

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 4, 2014

3:25 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Lora Reinbold, Vice Chair  
Representative Mike Chenault  
Representative Bob Herron  
Representative Dan Saddler  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Charisse Millett  
Representative Craig Johnson

**COMMITTEE CALENDAR**

CONFIRMATION HEARING(S):

Alaska State Board of Public Accountancy

Leslie Schmitz - Anchorage

- CONFIRMATION ADVANCED

Alcoholic Beverage Control Board

Robert Klein - Anchorage

Marvin Yoder - Palmer

- CONFIRMATION(S) ADVANCED

State Board of Registration for Architects, Engineers, and Land Surveyors

Luanne Urfer - Anchorage

Brian R. Hanson - Anchorage

Donald (John) Christensen - Seward

- CONFIRMATION(S) ADVANCED

State Assessment Review Board

Bernard Washington - Anchorage

- CONFIRMATION ADVANCED

Board of Barbers and Hairdressers

Jeannine Jabaay - Anchorage  
Derrick Slaughter - Anchorage  
Glenda Ledford - Wasilla

- CONFIRMATION(S) ADVANCED

Board of Chiropractic Examiners

Christine Hill - Anchorage  
Dr. Walter Campbell - Palmer

- CONFIRMATION(S) ADVANCED

Board of Dental Examiners

Dr. Thomas Wells - Anchorage

- CONFIRMATION ADVANCED

Alaska Gasline Development Corporation  
Board of Directors

Albert Bolea - Big Lake  
Dave Cruz - Wasilla  
Drue Pearce - Anchorage  
Richard Rabinow - Houston, Texas  
John Burns - Fairbanks

- CONFIRMATION ADVANCED

Alaska Labor Relations Agency

Willard Askren - Big Lake  
Dr. Lynne Curry - Anchorage

- CONFIRMATION(S) ADVANCED

Board of Marine Pilots

Richard Erickson - Ketchikan

- CONFIRMATION ADVANCED

Board of Marital and Family Therapy

JoAnn Young - Anchorage

- CONFIRMATION ADVANCED

Board of Certified Direct-Entry Midwives

Jennifer Swander - Seward

- CONFIRMATION ADVANCED

Board of Nursing

Erin Evans - Eagle River

Mary (Jennie) Grimwood - Cordova

Carrie Miller - Juneau

- CONFIRMATION(S) ADVANCED

Board of Examiners in Optometry

Dr. Damien Delzer - Fairbanks

Eric Lingle - Douglas

- CONFIRMATION(S) ADVANCED

Board of Pharmacy

William (Bill) Altland - Craig

Anne Gruening - Juneau

- CONFIRMATION(S) ADVANCED

State Physical Therapy and Occupational Therapy Board

Dr. Ilona Farr - Anchorage

Dr. Joseph Kennedy - Nome

Mary (Melissa) Robinson - Moose Pass

- CONFIRMATION(S) ADVANCED

Board of Certified Real Estate Appraisers

David Derry - Kenai

Alfred Ferrara - Anchorage

- CONFIRMATION(S) ADVANCED

Real Estate Commission

Cynthia Cartledge - Anchorage

- CONFIRMATION ADVANCED

Regulatory Commission of Alaska (RCA)

Robert Pickett - Wasilla

- CONFIRMATION ADVANCED

Board of Social Work Examiners

Laura Thiesen - Glenallen  
Danielle LaFon - Fairbanks  
Tina Walter - Kenai

- CONFIRMATION(S) ADVANCED

Board of Veterinary Examiners

Dr. Teresa Beck - Palmer  
Dr. James Hagee - Chugiak

- CONFIRMATION(S) ADVANCED

Workers' Compensation Appeals Commission

Philip Ulmer - Eagle River

- CONFIRMATION ADVANCED

Alaska Workers' Compensation Board

Julie Duquette - Fairbanks  
David Kester - Anchorage  
Michael O'Conner - Anchorage  
Donna Phillips - Girdwood  
Mark Talbert - Wasilla  
Zebulon Woodman - Fairbanks

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 370

"An Act relating to employer drug testing; requiring the Alaska Workers' Compensation Board to adopt regulations relating to the prescription of controlled substances to employees; and limiting the prescription of controlled substances to employees."

- MOVED CSHB 370(L&C) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 370

SHORT TITLE: AWCB CONTROLLED SUBSTANCE PRESCRIPTIONS

SPONSOR(s): LABOR & COMMERCE

03/03/14	(H)	READ THE FIRST TIME - REFERRALS
03/03/14	(H)	L&C, JUD
03/19/14	(H)	L&C AT 3:15 PM BARNES 124
03/19/14	(H)	Heard & Held
03/19/14	(H)	MINUTE(L&C)
03/26/14	(H)	L&C AT 3:15 PM BARNES 124
03/26/14	(H)	Heard & Held
03/26/14	(H)	MINUTE(L&C)
04/04/14	(H)	L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

ALBERT BOLEA, Appointee

Alaska Gasline Development Corporation (AGDC) Board of Directors  
Big Lake, Alaska

**POSITION STATEMENT:** Testified as appointee to the AGDC board.

RICHARD RABINOW, Appointee

Alaska Gasline Development Corporation Board of Directors  
Houston, Texas

**POSITION STATEMENT:** Testified as appointee to the AGDC board.

BERNARD WASHINGTON, Appointee

State Assessment Review Board (SARB)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified as an appointee to SARB.

