

SENATE FINANCE COMMITTEE
February 18, 2013
9:05 a.m.

[9:05:51 AM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Mike Dunleavy
Senator Donny Olson

MEMBERS ABSENT

Senator Click Bishop
Senator Lyman Hoffman

ALSO PRESENT

Becky Hultberg, Commissioner, Department of Administration;
Robert Swenson, Petroleum Geologist, Department of Natural Resources; Jo Ellen Hanrahan, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Sarah Fisher-Goad, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development.

SUMMARY

SB 18 BUDGET: CAPITAL

SB 18 was HEARD and HELD in committee for further consideration.

Department Overviews:

Department of Administration
Department of Commerce, Community and Economic
Development

#sb18

SENATE BILL NO. 18

"An Act making appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

9:06:52 AM

^DEPARTMENT OVERVIEW: DEPARTMENT OF ADMINISTRATION

9:06:52 AM

BECKY HULTBERG, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, introduced herself and staff. She summarized that Department of Administration's (DOA) total funding request was for \$49.9 million, \$39.9 million of which represented capital requests. She mentioned that the department had a little over \$10 million in differed maintenance. She stated that the department's theme, with respect to capital, was how it would operate government effectively and make the best choices with the limited resources that were available.

RN 54483

General Services Douglas Island Building Year 2 of 2

\$9,600,000

Commissioner Hultberg related that it had previously been indicated that the Douglas Island building needed to be torn down and completely replaced because it would not be cost effective to repair the structure. She recalled that several years prior, there had been a proposal to build a new state office building, which would cost about \$100 million; the tenants of the Douglas Island building would have been one of the primary occupants of the new state office building. Upon further research with architects and engineers, it was determined that the Douglas Island building could be rehabilitated; furthermore, the department had determined that it would be more cost effective to remodel the structure than to build new construction. She stated that the project would take care of exterior renovations, including replacing the exterior curtain and a number of other items; it would also cover interior renovations, electrical upgrades, and mechanical upgrades.

RN 54507

General Services Repair Juneau State Office Building
Parking Garage Phase 2 of 3
\$2,000,000

Commissioner Hultberg pointed out that the north garage was 39 years old and that the south garage was nearly 42 years old; furthermore, there was some significant deterioration in those structures and they were in need of repair. She stated that a building sat on one of the garages and that the structural integrity of the facility was very important. She offered that fully funding the project could extend the life of the garage by 30 years.

RN 54681

General Services Nome State Office Building and Courthouse
\$3,252,170

Commissioner Hultberg stated that the Nome State Office Building had needed either replacement or repair for a number of years. She pointed out that it had been contemplated that the facility would have to be completely replaced and that there had been a concept that involved moving those tenants into a new building that would also accommodate the courthouse; however, upon further architectural and engineering work, it was determined that it was cost effective to remodel the building. She added that this was the final amount needed to complete the renovation.

Senator Olson inquired if questions should be saved until the end of the presentation. Co-Chair Meyer preferred that question be saved until the end.

[9:10:31 AM](#)

RN 54683

Alaska Geologic Materials Center Replacement Facility Phase
2 of 4
\$15,000,000

Commissioner Hultberg stated that the current facility in Eagle River, which archived the state's legacy collection of geologic samples and related data, had been opened in 1984; the samples in the collection had been linked to the discovery and development of oil, gas, and mineral

resources and were strategically important to the state. She stated that the samples were currently 70 percent over capacity and were housed in 60 unheated and unlit 40-foot-containers, which were less than optimal conditions for these materials. The request was for purchasing a new facility; an offer had been made on the facility, but a final agreement had not been made yet. She stated that the \$15 million would accommodate the purchase of the facility, but that there may be additional requests in the future. She offered that the department did not believe that the future requests would be significant and might not be needed at all. She concluded that the project was in a bit of "flux," but that the department believed that it had identified an alternative that was significantly less expensive than the construction of a new facility.

