

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 21, 2011

3:32 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Co-Chair
Senator Thomas Wagoner, Co-Chair
Senator Bill Wielechowski, Vice Chair
Senator Bert Stedman
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

Senator Lesil McGuire

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

COMMITTEE CALENDAR

SENATE BILL NO. 24

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 44

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

- MOVED SB 24 OUT OF COMMITTEE

SENATE BILL NO. 42

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy

Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 24

SHORT TITLE: SPORT FISHING GUIDING SERVICES

SPONSOR(s): SENATOR(s) MCGUIRE

01/19/11	(S)	PREFILE RELEASED 1/7/11
01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	RES, FIN
02/07/11	(S)	RES AT 3:30 PM BUTROVICH 205
02/07/11	(S)	Heard & Held
02/07/11	(S)	MINUTE(RES)
02/19/11	(S)	RES AT 10:00 AM BUTROVICH 205
02/19/11	(S)	Heard & Held
02/19/11	(S)	MINUTE(RES)
02/21/11	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 44

SHORT TITLE: SOUTHEAST STATE FOREST

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	RES, FIN
02/07/11	(S)	RES AT 3:30 PM BUTROVICH 205
02/07/11	(S)	Heard & Held
02/07/11	(S)	MINUTE(RES)
02/19/11	(S)	RES AT 10:00 AM BUTROVICH 205
02/19/11	(S)	Heard & Held
02/19/11	(S)	MINUTE(RES)
02/21/11	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 42

SHORT TITLE: POWER PROJECT; ALASKA ENERGY AUTHORITY

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	RES, FIN
02/09/11	(S)	RES AT 3:30 PM BUTROVICH 205

02/09/11	(S)	Heard & Held
02/09/11	(S)	MINUTE(RES)
02/11/11	(S)	RES AT 3:30 PM BUTROVICH 205
02/11/11	(S)	Heard & Held
02/11/11	(S)	MINUTE(RES)
02/16/11	(S)	RES AT 3:30 PM BUTROVICH 205
02/16/11	(S)	Heard & Held
02/16/11	(S)	MINUTE(RES)
02/21/11	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

SARA FISHER-GOAD, Executive Director
 Alaska Energy Authority
 Anchorage, AK

POSITION STATEMENT: Presented information regarding SB 42.

Brian Bjorkquist, Senior Assistant Attorney General
 Civil Division
 Department of Law
 Anchorage, AK

POSITION STATEMENT: Presented information regarding SB 42.

ACTION NARRATIVE

[3:32:58 PM](#)

CO-CHAIR THOMAS WAGONER called the Senate Resources Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators French, Paskvan, Stevens, Wielechowski, and Wagoner. Senator McGuire was excused.

SB 24-SPORT FISHING GUIDING SERVICES

[3:33:58 PM](#)

CO-CHAIR WAGONER announced the consideration of SB 24, the Sport Fishing Guiding Services bill. The sponsor, Senator McGuire, asked the committee to establish a subcommittee to consider this bill during the Interim. Co-Chair Wagoner asked members to contact him if they were interested in being on the subcommittee. He wanted at least three members of the committee to serve; so far he and Senator McGuire are on the list.

[3:35:05 PM](#)

CO-CHAIR WAGONER announced he would hold SB 24 in committee.

SB 44-SOUTHEAST STATE FOREST

[3:35:08 PM](#)

CO-CHAIR WAGONER announced the consideration of SB 44, the Southeast State Forest bill. The administration introduced the bill and public testimony was taken last Saturday. There is no committee substitute and no amendments were offered. He asked the will of the committee.

[3:35:40 PM](#)

SENATOR STEDMAN moved to report SB 44 from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

[3:36:09 PM](#)

At ease from 3:36 p.m. to 3:39.

SB 42-POWER PROJECT; ALASKA ENERGY AUTHORITY

[3:39:39 PM](#)

CO-CHAIR PASKVAN announced the consideration of SB 42. Since the last committee meeting the Department of Law, on behalf of the bill sponsor, submitted answers to the questions raised by the committee but their proposed amendment was not received in time to take action.

[3:40:30 PM](#)

CO-CHAIR PASKVAN said he would not entertain an amendment but the sponsor's representatives could discuss their responses. He asked Ms. Fischer-Goad and Mr. Bjorkquist to walk the committee through the document titled, "Response to Committee Questions and Concerns."

[3:42:00 PM](#)

SARA FISHER-GOAD, Executive Director, Alaska Energy Authority (AEA), introduced herself and Brian Bjorkquist, Senior Assistant Attorney General, Civil Division, Department of Law (DOL), introduced himself.