KONRAD JACKSON, Staff

Representative Kurt Olson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the confirmation hearings on behalf of the committee, Representative Kurt Olson, Chair.

ANNA LATHAM, Staff  
Representative Kurt Olson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Recapped the proposed committee substitute, HB 370, Version C, on behalf of the committee.

DON ETHERIDGE, Lobbyist  
Alaska State AFL-CIO  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the discussion of HB 370.

BARBARA HUFF TUCKNESS, Director  
Governmental and Legislative Affairs  
Teamsters Local 959  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 370, Version C.

#### **ACTION NARRATIVE**

[3:25:19 PM](#)

**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:25 p.m. Representatives Saddler, Herron, Josephson, Reinbold, and Olson were present at the call to order. Representative Chenault arrived as the meeting was in progress.

[3:25:58 PM](#)

CHAIR OLSON advised members that the committee will not be taking up the referral from the Board of Certified Real Estate Appraisers for Brit Szymoniak during the confirmation hearings today. Her appointment will be taken up at a later date to allow members an opportunity to review her resume.

**CONFIRMATION HEARINGS:Alaska State Board of Public Accountancy**  
**Alcoholic Beverage Control Board**  
**Board of Registration Architects, Engineers, & Land Surveyors**  
**State Assessment Review Board**  
**Board of Barbers and Hairdressers**  
**Board of Chiropractic Examiners**  
**Board of Dental Examiners**  
**Alaska Gasline Development Corporation Board of Directors**  
**Alaska Labor Relations Agency**

Board of Marine Pilots  
Board of Marital and Family Therapy  
Board of Certified Direct-Entry Midwives  
Board of Nursing  
Board of Examiners in Optometry  
Board of Pharmacy  
State Physical Therapy and Occupational Therapy Board  
Board of Certified Real Estate Appraisers  
Real Estate Commission  
Regulatory Commission of Alaska  
Board of Social Work Examiners  
Board of Veterinary Examiners  
Workers' Compensation Appeals Commission  
Alaska Workers' Compensation Board

[3:25:43 PM](#)

CHAIR OLSON announced that the first order of business would be confirmation hearings for of the various boards and commissions. He noted that Dennis Mandell was appointed to the State Assessment Review Board but has withdrawn his name from consideration.

[3:26:36 PM](#)

REPRESENTATIVE REINBOLD moved to advance the confirmations for appointees referred to the House Labor and Commerce Standing Committee for consideration to the joint session of the House and Senate for consideration.

CHAIR OLSON objected for the purpose of discussion.

Alaska Gasline Development Corporation Board of Directors

[3:26:59 PM](#)

CHAIR OLSON stated that a list of appointees was distributed to all members on February 7 2014, February 27, 2014, and on March 27, 2014. His office received three requests to have the following appointees available for questions: Albert Bolea and Richard Rabinow, Alaska Gasline Development Corporation Board of Directors, and Bernard Washington, State Assessment Review Board.

[3:27:17 PM](#)

ALBERT BOLEA, Appointee, Alaska Gasline Development Corporation (AGDC) Board of Directors introduced himself.

CHAIR OLSON thanked him for his previous service.

[3:27:55 PM](#)

REPRESENTATIVE JOSEPHSON noted Mr. Bolea's impressive career in the oil and gas industry. He related his understanding that Mr. Bolea was the president of BP Transportation and Chairman of the Alyeska Pipeline Service Company from 2001-2007. He further understood Mr. Bolea began working for BP Exploration (Alaska) Inc. in 1988 and he returned to Alaska five years ago and has been contributing to the University of Alaska [College of Business and Public Policy] as a Distinguished Adjunct Professor of Leadership. He appreciated Mr. Bolea's willingness to volunteer his time and share his knowledge and experience with the state. He said he has several questions related to the AGDC responsibilities under the governor's gasline proposal and any real or perceived conflicts with his career as a BP executive. First, he asked what the AGDC's responsibilities would be if the large diameter gasline moves forward under the governor's bill [SB 138], the memorandum of understanding [MOU], and the heads of agreement [HOA].

MR. BOLEA answered that the Alaska Gasline Development Corporation Board, on behalf of the state, will represent the state's ownership interest in the large diameter pipeline, including participating in all joint venture operations with the other partners, the operator. Generally, the AGDC board will provide governance over the operation of the [proposed] pipeline through the commission and operating phases.

REPRESENTATIVE JOSEPHSON asked what situation might arise in which the state's financial interests differ from TransCanada and the producers' interests.

MR. BOLEA responded that if the partnership is formed under the bill before the legislature [SB 138], the interests should be - for the most part - aligned. Under this arrangement, the state would have "a seat at the table," an ownership interest, and the other operators and owners have an interest. Some pieces are not yet complete and consistent, and the AGDC board would focus its interest on any misalignments that arise. He stated that for the most part he doesn't see any conflicts or misalignments in what is being proposed.