RN 56591

Enterprise Technology Services Virtual Tape Systems Replacement
\$500,000

Commissioner Hultberg related that the funding would replace the virtual tape system and automated tape libraries, which were beyond the end of their useful life. The system helped support the department's mainframe, which was a valuable and important information technology (IT) asset for the state.

Commissioner Hultberg related that all four of the upcoming projects for the Division of Retirement and Benefits addressed increasing member counts. She stated that the increasing number of retirees required the division to do additional work. The projects also streamlined and automated processes in order to provide members with easier access to information. She offered that automation would lead to less workload on the division in terms of personnel.

RN 51599

Retirement and Benefits Combined Retirement System Upgrade Year 4 of 5.
\$350,000

Commissioner Hultberg noted that the funding source was from the Division of Retirement and Benefits' retirement funds.

RN 51598

Retirement and Benefits Document Management System Year 4
of 4
\$135,000

Commissioner Hultberg noted that the funding source was from the Division of Retirement and Benefits' retirement funds. She pointed out that the project's system would replace microfiche and microfilm document storage methods, which relied on older technology.

RN 56597

General Services America's With Disabilities Act (ADA)
Improvements-Multiple Locations
\$192,300

Commissioner Hultberg mentioned that DOA was responsible for caring for 11 public buildings and 4 non-public buildings. She offered that the Department of Transportation and Public Facilities currently received all of the ADA funds that were appropriated annually and that DOA was requesting funds to comply with the ADA regulations and standards for the buildings that it was responsible for.

RN 56601

Retirement and Benefits Policy Automation
\$880,000

Commissioner Hultberg noted that the funding source was from the Division of Retirement and Benefits' retirement funds and that it would purchase and deploy an off-the-shelf policy automation system, which was in line with the department's efforts to streamline processes. The system would allow the division to write and maintain business rules, regulations, and policies in a central catalogue.

RN 56602

Retirement and Benefits Identity and Security Governance
\$749,400

Commissioner Hultberg related that the funds would purchase and deploy an off-the-shelf identity management and security system. She pointed out that The Division of Retirement and Benefits dealt with very sensitive personal information and that security and identity management was very important. The project would manage and secure access

to the division's systems and enforce security policies in compliance with state and federal regulations; it would also automate tasks and provide self-service for retirees for routine processes.

[9:15:16 AM](#)

RN 56625

Alaska Rural Communications System Digital Conversion
\$5,300,000

Project Description/Justification:

By September 1, 2015, all low power television services must be converted from analog to digital in accordance with a FCC mandate. In order for the ARCS service to continue serving rural Alaskans beyond that date, the fleet of analog transmitters must be replaced with digital units. In the interim, it is critical to maintain existing levels of service. The transition from analog to digital transmitters will significantly expand public service to residents in bush Alaska, primarily by replacing the single-channel distribution platform with a multi-channel system offering 3 or 4 video streams inside the same bandwidth.

Commissioner Hultberg related that there was a policy decision on whether or not the department would continue with the ARCS service that was inherent in this capital request.

RN 56959

Capital Asset Management System Phase 1 of 2
\$2,000,000

Commissioner Hultberg stated that 13 departments had buildings that covered over 10 million square feet of space; this included the University of Alaska and the Alaska Court System. She pointed out that the state did not have a central building information repository and that as a result, there was not a simple way to look at all the differed maintenance projects comprehensively across the enterprise. The funds would maintain accurate and current facility data statewide in a single web-based system. It would help the department prioritize deferred maintenance, renewal, repair, repurposing, and equipment projects using

a consistent methodology across agencies. She concluded that the increment was a management tool that was intended to help DOA manage the buildings, but would also help the department to compare the deferred maintenance priorities across departments. The increment would also procure a statewide building condition audit and design a facility management system.

RN 49602

Deferred Maintenance, Renewal, Repair and Equipment
\$10,017,000

Commissioner Hultberg stated that the funding source included about \$7 million from the general funds and approximately \$3 million from public building funds.

