful of the six CDQ groups in terms of vessel ownership and as owner they made the decision to leave Seattle and homeport in Alaska. Mr. Oates opined that this is probably happening sooner than those initial visionaries thought it would.

Responding to the question about cost, Mr. Oates said the City of Seward has paid for the initial engineering concept and economic analysis and has received input from the U.S. Army Corps of Engineers. The project appears to be economic. The \$400,000 capital appropriation is to complete both the engineering concept and economic analysis before committing more money to the project. At this point the rough estimate of the cost is approximately \$34 million. That builds on the existing \$70 million infrastructure on the east side of Resurrection Bay. He noted that there are two additional phases to the project if the remaining five CDQ groups move to Alaska. The City of Seward would maintain the infrastructure, just as it does now for the existing industrial area. Revenue is currently generated from land leases and the lease with Seward Ship's Drydock & Ship's Chandlery. The Coastal Villages Region Fund would have skin in the game through binding contracts sufficient to secure the bonding for the project. Funding for the project could be a combination of state GEO bonding, revenue bonding through contracts with CVRF and others, or public/private financing. The Coastal Villages Region Fund can't build the infrastructure itself because the Magnuson-Stevens Act mandates it spend earnings in the Bering Sea area or the vessels that fish in those areas. CVRF can be a tenant.

[3:32:58 PM](#)

SENATOR MENARD joined the committee.

MR. OATES said CVRF found that only Seward met all its needs. The initiative to move came from the president of the board of the Coastal Villages Region Fund and the board produced a DVD that does a good job of articulating their reasons for moving. He noted that every year CVRF spends approximately \$2 million to fly crewmembers to and from Seattle, about \$20 million in moorage and maintenance in Seattle, and \$2 million to fill the fleet's fuel tanks just one time so there are business and economic reasons for the move. He agreed with Representative Seaton that the fleet wouldn't interfere with smaller vessel traffic in Seward because the facility is on the other side of Resurrection Bay. The timeline is December 2014.

[3:35:16 PM](#)

CHAIR OLSON asked if the City of Seward had considered bonding for the capital project.

MR. OATES replied revenue bonding would be one approach for funding the project.

SENATOR WAGONER asked if there is any opportunity for funding through the U.S. Army Corps of Engineers ("Corps").

MR. OATES replied the initial phase can be done at the state level, but the Corps might need to be involved in the permitting and funding stream in phases 2 and 3. The initial phase is economic and will be sufficient to establish both land and water infrastructure. Finally, he said, many of the Coastal Villages Region Fund crew members already come to Seward for the AVTEC training and are familiar with the area.

[3:37:57 PM](#)

SENATOR WAGONER asked if the Seward shipyard was currently under lease.

MR. OATES replied it's under lease to the private company Seward Ship's Drydock & Ship's Chandlery. That ship repair facility does major work on Coast Guard and other vessels, which provides another reason for coastal villages to come to this area.

SENATOR WAGONER asked if the entire acreage was leased or if there was a place for other vendors to locate.

MR. OATES replied there's plenty of expansion room for all user groups; some of the available land is municipal and some is in private ownership.

SENATOR KOOKESH reminded the committee that this is only a resolution.

[3:40:04 PM](#)

NEIL RODRIGUEZ, Coastal Villages Region Fund (CVRF) said CVRF already uses the Seward facility as a dry dock for some of its vessels, but they aren't there on a full-time basis. One thing to take into consideration, he said, is that CVRF has been growing at a rapid rate and it has partnerships in other CDQ groups.

MR. RODRIGUES noted that a number of regional residents do maintenance on CVRF boats and it's an overwhelming trip for Western Alaska residents to travel to and from Seattle. Sending these workers to Seward would help the city and keep the work in Alaska.

CHAIR OLSON asked Representative Seaton if he would like to make any closing comments.

REPRESENTATIVE SEATON said the City of Seward bonded to build the Spring Creek Prison, which is another indication that the business community will find the municipality approachable when a long-term project makes sense.

[3:43:36 PM](#)

SENATOR KOOKESH moved to report HJR 27 from the committee with individual recommendations and attached fiscal note(s).

CHAIR OLSON announced that without objection, HJR 27 moved from the Senate Community and Regional Affairs Standing Committee.

At ease from 3:44 p.m. to 3:45 p.m.

HJR 17-WATER & WASTE WATER REGULATION

[3:45:18 PM](#)

CHAIR OLSON announced the consideration of HJR 17. [CSHJR 17(CRA) was before the committee.

[3:45:35 PM](#)

PAUL LABOLLE, staff to Representative Neal Foster, sponsor of HJR 17, said this resolution calls on Congress to pass

legislation that provides reasonable standards for wastewater treatment. That includes prohibiting the U.S. Environmental Protection Agency (EPA) from adopting new policy or regulations for at least two years and requiring the EPA to lay out a 10-year plan for regulatory activities.

CHAIR OLSON asked if there is a precedent to show that a resolution like this can effectively rein in the EPA.

MR. LABOLLE replied he didn't believe there is precedent to show that a resolution has ever been effective.

CHAIR OLSON observed that in this state the Legislature likes to see resolutions from communities, particularly if finances are involved.

[3:47:22 PM](#)

SHIRLEY MARQUARDT, Mayor, City of Unalaska stated that what was once a wastewater issue for the City of Unalaska, has turned into a significant future problem for Alaska. To design and finance a wastewater treatment plant is a time-consuming process that is extremely costly to ratepayers, municipalities, and the state. HJR 17 is a reasonable message to send to Congress in light of diminished federal funding and uncertain future state funding for these very expensive projects. The national "one size fits all" standard that EPA has adopted doesn't work in this state.

CHAIR OLSON expressed support for the resolution and the notion of reining in the EPA.

MS. MARQUARDT said it is extremely important to have support from legislators and the state and the municipality will continue to fight this battle for Unalaska and the rest of the state to the extent possible. She offered her belief that resolutions are beneficial to let Congress know just how important certain issues are to the state.

SENATOR WAGONER expressed empathy and noted that several communities on the Kenai Peninsula are going through the same process.

[3:51:17 PM](#)

SENATOR WAGONER moved to report CSHJR 17(CRA), version I, from the committee with individual recommendations and attached fiscal note(s).

CHAIR OLSON announced that without objection, CSHJR 17(CRA) moved from the Senate Community and Regional Affairs Standing Committee.

3:51:52 PM

There being no further business to come before the committee, Chair Olson adjourned the Senate Community and Regional Affairs Standing Committee at 3:51 p.m.