[3:30:36 PM](#)

REPRESENTATIVE JOSEPHSON asked for his perspective on any types of decisions or oversight that AGDC can exercise to protect Alaska's financial interest.

MR. BOLEA answered that as a board, the AGDC will vote on various stages of the project, on the state's interest as to whether the project is even sanctioned from the front end engineering stages (FEED), decisions that come to the pipeline owners as it progresses through the gate process, and on key decisions on behalf of the state through open season.

[3:31:37 PM](#)

REPRESENTATIVE JOSEPHSON asked how the Alaska public could feel comfortable knowing the public's interest is being strongly defended by AGDC when members previously held high level executive positions with the three major oil companies. He acknowledged a good argument exists that huge experience comes with the backgrounds [of the appointees]. However, he emphasized his desire to have AGDC's board members biased towards Alaska - certainly within the law and good ethics. He asked whether that is a perspective Mr. Bolea shares with him.

MR. BOLEA said, "I am an Alaskan. I own real estate and I have a house in Big Lake. I vote there. I go to church there ...." He stated that he was not a full-time resident in Alaska for only 4 of the last 24 years. He said BP is a great company and he values his experiences with the company; however, he left BP seven years ago. He indicated he has no financial interest or stock in the company. He emphasized that he is committed to this project because he believes in it. He thinks [the project] would be great for Alaska, it represents Alaska's future, and he wants to be part of that future. He concluded that his interest and Representative Josephson's are completely aligned.

[3:33:29 PM](#)

REPRESENTATIVE JOSEPHSON asked whether he thinks that just as he has had seven years away from the industry that there is some value in the separation, not that it needs to be statutory.

MR. BOLEA said that he hasn't considered it and the board members he knows are individuals of the highest integrity. He suggested that the focus should be on whether [the legislature]

trusts the individuals and their demonstrated integrity and not specifically their backgrounds when making the decision.

[3:34:27 PM](#)

REPRESENTATIVE SADDLER asked him how many times the Alaska Gasline Development Corporation board has met.

MR. BOLEA answered that the AGDC unofficially met in October 2013, and the board has met every month thereafter, except for December and has also held some teleconferences mid-week. Initially, the board focused on getting organized with significant effort placed on understanding its governance role and developing the process to assure the state that decisions being made by management are being made using the highest possible standards. The AGDC has divided itself into committees based on areas of expertise, including commercial, technical, audit committees, along with a fourth committee. These committees' roles are to assist staff, and have met. For example, if staff needs specific expertise, they will call the committee, which will convene and assist the staff to the extent it needs help. However, decisions are not made at the committee level, but by are made by the board. Thus the board provides leadership in terms of governance and performance management through the governance model established by the board. The AGDC also provides technical and commercial assistance based on individual areas of expertise. The legislature has given the AGDC lots to work on in terms of identifying goals. It's been an experience to keep the [AGDC] focused on the small diameter pipeline, but also to contribute to the legislature's efforts in terms of the large diameter pipeline. He admitted it was a bit more than he had initially envisioned.

[3:37:06 PM](#)

REPRESENTATIVE HERRON acknowledged the AGDC has been in effect for several months. He asked what surprised him and what he perceives as the immediate 60-day challenges.

MR. BOLEA answered that he was initially pleasantly surprised by the composition of the board and was stunned at how well the skill set was considered. He related that the two commissioners bring a lot to the board, but the private sector members were well thought out regionally and in terms of background. He offered his belief that it is without a doubt the AGDC is the highest quality board he ever served on. He commended the governor in thinking through the types of decisions, the

expertise necessary, and the quality of the leadership the AGDC would need. He was also surprised by Mr. Dan Fauske and his team and he concluded he would put them against any team, including his BP Exploration Alaska teams. He said, "This is an amazing group of people who are being steered by a very impressive leader." He turned to challenges and offered that all big projects have technical issues and nothing ever goes exactly according to plan. Being mature and nimble enough to take the right interventions when things aren't going according to plan represents the challenges for either the small diameter pipeline or the large diameter pipeline. The parties must deal with vagaries in terms of terrain, the supply chain in terms of cost, mobilizing the workforce, and addressing stakeholder interests, which will be huge.

MR. BOLEA said, "We have to be incredibly thoughtful that everyone involved in the state has a seat at the table and that we're dealing with all the interests that need to be considered. It's no small task."

[3:40:35 PM](#)

REPRESENTATIVE HERRON remarked that John Burns, the Alaska Gasline Development Corporation's chair, is a friend of many Alaskans. He asked how Mr. Bolea perceives the expectations the chair has of him.

MR. BOLEA offered his belief that the AGDC's chair wants him to bring his insights about how big projects are managed, how oil and gas companies make decisions, how the [board] aligns itself constructively with the project, and ensure it has the appropriate staff with the right level of expertise within the organization. He offered his belief that Mr. Burns is drawing on his expertise in the career he has had in the industry. He said he respects Mr. Burns, who understands the individual expertise and capabilities of the people on the team, and he is leveraging them. He agreed that is what Mr. Burns should be doing.

[3:42:12 PM](#)

REPRESENTATIVE REINBOLD said she was impressed with his community service and his state, national, and international education. She asked why he is interested in serving.