RN 54089

General Services Public Building Fund Building Deferred
Maintenance
\$6,250,000

Commissioner Hultberg related that \$3.2 million of the funds were general funds, while \$3 million were public building funds.

RN 54799

General Services Non-Public Building Fund Deferred
Maintenance
\$767,000

RN 54183

State of Alaska Telecommunications System (SATS) Deferred
Maintenance, Year 4 of 5.
\$3,000,000

[9:18:00 AM](#)

Senator Olson discussed the Nome State Office Building and the rising seas in relation to the seawall. He inquired if there was anything being done about the water damage that could occur if the building's lifespan was expanded. Commissioner Hultberg replied that the project would replace the wall assembly, and would replace the seawall or add a buttress wall. She furthered that the funding included plans to address the seawall, but that the current issue with the building was that the heating and mechanical

systems were located in the basement; this presented a significant problem in the event of a flood.

Senator Olson inquired where the boiler and heating system would be moved to in the building. Commissioner Hultberg responded that it would not be in the basement, but did not want to speculate as to the exact location. Senator Olson noted that the "bottom picture" on the lower right showed an addition to the top of the building and assumed that this was location where the boiler and heating system would be going. Commissioner Hultberg believed that the systems would be moved to the roof area, but that there were schematics that could be consulted.

Senator Olson discussed the Alaska Geologic Materials Center Replacement Facility Phase 2 of 4 project and questioned why the storage area needed lighting and heating. He did not understand why rock cores that were an inch or two inches in diameter needed to be heated and lit in a facility of this type. Commissioner Hultberg responded that there was degradation of the core samples occurring because of the climatic conditions that they were exposed to. She furthered that the degradation of the samples was a significant concern and that humidity and temperature controls could address the issue. She offered that she was not the best person to answer the question. She stated that there were oil and mineral explorers who accessed the facility and that the project would provide an environment that was more conducive to work in. She concluded that the project would benefit the state's efforts to increase oil, gas, and mineral exploration. She stated that Mr. Swenson from the Department of Natural Resources was in the audience and that he probably could address the line of questioning better.

Senator Olson was not aware of rocks that would deteriorate as a result of being exposed to different temperatures. He wondered again why the core samples would need heating. Commissioner Hultberg replied that she was not a geologist and that she did not want to speculate on geologic matters. She requested that Mr. Swenson join her at the table to respond to the question.

ROBERT SWENSON, PETROLEUM GEOLOGIST, DEPARTMENT OF NATURAL RESOURCES, replied that any subsurface sample had moisture in it and that the freeze and frost cycles of water within the cores destroyed samples. He pointed out that the

temperature did not need to be at 70 degrees, but that it needed to be maintained at a level above freezing. He added that controlling the humidity was important to archiving the core sample.

[9:23:32 AM](#)

Co-Chair Meyer discussed the General Services Repair Juneau State Office Building Parking Garage Phase 2 of 3 project. He noted that the request was for \$2 million for phase 2 of 3 and inquired how much more funding would be needed to complete the entire project. He further inquired if "piecemealing" the project in phases rather than completing it at all at once was the right approach. Commissioner Hultberg replied that \$5.8 million would be needed to complete the project. She stated that, generally speaking, the department did not start construction projects until it had full funding and offered that the project could be one appropriation rather than being phased. She added that other projects, such as IT projects, represented work every year and that those types of projects had different considerations around phasing. She concluded that Co-Chair Meyer made a fair point about the construction projects and stated that it would be the decision of the committee whether the funding was phased in or allocated in one amount.

Co-Chair Meyer observed that it may cost more to phase the project over several years and pointed out that it appeared that the garage needed repairs quickly.

[9:25:18 AM](#)

AT EASE

[9:29:01 AM](#)

RECONVENED

^DEPARTMENT OVERVIEW: DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[9:29:01 AM](#)

JO ELLEN HANRAHAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself for the record and spoke the department's capital requests.

