

SENATE FINANCE COMMITTEE

April 27, 2012

9:04 a.m.

[9:04:15 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

Senator Lesil McGuire, Vice-Chair

ALSO PRESENT

Senator Bill Wielechowski

SUMMARY

^DISCUSSION REGARDING A REQUEST FOR PROPOSALS TO IDENTIFY POTENTIAL PRICE FIXING ISSUES AND SOLUTIONS

[9:05:45 AM](#)

SENATOR BILL WIELECHOWSKI, read a memo to the Senate Finance Committee dated April 26, 2012: "Investigation into energy pricing in Alaska" (copy on file):

Alaska ranks first among the 50 states in terms of our energy consumption per capita. Unfortunately, the prices we pay for energy are among the highest in the nation. The mean price for gasoline far exceeds the national average, with some communities paying up to \$10/gallon. Alaskans pay 50% more for electricity than the U.S. average, and heating fuel costs are more than double the national average. To make matters worse,

these costs are growing. In 2000, low-income households in remote, rural communities spent 16% of their income on energy. Over the last decade, this has grown to 47%. This situation is untenable.

Action needs to be taken to bring energy costs down and ensure that Alaskans pay fair and reasonable prices for heating oil, electricity, and gasoline. I am requesting that the Senate Finance Committee issue a Request for Proposals to investigate what can be done to ensure Alaskans have access to more affordable and reliable energy supplies. What factors cause Alaska's energy prices to far exceed national averages? Is price gouging occurring and, if so, to what extent? Other states have laws which prohibit the charging of "unconscionable" or "excessive" prices for critical energy sources. Should Alaska follow suit? What other actions can be taken to bring down energy prices for the wellbeing of Alaskan families and the competitiveness and success of our businesses?

A robust Alaskan economy with plentiful, well-paying jobs depends on reasonably priced power. Similarly, a decent and dignified quality of life for Alaskans across the state depends on access to affordable energy supplies. Continued work during the interim on this issue will provide the legislature with options to consider during the 28th legislative session.

Co-Chair Hoffman commented that the current year would be approaching \$15 billion in the state's savings, and crude oil was at the highest cost in history. He stressed that the people of Alaska were facing extremely high energy costs, and encouraged the committee to explore the subject of the high energy costs to Alaskans.

Co-Chair Hoffman MOVED that the committee approve up to \$150,000 to continue work in reviewing energy pricing in Alaska over the interim, to provide the legislature with options to consider during the 28th Alaska Legislative Session. Co-Chair Stedman OBJECTED for purpose of discussion.

Senator Ellis noted that there had been some unsuccessful efforts in the past and did not realize that financial distress reached across the entire state. He envisioned a more robust and aggressive research process, rather than

working solely with the administration. Co-Chair Stedman agreed.

Senator Olson wondered if \$150,000 was an accurate amount to study the issue statewide. He noted that his district was paying far in excess of the standard cost of fuel.

Senator Wielechowski replied that he felt that an expert needed to be hired, and there were many aspects that needed to be explored. He felt that \$150,000 was a sufficient amount money to address the issue.

Senator Thomas suggested the addition of the subject of the cost of jet fuel. He stated that the production cost of the heat stock at the Flint Hills refinery had caused Alaska to import jet fuel from Malaysia.

Co-Chair Stedman WITHDREW his OBJECTION. Seeing NO further OBJECTION, it was SO ORDERED.

[9:12:22 AM](#)

Co-Chair Stedman MOVED that Senator Hoffman, Senator Thomas, and Senator Wielechowski stand on a subcommittee dedicated to determining the scope of work for the Request for Proposal (RFP). He asked the subcommittee members to select a Senate Finance Committee member as chairman and to report back to the committee to make a final determination.

Co-Chair Hoffman suggested that any of the three members of the subcommittee be selected as chairman. Co-Chair Stedman agreed.

Senator Ellis expressed his support of the formulation of the subcommittee. He pointed out that many constituents brought this issue to the forefront most often of any subject.

Co-Chair Stedman stressed that the issue would be considered for all areas of the state.

Co-Chair Hoffman clarified that the subcommittee would explore the work of the RFP, review the RFP, and award the work. Co-Chair Stedman agreed, and requested that the subcommittee keep the Senate Finance Committee up-to-date on its progress. He felt that the entire Senate Finance

Committee was not required to review findings during the interim.

Co-Chair Stedman noted that there would be some additional interim work and discussions regarding oil taxation.

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ADJOURNMENT

[9:17:08 AM](#)

The meeting was adjourned at 9:17 AM.