MR. BOLEA stated that he has not been a big supporter of a gasline project in the past five years. He stated that he was

on the periphery as an executive of BP during Governor Murkowski's "big push" with the [Trans-Alaska Pipeline System] owners many years ago. He said he left that somewhat depressed since it seemed like such a perfect opportunity and acknowledged that there were many reasons it didn't work. He compared this project to the previous project and said it is "night and day." He was impressed when the legislature passed HB 4 and so inspired that he wanted to be involved and believes he has something to contribute. He said that legislative leadership wants this to happen, that the governor has provided leadership, and several commissioners have been "way out in front" trying to make something happen. He concluded that it was time for him to do the same. He agreed he could retire and sit back, but he would like to be a part of something that makes a difference in the state. He said, "This is the moment; this is the time; the forces are aligned; and we have quality leadership at all levels. I'm inspired and I want to be a part of it."

[3:46:06 PM](#)

REPRESENTATIVE REINBOLD thanked him. She offered her belief that there are huge risks and huge rewards for the state.

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CHAIR OLSON related the legislature's definition of mega projects are ones in excess of \$1 billion. He asked him for an approximate number of mega projects he has been directly involved in during his career.

MR. BOLEA answered he has been directly involved in two projects from the design to the start-up phase. As an executive level manager, he has been involved in lots of projects during his career in which he had direct responsibility for making the projects run successfully. In response to a question, he agreed he is a golf enthusiast.

CHAIR OLSON noted that Richard Rabinow was online, and he has already been appointed to the AGDC board.

[3:49:01 PM](#)

REPRESENTATIVE JOSEPHSON acknowledged that Mr. Rabinow has had an impressive oil and gas industry career. He referred to his resume, noting he joined Exxon Company, U.S.A. in 1968 and retired as President of ExxonMobil Pipeline Company (EMPCo). He appreciated Mr. Rabinow's willingness to serve and share his

expertise with Alaska. He pointed out considerable discussion surrounds his Texas residency, although he said he wasn't going to cover that aspect today. He expressed an interest in the AGDC's responsibilities under the governor's gasline proposal and asked whether the state or citizens should have any real or perceived concern about conflicts with his ExxonMobil career.

MR. RABINOW, Appointee, Alaska Gasline Development Corporation (AGDC) Board of Directors, responded that questions about conflicts are always appropriate. First, he said he stands on his personal integrity and has demonstrated it. He has been retired for 12 years from ExxonMobil without any ties to Exxon or ExxonMobil Corporation. Further, he has done many other things in the intervening years. He suggested that people can observe what he has done and how he has conducted himself. He further suggested that people who do so will come away feeling comfortable that he has demonstrated a high level of integrity and they should not be concerned about his career.

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REPRESENTATIVE JOSEPHSON asked for his perspective on AGDC's primary responsibilities if the large diameter gasline moves forward to pre-FEED and FEED.

MR. RABINOW offered his belief that the most immediate challenge AGDC faces is really a two-pronged responsibility. Although the question was directed at the large [diameter gasline], he said the AGDC also has a responsibility to continue to develop the [Alaska Stand Alone Gas Pipeline] ASAP line - the small line - and to understand the benefits and costs. At the same time the AGDC must be on a separate track to bring the same level of understanding and knowledge of cost and benefits, with regard to participating with the industry in a large gasline. Despite the agreements that have been "hammered out", there will be many more ongoing commercial considerations that will need to be considered, including costs. He said he views AGDC as having a responsibility to the legislature and ultimately to the executive branch. The AGDC must be able to compare the two projects on an equal footing in terms of the relative cost, benefits, issues, risks, and challenges to allow the board to make recommendations to the legislature and the executive branch, which of course will ultimately be better for Alaska. Further, the AGDC must be able to demonstrate the basis for its recommendation. He cautioned that it is not just what the AGDC needs to do with the large diameter pipeline but its continuing responsibility with the ASAP line, as well.

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REPRESENTATIVE JOSEPHSON remarked that he found that interesting. Although HB 4 would represent the "marching orders," it isn't something he has heard stated in any committee. He asked for his understanding of when the decision will be made to put "the small diameter files away" and the large diameter gasline is determined to be the project.

MR. RABINOW answered that he wasn't aware of any timeline or date. He recalled he recently discussed this with John Burns [Chair, AGDC] and Dan Fauske, [President, AGDC] along with the commissioners of DNR and DOR, at several board meetings. He said he feels very strongly that both gaslines need to move forward on a parallel track. He related that ASAP is out in front by a year or two, perhaps, as compared to the larger project. He emphasized the importance to step back and consider what is best for Alaskans and to do so will necessitate performing significant analysis to make the appropriate comparisons. He has also been considering whether the right answer will be to provide natural gas to Alaskans in Fairbanks or Southcentral Alaska at the cheapest rate or if it is better to realize the natural resource so all Alaskans can benefit from the revenue and services derived from it. He offered his belief that uncertainty exists at this point on how these two projects will balance out. He emphasized that any large project always has more than one alternative. In order to make an ultimate decision on whether to sanction a project, each alternative needs to be developed far enough so decision-makers feel comfortable that the costs, benefits, issues, and risks are understood and they are in a position to make the decision to go down that path.