RN 54070
Economic Development Marketing Initiative
\$400,000

Ms. Hanrahan stated that the funds would build on the multi-pronged marketing and development effort that was initiated in FY13 to upgrade marketing materials and activities and supplement Department of Commerce, Community and Economic Development's (DCCED) statutory responsibilities in the areas of fisheries, minerals, forest products, and film. Also, the department had been increasing its development work in sectors that were beyond the statutory responsibilities, including mariculture, air carriers, and Arctic shipping. The FY14 funding would continue the initiative that was started in FY13 with media relations contracts, new marketing materials, increased presence at national and international trade shows for minerals, forest products, and maritime services in Arctic development. The funding would also help increase the marketing presence in Northern European countries that supported the new Iceland Air seasonal service to Alaska, as well as domestic marketing activities in support of the new Virgin Atlantic seasonal service to Alaska.

RN 38943
Community Development and Assistance
\$290,000

Project Description/Justification:

Computer Assisted Mass Appraisal (CAMA) System-
\$200,000:

This project will modify an existing CAMA system for use in medium sized municipalities within the state. Municipalities that levy property taxes must first collect property data and then assess, or value the property using the data collected. CAMA systems not only store the data but also allow properties to be valued on a "mass basis" rather than on an individual basis. Commercially available CAMA systems are not affordable for most Alaska municipalities. The Fairbanks North Star Borough (FNSB) has developed an in-house CAMA system that rivals any commercial system available today. The FNSB has agreed to provide the Division of Community and Regional Affairs (DCRA) a copy of the program and allow it to be modified for

use by smaller municipalities in the state. This project will fund a contractor to modify the existing system for use by smaller municipalities, pay the contractor to assist municipalities to install and integrate the program with their existing finance programs, and provide maintenance and technical support for a period of three years. After three years, it is expected that the integration will be stable and the municipalities could pay for the system maintenance directly. There are 15 municipalities in Alaska that have a property tax and currently do not have a CAMA system. Nine of these municipalities (Bristol Bay Borough, Haines Borough, Skagway, Cordova, Dillingham, Nenana, Nome, Petersburg, and Unalaska) have said they would implement this system if it became available.

Grant Agreement Legal Review - \$90,000:

The DCRA's grant section administers over 2,300 grants awarded under seven unique programs. Grants are executed with a variety of entities including state agencies, municipalities, tribal entities, non-profit, for-profit corporations, and other federally recognized organizations. Total grant funds administered by DCRA as of the start of FY2013 is over \$1.84 billion. The base grant agreement was developed over seven years ago for designated legislative grants. To assure that this agreement and DCRA's grant policies are in compliance with current statutes, regulations, and state and federal policies, the Department of Commerce Community and Economic Development is seeking a review by the Department of Law. This review will also include the development of a third party agreement template and review of other specific issues that have arisen in the administration of grants.

Ms. Hanrahan related that this increment was an annual request that covered many areas that supported Alaska's communities and pointed out that the first project under the funding was the CAMA system. She stated that the second project was a review of the department's grant agreement. She pointed out that the base grant agreement was outdated and no longer covered all of the new programs and types of grants that were occurring. She reported that DCCED's sovereign immunity waiver clause had been raised as an

issue and stated that several grantees had contacted the Department of Law to negotiate their own special sovereign immunity clauses. She added that the legal review of the standard grant agreement would ensure that the state was protected and that new types of grants were covered.

RN 38946

Community Block Grants

\$6,060,000

Brief Summary and Statement of Need:

This project is for multiple federally funded programs, enabling the Department of Commerce, Community and Economic Development (DCCED) to provide grants to communities and non-profits that provide services and/or benefits for low to moderate income individuals.