MS. FISHER-GOAD said the proposed language does several things. First, it would remove the authority for AEA to adopt regulations for procurement purposes. Second, it would change the language on page 3, line 4, deleting "the authority may use" and inserting "the legislature may appropriate." This section relates to the Railbelt Energy Fund and the new Alaska Railbelt Energy Fund essentially having the same legislative oversight and authority for appropriation as exists with the current Railbelt Energy Fund. The one fund would be repealed and the Alaska Railbelt Energy Fund would be created as an AEA fund.

Page 4, line 22, corrects an oversight and deletes the extra construction that was added in the legislation. The additional changes allow legislative authority for AEA to create one specific subsidiary; this would be the subsidiary needed for development of the Watana project on the Susitna River.

[3:45:14 PM](#)

AEA would remain exempt from Regulatory Commission of Alaska (RCA) oversight for this project. The change would allow AEA to hire employees and the fiscal notes address the transfer of existing employees as AEA employees. It's appropriate for AEA to have employees again.

[3:46:18 PM](#)

CO-CHAIR PASKVAN asked if this response was sufficient to get the Watana project to the Federal Energy Regulatory Commission (FERC).

MS. FISHER-GOAD answered yes.

SENATOR WIELECHOWSKI asked about the policy of building Susitna hydro. Perhaps there should be discussion about this versus alternatives.

CO-CHAIR PASKVAN questioned his intent in asking.

SENATOR WIELECHOWSKI replied the Legislature would be removed from oversight under this bill, so he wondered if there should be more discussion of ramifications.

CO-CHAIR WAGONER said he agreed with regard to fish issues and the amount of land covered by water.

CO-CHAIR PASKVAN stated this bill won't decide all the issues that need to be decided.

[3:49:40 PM](#)

SENATOR WIELECHOWSKI asked what would be the role of the Legislature if this bill were to pass.

MS. FISHER-GOAD answered this bill starts the preliminary permit application and gets FERC attention. AEA could then zero in on the studies needed and the potential design limitations. There is also a \$65 million appropriation bill but that won't get the project through the entire FERC process, just three years. The

Legislature fits in the appropriation process through the capital budget.

[3:51:52 PM](#)

SENATOR WIELECHOWSKI asked if this would give AEA authority to bond.

MS. FISHER-GOAD replied AEA can issue bonds now but wouldn't have a project to bond for until this process is worked through.

CO-CHAIR PASKVAN asked Mr. Bjorkquist to comment on or respond to the question.

BRIAN BJORKQUIST, Senior Assistant Attorney General, Civil Division, Department of Law (DOL), said through this process, the issues will be studied in the FERC licensing process. Entities will then use the information when deciding whether to go forward. FERC will use the information, utilities will use it, and the RCA will use it. The Legislature will also look at the information and decide whether to appropriate additional funds.

CO-CHAIR PASKVAN asked if AEA would be able to bond without action by the legislature.

MR. BJORKQUIST replied they could, but it's not something that could be done without the other components in place, including power source agreements and revenue sources.

[3:55:03 PM](#)

SENATOR WIELECHOWSKI said it seems there will be an Environmental Impact Statement and a finding decision, possibly about impacts to fish, and that becomes the policy call. He asked who would make that policy call about going forward.

MR. BJORKQUIST said FERC has an obligation to deal with the fish and wildlife issues and put them into the license. There is also a dispute resolution process.

[3:56:45 PM](#)

CO-CHAIR PASKVAN asked if the committee should hold hearings on those issues now.

MS. FISHER-GOAD answered through this process AEA has provided overviews of the project. Further conversations wouldn't provide more information until there is a dialogue with the federal agency. If SB 42 becomes law and the application process is

complete she believes that AEA will be back before the committee next year.

3:58:50 PM

CO-CHAIR WAGONER said it's up to the committee to decide what information it wants to follow up on. He said he had already asked the Commissioner of Fish and Game to start thinking about this project and follow it very closely. The committee should not wait too long to get information and do the studies. Lots of work can be done but the committee could direct the departments to do this.

4:00:04 PM

SENATOR FRENCH said he appreciated the changes on page 3 regarding authority to spend money, but asked how much AEA expected to draw from the fund to do business for the next year; what would be the draw on the fund for Watana.

MS. FISHER-GOAD replied the changes on page three are separate from the appropriation process. The appropriation in the capital budget is coming from the existing Railbelt Energy Fund. For FY12 the potential draw is about \$20 million.

SENATOR FRENCH said he understood the changes would be to push the Watana project forward.