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REPRESENTATIVE JOSEPHSON acknowledged that Mr. Rabinow is knowledgeable about pipeline development projects. He said it just seems that at this point this governor or future governors are going to want the more than \$3 billion in revenue that Commissioner Rodell has discussed to materialize. He asked whether the significant potential revenue would create overwhelming pressure for AGDC to accept the large pipeline.

MR. RABINOW acknowledged that perhaps it would be; however, both the legislature and administration must consider the financial implications for each - the capital requirements - depending on

the type of structure and funding that the AGDC on behalf of the state owns, the role of the gas treatment on the North Slope, the pipeline itself, the LNG facility, and the capital contributions. He concluded that all of these considerations can have a huge impact on the state and its ability to fund these different alternatives to realize the benefits.

[3:57:21 PM](#)

REPRESENTATIVE JOSEPHSON indicated the Alaska public wants to feel that Alaska's interests are being strongly defended by its agencies and commissions. He asked what assurances can be given that the important positions held with ExxonMobil Corporation during his career provide him the means and skills to help the AGDC, but that he now represents Alaska's citizens.

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MR. RABINOW acknowledged he is not an Alaskan citizen, which is a disadvantage. On the other hand, in his record as a six-year leader of ExxonMobil Corporation and as chair of Association of Oil Pipelines, his peers recognized his leadership on an industry basis. In that capacity he did not represent ExxonMobil, but the group made changes to the liquid pipeline industry that significantly improved the operating performance that reduces spills and safety incidents in the pipeline. Further, since his retirement from ExxonMobil 12 years ago, he has been involved in a number of other activities, including three studies with the National Academy of Science. He said he was able to demonstrate independence and consider the merits of these pipeline studies. He emphasized that he was able to demonstrate that he was not wed to a company or that it influenced how he considered the problems. He indicated this effort involved objectivity, data, and analysis and ultimately his integrity. He said, "I have to stand on my personal integrity and many people can vouch for that."

[3:59:59 PM](#)

REPRESENTATIVE JOSEPHSON remarked that within the law and with good ethics and without treating the state's partners in this prospective plan as enemies in any way, he wants AGDC members who love Alaska and are biased towards Alaska's interests. He asked whether Mr. Rabinow will be that kind of person and if he will be thinking of the 720,000 Alaskans when he makes his decisions.

MR. RABINOW answered absolutely. He said there is no question of that. His goal in participating in the AGDC process is to make sure that the AGDC does its work carefully and thoughtfully and in any agreements reached that the AGDC is writing and negotiating the documents in a way that is most favorable for the State of Alaska and its citizens.

[4:01:03 PM](#)

REPRESENTATIVE SADDLER asked him to describe the application process with special emphasis on any financial disclosure.

MR. RABINOW answered that he met Dave Norton, DNR, about 20 years ago at Alyeska Pipeline Service Company. Last May, Mr. Norton attended an offshore technology conference held in Houston. He suggested that Mr. Norton had been working on some pipeline integrity projects and thought perhaps Mr. Rabinow might be of assistance, although they did not connect on that project. However, about four weeks later Mr. Norton notified him of a call for nominations for positions on the AGDC board and knowing his background Mr. Norton thought [Mr. Rabinow] would be a good candidate. He investigated the position, discussed it with a number of people, and decided he was willing to put his name forward. He submitted a resume and was later contacted to provide a list of people that he had been associated with that the governor's office could contact. The list was broad since he has had association with Alaska during Trans-Alaska Pipeline System (TAPS). He acknowledged he knows former attorney general Bruce Botelho since they negotiated some things related to TAPS. The governor arranged to speak with him and asked questions, some very similar to the questions he is being asked today, including why he was interested in the position. He related that he was required within 30 days go through the standard submission of financial information. He had previously done so last year, which was updated a few weeks ago. This brings him to the current process, which is the confirmation process.

[4:04:23 PM](#)

REPRESENTATIVE SADDLER asked whether the financial disclosure give him any reason to decide not to pursue the nomination.

MR. RABINOW answered no. He said he serves on another government corporation in Houston, Texas, involved with the City of Houston. Additionally, for each of his three assignments with the National Academy of Science, he has had to submit to

financial disclosure and conflict of interest. He concluded that he has done so several times during his retirement and he did not have any issue in doing so again.

[4:05:09 PM](#)

REPRESENTATIVE HERRON asked about anything in his career "bucket list" that he didn't get a chance to do.

MR. RABINOW related that he did not have a foreign assignment. He was once asked if he would consider a foreign assignment, expressed a willingness to do so, which must have been the "kiss of death" because he never went abroad.

MR. RABINOW related that in his 34 years with his Exxon career, he held 17 different jobs, covering a wide range of areas. He said his experience gave him a very broad perspective of different aspects of the business, which has enabled him to gain a better overall experience not only for pipelines, but also for energy and how energy fits into all communities.

[4:07:05 PM](#)

REPRESENTATIVE HERRON asked what has been his biggest surprise and what will be the largest challenge the AGDC faces over the next couple of months.