Project Description/Justification:

Community Services Block Grants:

This program provides funding to reduce and/or prevent poverty through community based educational activities which lead to a greater degree of self-sufficiency. As authorized by federal Public Law 97-35, throughout the United States the federal Department of Health and Human Services (HHS) has designated 950 Community Action Agencies (CAAs) - all of whom may then receive federal funding that passes-through the appropriate state agency. Within Alaska the federal HHS has designated only one CAA - that entity is the non-profit corporation Rural Alaska Community Action Program, referred to as RurAL CAP. RurAL CAP's mission is to protect the heritage of, while also improving the quality of life for, low income rural Alaskans. This is accomplished through educational programs such as alcohol and drug abuse prevention programs, fetal alcohol syndrome prevention programs, and child development programs; adult training; affordable housing programs; advocacy for low-income individuals and instruction on how to advocate for themselves. This program has been in existence since 1965. The federal HHS provides 100 percent of the funding. For FY2014, DCCED anticipates \$3 million in federal funding.

Community Development Block Grants:

This program provides grants not to exceed \$850,000 to municipalities for planning activities, infrastructure projects, and economic development activities which benefit low to moderate-income individuals. This program has been in existence since 1983. The U.S. Department of Housing and Urban Development (HUD) provides the funding, which ranges from \$3 to \$3.5 million annually with a state required match of 2%. For FY2014, DCCED anticipates \$3 million in federal funding with a state match of \$60,000.

Ms. Hanrahan stated that the increment was a long-term annual request. She related that \$6 million of the funding was federal and that only \$60,000 was general fund match.

[9:35:20 AM](#)

SARAH FISHER-GOAD, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, spoke to the Alaska Energy Authority's (AEA) capital requests.

RN 56220

Alaska Energy Authority-Susitna-Watana Hydroelectric Project
\$95,200,000

Brief Summary and Statement of Need:

Funding will be used for the engineering feasibility study, detailed engineering design, geotechnical investigations, environmental studies, license application preparation, and project management consulting on the Susitna-Watana Hydroelectric Project. Continued work on the Susitna-Watana Hydroelectric Project is in preparation for the Federal Energy Regulatory Commission (FERC) license application anticipated to be submitted in September 2015.

Ms. Fisher-Goad pointed out that the funding was the estimated cost of the FY14 requirement of moving forward with the FERC licensing process. She related that AEA was currently working with FERC to finalize its study plan and stated that the study plan determination for the final 14

studies was expected to be released on April 1. She explained that AEA anticipated being out in the field for 58 studies during the first year of a two-year comprehensive study in preparation to file for its license in September of 2015. She pointed out that the project was expected to cost \$5.2 billion, which included the estimated cost of pre-construction and the FERC licensing process.

RN 56681

Alaska Energy Authority- Bradley Lake Transmission System
\$13,700,000

1) Beluga-Bernice Lake HVDC Intertie:

This project includes the construction of a 100 MW high-voltage, direct current (HVDC) intertie between the Beluga power plant in Southcentral Alaska and the Bernice Lake Power Plant on the Kenai Peninsula. The interconnecting power line would consist of two undersea cables, each rated for 100 MW transfer capacity. The cables are approximately 36 miles in length and are estimated to be 300 kcm copper conductors rated at 80 kV DC. The converters are monopole HVDC converters with a transfer capacity of 100 MW. The actual voltage and submarine cable ratings will require optimization to provide the most economic selection for the project.

2) 25MW BESS - Anchorage Area:

This project includes the installation of a 25 MW / 14 MWh Battery Energy Storage System (BESS) in the Anchorage area. The exact characteristics of the BESS technology should be evaluated in the design and procurement of the BESS.

3) Bradley Lake - Soldotna 115kV Transmission Line:

This project includes the construction of a new 68 mile long, 115 kV transmission line from the Bradley Lake Power plant to a new substation near the Homer Electric Association (HEA) existing Soldotna substation. The transmission line includes modifications to the existing switchgear and 0.5 miles of 115 kV solid-dielectric cable at the Bradley Lake Power Plant. The northern end of the line would terminate in a new 115 kV substation connected to the

existing HEA substation through the existing AEA static var compensator (SVC) bay. The line would utilize the same construction configuration and conductor size as the existing Bradley Lake - Soldotna transmission line.