MS. FISHER-GOAD answered that change sets up a fund which is similar to the existing Railbelt Energy Fund. The capital budget this year appropriates the money to AEA as a capital appropriation. The amendment is to make sure the new fund has the same authority as the current fund.

4:04:14 PM

SENATOR FRENCH said he did not understand.

MS. FISHER-GOAD replied the capital appropriation is directly to AEA, not to the new Railbelt Energy Fund.

CHAIR FRENCH asked who would oversee the expenditure of the fund.

MS. FISHER-GOAD answered we provided information about how that money would be spent; it is for FERC permitting and licensing and the Susitna project.

SENATOR FRENCH said then AEA wouldn't need to ask for an additional appropriation to the fund until the \$63 million is spent.

MS. FISHER-GOAD responded yes, but the money could come from another source.

[4:06:28 PM](#)

SENATOR FRENCH asked if the Railbelt fund and Watana are separate subjects.

MS. FISHER-GOAD answered yes.

SENATOR FRENCH said, at the end of this year AEA will have \$63 million and the Alaska Railbelt Energy Fund will have how much.

MS. FISHER-GOAD replied that fund won't have a balance unless there is a separate appropriation.

CO-CHAIR WAGONER said it's up to the finance committee to appropriate for this project. That's where the Legislature has control.

[4:08:14 PM](#)

SENATOR WIELECHOWSKI said if this bill is adopted with the proposed amendment, it gives AEA the ability to bond for a project as per page 4, so the legislature would give up its oversight.

MR. BJORKQUIST answered yes, theoretically, but as a practical reality there has to be a revenue source to repay the bond or no one will buy the bonds.

CO-CHAIR PASKVAN said he welcomed the questions.

[4:10:06 PM](#)

SENATOR WIELECHOWSKI asked if the bill would also give AEA the ability to acquire power projects other than Watana.

MS. FISHER-GOAD answered yes.

CO-CHAIR WAGONER said but AEA has no revenue source unless the Legislature makes an appropriation.

MS. FISHER-GOAD said that was correct; the intent of the legislation was not to limit the authority to one project. AEA

would look at what projects would make sense to own to potentially reduce energy costs for ratepayers.

CO-CHAIR WAGONER mentioned Ormat's proposed geothermal project, and said they may want to sell AEA the project. He asked how AEA would handle that

MS. FISHER-GOAD responded AEA would look at the revenue source to pay for that and then approach the Legislature about financing. The Legislature would be involved.

SENATOR WIELECHOWSKI asked if the revenue source would be the money AEA would get back from its power purchase agreement.

MS. FISHER-GOAD answered yes but there are reserve funds associated with those bonds and AEA would need to finance those.

MR. BJORKQUIST added that AEA is also subject to annual appropriation for operating expenses and that would be subject to legislative oversight.

SENATOR WIELECHOWSKI said he didn't understand.

MS. FISHER-GOAD responded it would depend on the size of the project and the structure of the financing.

MR. BJORKQUIST said the revenue source must be adequate to pay off the bonds and fund the reserve. The FERC license would also need to be in place first, as would the power sales agreement. All would need to be in place prior to bonding.

[4:17:06 PM](#)

CO-CHAIR PASKVAN asked if the definition of "project" on pages 4 and 5 is appropriate for Watana on the Susitna River or for other projects statewide.

MR. BJORKQUIST said under AS 44.83.990(6) a power project means "a plant, works, system or facility together with necessary or related facilities and appurtenances including a divided or undivided interest in or a right to the capacity of a power project that is used or is useful for the purpose of electrical or thermal energy production." It would encompass all aspects of hydropower, like Watana, and other types of electrical generation projects.

CO-CHAIR PASKVAN asked if the words "if approved by law" on page 4 mean that AEA could form a subsidiary corporation from Watana and receive funds the Legislature thought would go to Watana.

MS. FISHER-GOAD replied it's a two-part process. It gives general authority to create a subsidiary, but requires legislative authority to create a specific subsidiary.

CO-CHAIR PASKVAN said if just one subsidiary were formed the money couldn't be transferred.

MS. FISHER-GOAD answered that was correct.

SENATOR FRENCH noted that 44.83.130 says AEA is on the hook for the bonds it issues, and not the state.

MR. BJORKQUIST replied that is basically correct. Moral obligation bonds could be issued, but these would be subject to later appropriation.

SENATOR FRENCH added that before issuing bonds AEA must give notice to the Legislature and the governor.

MR. BJORKQUIST agreed, saying there are no proposed amendments to that section of the law.

[4:22:45 PM](#)

CO-CHAIR PASKVAN announced he would hold SB 42 in committee for continued work. There being no further business to come before the committee, he adjourned the meeting at 4:23 p.m.