MR. RABINOW said he had not fully appreciated how much work was done prior to the AGDC board being formed. The board held its first formal board meeting in Anchorage in October and he spent two days meeting with each of the key people to better understand them and their challenges. He said he came away being hugely impressed with the caliber of people Dan Fauske and Joe Dublar were able to put together on the ASAP project. He said it was very impressive and he felt the team would hold up well against any industry team. He reiterated his assessment on the quality of team, their breadth, and the progress they made thus far. In terms having been involved in large projects, he appreciated the challenges and the importance of doing the necessary homework so that when the project is sanctioned it will go forward and be brought in on schedule and on budget. He said he was unsure of whether the AGDC fully appreciates these challenges. He said that many people remember TAPS and its construction, and he acknowledged problems were encountered, noting the TAPS project was a much smaller project than the proposed big pipeline project. He emphasized that the [AGDC] needs to think long and hard about how to organize it. He

concluded that it's really the combination of efforts taken by the producers, TransCanada, AGDC, and the state to make decisions and organize the project in a collaborative way to be sure the project is developed properly so their efforts deliver a project that is on budget and on schedule.

[4:10:18 PM](#)

REPRESENTATIVE HERRON acknowledged that he doesn't know him although he became a household name in Alaska. He admired his polished response to the concerns from people around the state. He asked whether he understood the reaction.

MR. RABINOW answered that at the time he submitted his name for consideration he didn't appreciate questions that would arise as to whether he was an Alaska resident or non-resident. He said he never thought about residency but felt this is an area where he could make a contribution. He related his understanding that the original issue of residency was raised in another board. He said he could certainly appreciate the feelings Alaskans have about this. He stated that if someone with good qualifications is available, that it seems sensible and perfectly reasonable for people to prefer an Alaskan serve on the board.

REPRESENTATIVE HERRON responded that besides himself, many others appreciate his stance, defend his appointment, and are working to make certain the confirmation happens.

MR. RABINOW thanked Representative Herron.

[4:12:21 PM](#)

CHAIR OLSON asked approximately how many megaprojects he has been responsible for during his career.

MR. RABINOW answered that he has been involved in two or three specifically; however, many, many projects that wouldn't fall into megaprojects in terms of the dollar; however, they were megaprojects in terms of the environmental and technical challenges. In fact, projects of a few hundred million dollars have been just as complicated, he said. For instance, he has been involved in a project under 5,000 feet of water in the Gulf of Mexico and the Exxon Valdez oil spill response. He acknowledged that people don't normally think of oil spill response as a megaproject and certainly Exxon would have been happy to never face such an event, but he did play a significant role in the response effort.

4:13:29 PM

REPRESENTATIVE REINBOLD thanked him. She stated that oil and gas is the "bread and butter" in Alaska. She said she wants the best and brightest overseeing the projects. She said it looks like he is a Penn State graduate.

MR. RABINOW said that he earned his undergraduate degree at Lehigh University and has a [Massachusetts Institute of Technology] MIT graduate degree. He said he holds a Master's degrees in Mechanical Engineering in Management from MIT and a Bachelor's of Science degree from Lehigh University.

REPRESENTATIVE REINBOLD lauded his credentials. She asked why he was interested in the AGDC Board of Directors.

MR. RABINOW answered that the governor asked the same question. He responded that he had a wonderful, broad career. He said he is not a golfer, but wants to do things that are interesting and challenging and give back and contribute, whether it is through the National Academies' [Transportation Research Board] (TSB) studies he has been involved with or the Houston First Corporation that managed the convention center and theaters in which the symphony, opera, and ballet perform, or for activities with business connotations. He related that he has a unique background, that it's fun to contribute and be able to help achieve results, in this case for the citizens of Alaska, but in each of his endeavors to be able to give back after having been so fortunate in having had a wonderful career.

REPRESENTATIVE REINBOLD thanked him for his willingness to serve.

#### State Assessment Review Board

CHAIR OLSON brought up the next confirmation hearing: Bernard Washington, Appointee to the State Assessment Review Board.

4:16:55 PM

BERNARD WASHINGTON, Appointee, State Assessment Review Board (SARB), offered to take questions.

REPRESENTATIVE JOSEPHSON stated he is acquainted with Mr. Washington. He noted his community service work, including serving on the United Way board, Anchorage Health and Human Services, the Foraker Group, and at Conoco Phillips as one of

its economists. He thanked him for his willingness to serve the state on the SARB board. He related that one of the primary duties in reviewing appointments is to be certain that appointees have qualifications required by law. In the case of the SARB, the statute requires each board member to be knowledgeable about assessment procedures. He referred to an attorney general opinion from 1986 that says the requirements also should reflect experience with government tax function. He asked whether Mr. Bernard meets the qualifications.

[4:18:23 PM](#)

MR. WASHINGTON answered yes. He stated that he has testified in front of the SARB in previous positions. He advised that he conducted the assessment from the oil companies' perspective for some of the facilities. He said he is an analyst, an economist, and he performs the analysis, which he has done in the past.