4) Flexible Gas Storage - Anchorage Area:

This project includes the installation of a 1.91 MCF (262 MWh) gas storage facility at an Anchorage/Matanuska-Susitna area power plant. The gas storage includes storage tanks for compressed natural gas, compressor, compressor building and delivery system. The need for this project should be evaluated as more stringent gas supply and delivery constraints are enacted in Southcentral Alaska.

5) University - Dave's Creek 230 kV Transmission Line Conversion:

This project includes the conversion of 77 miles of existing 115 kV transmission line from 115 kV to 230 kV from Chugach's Dave's Creek Substation on the Kenai Peninsula to Chugach's University Substation in Anchorage. The project requires two separate phases, the conversion of the line to 230 kV followed by the conversion of the substations to 230 kV. The line conversion would include rebuilding the line across the avalanche areas along the existing route. This conversion would include the installation of avalanche deflection structures and the installation of more avalanche resistant structures. The line would be placed along the existing line's route.

5) University - Dave's Creek 230 kV Substations and Compensation:

This project includes the installation of reactive compensation at Dave's Creek Substation and the conversion of substations at Dave's Creek, Hope, Summit Lake, Portage, Girdwood and Indian stations to 230 kV. The project also includes the completion of the 230 kV bus at Chugach's University substation. The project also includes the installation of sectionalizing switches at each of the stations to allow remote sectionalizing of the transmission line.

Ms. Fisher-Goad stated that the prior year, AEA had received funding to study the transmission system in the Railbelt area in order to formulate a detailed analysis of what transmission upgrades were needed in that region. She pointed out that the constrained transmission system for the Bradley Lake Hydroelectric Project had been identified as a top priority and shared that the funds would start the initial design of five projects that would help AEA to continue to work with the Railbelt utilities to remove the constraints from the Bradley project and energy. She pointed out that this was the first year of looking at the projects and that the design was intended to give priority to taking care of the current AEA-owned assets by making sure that the energy was able to be delivered to the utilities that purchased the power.

[9:39:16 AM](#)

RN 52498

Alaska Energy Authority- Rural Power Systems Upgrade
\$12,600,000

Ms. Fisher-Goad relayed that the funding included \$3 million in federal receipt authority and \$9.6 million of general fund receipt authority. She pointed out that this had been a long-standing AEA project where it designed, upgraded, and built new power projects in Rural Alaska. She related that AEA had been partners with the Denali Commission for several years in developing, designing, and building the projects. She reported that AEA provided oversight, project management, and construction resources that many smaller rural utilities did not have. She pointed out that AEA had been using a deficiency list to work through the Rural Power Systems Upgrade projects and that there were about 30 remaining projects that required upgrades.

RN 50682

Alaska Energy Authority-Renewable Energy Projects Round Six
\$25,000,000

Ms. Fisher-Goad stated that during the 10th day of the current session, the legislature had received a list of AEA's evaluated round-six projects and that the funding source would provide \$25 million to the highest ranked projects on that list.

RN 49734

Alaska Energy Authority- Bulk Fuel Upgrades
\$8,500,000

Ms. Fisher-Goad shared that the funding included \$2 million in federal receipts and \$6.5 million in general funds. She related that this was a rural program that AEA had been working with the Denali Commission on to build and upgrade bulk-fuel storage facilities. She recalled that the year prior, the Coast Guard was going to prohibit fuel into communities because of insufficient storage systems. She pointed out that with the development of the Denali Commission and availability of federal funds, AEA had been able to provide upgrades in 97 communities. She stated that the current request would provide upgrades to Nunam Iqua, Perryville, and partial funding of the Kipnuk project.

RN 49735

Alaska Energy Authority- Alternative Energy and Efficiency Programs
\$2,000,000

Brief Summary and Statement of Need:

This project is for the development of alternative energy research and development, resource assessments, regulatory and permitting issues, outreach and stakeholder involvement for alternative energy programs.

Ms. Fisher-Goad shared that the funding would be primarily used for the Village End Use Efficiency Program, which had a rural emphasis on energy efficiency in order to look holistically at the communities regarding what AEA could continue to do to ensure that efficiency measures were met for community facilities in those communities.