[4:18:51 PM](#)

REPRESENTATIVE JOSEPHSON asked what he would say to Alaskans who express concern whether his long history with Arco, ConocoPhillips Alaska, Inc., and Alyeska Pipeline Service Company will make it difficult for him to independently consider tough valuation questions and represent the people of Alaska.

MR. WASHINGTON answered that first and foremost he is an Alaskan. He has lived in Alaska for 30 plus years. He believes in Alaska and cares about the people as witnessed by his participation in United Way, Foraker Group, and as treasurer of Beans Café. He indicated he has had opportunities to leave the state with oil companies, but has elected to stay here. His commitment is in Alaska, he said.

[4:19:40 PM](#)

REPRESENTATIVE JOSEPHSON referred to a recent article in the Columbia Journalism Review that raised issues about the appropriateness of him working at Alaska Public Radio Network given his potential work with the SARB board. He asked for his thoughts on the issue.

MR. WASHINGTON said the issue was the matter of a conflict; however, he manages the finances but does not select stories and is not involved in the news. He did not view his current employment as being a conflict or one that would impede his participation with the SARB.

[4:20:43 PM](#)

REPRESENTATIVE JOSEPHSON asked about valuation programs. He asked whether he has reviewed the Alaska Supreme Court decision issued on February 19, 2014.

MR. WASHINGTON answered that he reviewed the case but did not get into the details or the underlying assumptions.

[4:20:54 PM](#)

REPRESENTATIVE JOSEPHSON said the owners of Trans-Alaska Pipeline System argued that the economic life of the pipeline was shorter than the Alaska Supreme Court concluded [*BP Pipelines (Alaska) Inc. v. State of Alaska*, Alaska Supreme Court, No. 6867 (Supreme Court Nos. S-14095/14116/14125), February 19, 2014, ¶200-586]. He asked, in the event the Alaska Supreme Court enters a rule of law, whether Mr. Washington would follow that rule of law.

MR. WASHINGTON answered yes, most definitely.

[4:21:19 PM](#)

REPRESENTATIVE JOSEPHSON read from [*BP Pipelines (Alaska) Inc. v. State of Alaska*, Alaska Supreme Court, No. 6867 (Supreme Court Nos. S-14095/14116/14125), February 19, 2014, ¶200-586], as follows: "But in this case, the primary value of the pipeline is its ability to monetize Alaska North Slope oil reserves because the companies collecting tariffs are closely affiliated with the companies paying tariffs." He asked if when he meets with SARB whether he would say this is what the Alaska Supreme Court has ruled and we must follow that.

MR. WASHINGTON said, "That would be my position."

[4:22:09 PM](#)

REPRESENTATIVE JOSEPHSON said that when the case went to trial, the industry argued that the Trans-Alaska Pipeline System was worth only \$850 million whereas the local government said it was \$11.57 billion. He asked whether there is any way for the SARB to analyze these valuation questions so there is less disparity or if this is just a product of the adversarial system.

MR. WASHINGTON answered that there is a way to find that "sweet spot" which goes into analyzing the underlying assumptions used by all parties and testing those assumptions for reasonableness and coming up with the appropriate answer. He reiterated that his answer is yes.

REPRESENTATIVE JOSEPHSON said that in the same case the pipeline owners indicated that the pipeline should be assessed at a fair market value as measured by tariff income rather than use value as measured by replacement costs. He asked whether he has any thoughts on that ruling.

MR. WASHINGTON answered that he must go with the ruling and [the SARB] must follow what the court says.

[4:23:47 PM](#)

REPRESENTATIVE JOSEPHSON said that the Alaska Supreme Court agreed the trial court could not properly value a fair market value for the Trans-Alaska Pipeline System or for shipping capacity on the pipeline partially since there wasn't anything comparable to TAPS. He asked whether that made sense to him.

MR. WASHINGTON agreed TAPS is a unique project. He acknowledged the process for an assessment is based on "comparables." For example, in the housing market the assessor considers the comparable sales in the area to arrive at a value for a house. In the case of TAPS, comparables do not exist so it makes it much more difficult to assess the overall value of the asset. Therefore, it is necessary to examine other aspects of the pipeline, including the projected throughput and the life of the project. He concluded that it does present a problem.

[4:24:56 PM](#)

REPRESENTATIVE HERRON asked him to gauge his learning curve.

MR. WASHINGTON stated that he didn't expect what he encountered during the application process. He offered his belief that his background and analytical abilities will help him and the SARB achieve a level of understanding fairly quickly.

[4:25:47 PM](#)

REPRESENTATIVE HERRON asked him to describe the most misunderstood aspect about the job for laymen who will depend on his decisions.

MR. WASHINGTON offered that people don't understand an assessment is based on analysis of underlying values and variables. He suggested that if a person does a good job understanding the variables, analyzing those variables, and developing a reasonable approach, the assessment falls from that process. He related that often people think that someone decides it is worth a certain value and moves forward.

[4:26:40 PM](#)

REPRESENTATIVE REINBOLD noted he had earned his University Bachelor of Science Mining Engineering degree from Penn State and Masters of Business Administration (MBA) from Pepperdine University.

MR. WASHINGTON agreed.