RN 52507

Alaska Energy Authority-Energy Plan Implementation
\$1,000,000

Ms. Fisher-Goad observed that after "The Energy Pathway" had been developed by AEA, it had put forward a regional planning development in order to take the pathway from a community basis and look at the regional level. She mentioned that AEA had been working in partnership with a lot of the regional development organizations regarding

developing the regional plans; this was similar to what AEA had done with the Southeast Integrated Resource Plan, with the exception that it would not be AEA led. Instead, AEA was providing technical assistance and support for the regions in order to develop the plans.

RN 32950

Alaska Energy Authority- Electrical Emergencies Program
\$330,000

Ms. Fisher-Goad shared that this program provided technical support, materials, and equipment when a rural electric utility had lost, or would lose the ability to generate or transmit power. She pointed out that the increment provided funding for AEA to move in a very quick fashion and related that AEA coordinated with the Division of Emergency Services. The funding source would allow AEA to mobilize and respond quickly to a rural community that was in need.

Ms. Hanrahan spoke to DCCED's capital requests.

[9:44:15 AM](#)

RN 51748

Alaska Industrial Development and Export Authority- Ambler Mining District Access
\$8,500,000

Project Description/Justification:

The purpose of this project is to provide all season access for exploration and development of potential mineral resources within the Ambler mining district. Mineral resources in the region have long been known and access has been a significant factor in the region's lack of development. The goal of this effort is to define an optimal corridor, proceed with permitting and environmental documentation, and establish a right-of-way. Thereafter, some form of public-private partnership would be structured to proceed with private finance and construction relying on user commitments to repay the funds used to construct the facility.

RN 56693

Alaska Industrial Development and Export Authority- Natural Gas Treatment and Distribution

\$50,000,000

Brief Summary and Statement of Need:

This funding will be used in conjunction with other capital from the private sector and the Alaska Industrial Development and Export Authority to directly reduce Alaskans' cost of natural gas sourced from a North Slope natural gas liquefaction plant. This funding will be used to reduce the capital costs of a North Slope plant, provide for project financing costs for the development and construction of the project, as well as financial assistance during the construction/expansion of a distribution system, or a combination of the two.

Project Description/Justification:

This funding will be used to leverage other sources of funds, including private sector capital, Alaska Industrial Development Export Authority (AIDEA) financing, and tax credits to provide the greatest financial relief to local utility rate payers in Interior Alaska. Funds could potentially be used to reduce the capital costs of a North Slope natural gas liquefaction plant, assist in financing the construction/expansion of a natural gas distribution system, or other opportunities to provide significant rate payer relief as proposals are brought forward.

The liquid natural gas (LNG) output from the plant will be trucked south and used by Fairbanks area utilities to provide natural gas for space heating and fuel for electrical generation at prices significantly less than prevailing costs for heating oil and diesel fuel. The Alaska Energy Authority (AEA) is also investigating the potential of North Slope LNG to assist with short term needs in the Cook Inlet region. A natural gas liquefaction plant could also produce propane that can be distributed to interior and river system villages.

The primary components of an LNG trucking operation are:

1. securing a long term supply of LNG on the North Slope;

2. construction of a plant to liquefy natural gas and temporarily store the LNG product at a North Slope site prior to loading trucks for transport;
3. securing trucking infrastructure to transport the LNG;
4. construction of LNG receiving and storage facilities in the Interior with re-gas capabilities;
5. construction of local distribution infrastructure to deliver natural gas to end users.

The LNG production facilities and local distribution system are potential targets for state assistance that reduces energy costs for Interior homes and businesses by providing natural gas service quickly and at a much lower cost than they are currently experiencing.