REPRESENTATIVE REINBOLD also noted his interest in the Alaska Permanent Fund Corporation and the Regulatory Commission of Alaska (RCA). She thanked him for his interest. She asked him why he is interested in serving on the SARB.

MR. WASHINGTON responded that as an Alaskan, he needs to give back. This wonderful state gives everyone so much, for example, it gives Alaskans an annual dividend from the Alaska Permanent Fund. Alaska is one of the most spectacular places to live. He emphasized his belief that Alaskans must give back to the state and he can serve the state with his skill set. He related that this is his first foray into state service. He has previously chaired commissions for the Municipality of Anchorage. He said that both he and the state can benefit from his skill set.

REPRESENTATIVE REINBOLD absolutely agreed. She thanked him for his willingness to serve.

[4:28:24 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the House Labor and Commerce Standing Committee, Representative Kurt Olson, Chair, indicated that all committee members have had an opportunity to review the appointees' resumes. Committee members have asked to have three appointees available for questions and these appointees have testified today. He then read the names of the appointees referred to the House Labor and Commerce Standing Committee.

[4:32:12 PM](#)

MR. JACKSON reminded members that signing the reports regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[4:33:12 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on the confirmation hearings.

REPRESENTATIVE JOSEPHSON said he will sign the document although he is currently unsure of his position on Mr. Rabinow.

CHAIR OLSON assured members that signing the reports regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees.

[4:34:08 PM](#)

CHAIR OLSON removed his objection. [The committee treated it as though a motion had been moved to advance the confirmations of the appointees to a joint session of the House and Senate for consideration.] There being no further objection, the confirmations were advanced.

[4:34:27 PM](#)

The committee took an at-ease from 4:34 p.m. to 4:36 p.m.

**HB 370-AWCB CONTROLLED SUBSTANCE PRESCRIPTIONS**

[4:36:01 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 370, "An Act relating to employer drug testing; requiring the Alaska Workers' Compensation Board to adopt regulations relating to the prescription of controlled substances to employees; and limiting the prescription of controlled substances to employees."

[4:36:17 PM](#)

ANNA LATHAM, Staff, Representative Kurt Olson, Alaska State Legislature, on behalf of the House Labor and Commerce Standing

Committee, Representative Kurt Olson, Chair, offered to explain the changes in Version C.

REPRESENTATIVE REINBOLD moved to adopt the proposed committee substitute (CS) for HB 370 labeled 28-LS1379\C, Wallace, 4/3/14 as the working document.

CHAIR OLSON objected for the purpose of discussion.

[4:36:49 PM](#)

MS. LATHAM explained that the original version of HB 370 gave employers the ability to perform random drug testing for schedule I controlled substances after they have been prescribed as the result of a workers' compensation claim for more than 90 days. Some concerns were expressed about the follow-up of test results. The following language was added to Version C, in Section 1, that the employer could test only for the controlled substance and what would happen as a result of the tests, such that a negative test result may result in the denial of future payments by the employer or insurer for the controlled substance but not in any other adverse employer action. A positive test result for the prescribed control substance may not result in an adverse employment action or the denial of prescription benefits. Page 2, lines 11-14, adds language that an employer may not be liable for future payments of a controlled substance listed in schedule IA prescribed to an employee under this section if the employee received a negative test result. She reiterated that Version C specifies in writing some "follow through" for the test results.

CHAIR OLSON asked to put on the record that he has been working with a number of stakeholders, including Don Etheridge.

[4:38:06 PM](#)

DON ETHERIDGE, Lobbyist, Alaska State AFL-CIO, offered his thanks for the opportunity to work with the sponsor and improve HB 370. He said, "And we are totally happy with what you've done on it."

[4:39:14 PM](#)

REPRESENTATIVE HERRON understood the meaning of "positive" and "negative" in terms of drug testing. Typically when an employee is given a drug test and it comes back positive, it means something was found; and if the drug test comes back negative it

means that the person is clean - that no drugs were found. He wanted to clarify in this context it is just the opposite.

MS. LATHAM acknowledged that Representative Herron is correct. The intent of the testing is to determine whether an employee is taking the drugs that were prescribed as a result of a workers' compensation claim. The testing is the opposite of how it normally would be under the employer testing policy subsection (c) and (d) [of AS 23.10.620].

[4:40:18 PM](#)

BARBARA HUFF TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, said the Teamsters Local 959 (Teamsters) had some initial concerns with HB 370. She believes the majority of workers they represent are subject to property safety programs and on the job safety programs that help reduce workers' compensation costs, but workers sometimes sustain injuries that require prescriptions. She said, "Sometimes we have bad players and ... that may be the case." She has not seen those figures, but if this bill gets to the root of that particular problem, the Teamsters are supportive. She said the Teamsters believe that the changes made will not negatively impact injured workers in need of these prescriptions.

CHAIR OLSON acknowledged that was the intent.

[4:42:04 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 370. He then removed his objection to the adoption of Version C.

REPRESENTATIVE REINBOLD moved to report the proposed committee substitute (CS) for HB 370, Version C, out of committee with individual recommendations and the accompanying fiscal notes. There being no further objections, CSHB 370(L&C) was reported from the House Labor and Commerce Standing Committee.

[4:43:04 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:43 p.m.