RN 55631

Nutritional Alaskan Foods for Schools

\$3,000,000

Ms. Hanrahan stated that the program was a continuation of a program that had been started in FY13, which had been highly successful. The increment provided grant funds to school districts to purchase healthy, Alaska-grown food products. The products including Finfish or shellfish that were caught or harvested in Alaskan waters, livestock that was raised in Alaska, milk produced from livestock in Alaska, fruits and vegetables that were grown in Alaska, native produce and berries, and the transportation and shipping costs for those goods. She pointed out that 53 of the 54 school districts were currently participating in the project and that the remaining district was in the process of completing its grant agreement. She reported that DCCED had collaborated with the Division of Agriculture and had a survey on the "Farm to School" website. She stated that on the survey, 93 percent of the respondents wanted the program to continue.

RN 45816

Alaska Air Carriers Association Inc.- Medallion Foundation

\$250,000

Brief Summary and Statement of Need:

This project is for state support of the Medallion Foundation. The mission of the Medallion Foundation is to reduce aviation accidents in Alaska by fostering a new safety culture and by promoting higher safety standards through training, research, education, auditing and advocacy.

Project Description/Justification:

For the past decade, a total of \$17 million from the federal government has funded the Medallion Foundation. Federal delegates indicate that the state provide matching funding for continuation of the program. Medallion Foundation participants transport 90.3 percent of the passengers enplaned in Alaska by carriers operating in Alaska. Those same participants carry 95 percent of the cargo and mail transported within Alaska. Participants in the safety program serve 100 percent of the communities in Alaska. The voluntary participation results in a higher level of air safety for all of Alaska's communities and for residents that fly on these carriers. Since formed in 2001, the Medallion Foundation has contributed significantly to the reduction in aviation mishaps. More than 100 air carriers and 800 general aviation operators have actively participated in Medallion Foundation programs. Commercial aviation accidents have been reduced by 39 percent.

RN 38713

Arctic Power- Arctic National Wildlife Refuge Program
\$300,000

Ms. Hanrahan stated that the funds would aid in opening the coastal plain of the Arctic National Wildlife Refuge.

RN 41959

Arctic Winter Games State Teas Alaska- State Participation Grant
\$485,000

Ms. Hanrahan related that the funds would be used to keep the registration fee for participants at a level that was attainable to allow Alaskan youth to participate in the Arctic Winter Games. She stated that the games offered more than 20 sporting events, as well as traditional dance and

music, and added that it was an important cultural event for Alaska.

RN 55062

Blood Bank of Alaska- Facilities and Services Expansion Project
\$7,000,000

Ms. Hanrahan shared that the Blood Bank of Alaska provided blood and blood products to all Alaskan hospitals. The funds would be used to construct a new facility to consolidate four separate facilities that were spread across Anchorage. She related that the blood bank had been experiencing an enormous growth in demand for its services and that the new building would accommodate new blood products and new laboratory services within one facility; it would also help minimize Alaska's reliance on the Lower-48 for emergency services.

[9:50:16 AM](#)

RN 42004

Fairbanks 2014 Arctic Winter Games Host Society- Winter Games Preparation
\$1,000,000

Project Description/Justification:

The Fairbanks 2014 Arctic Winter Games Host Society project for \$1,000,000 is for the planning and implementation of the Arctic Winter Games which will be held in Fairbanks on March 15-22, 2014.

Ms. Hanrahan stated that the Arctic Winter Games was expected to result in an economic impact of over \$13 million in direct visitor spending and event operations. She reported that the funds would be used to continue the planning to hire additional personnel in the six months preceding the games in order to establish a volunteer program, implement a marketing program, and acquire IT and software equipment to maintain the current administration. The Arctic Winter Games Host Society also raised funds from corporate, community, and individual donors, as well as in kind donations.

RN 50409

Life Alaska Donor Services, Inc-Donor Program

\$65,000

Ms. Hanrahan relayed that the funds would be used to promote the Anatomical Gift Donation Program. She pointed out that the funds were provided to grantees for promoting the donation program.

RN 48513

Marine Exchange of Alaska- Alaska Vessel Tracking System Upgrades and Expansion

\$600,000

Project Description/Justification:

This project will be used to continue the build out of Alaska's "Maritime Safety Net" system. This will assist to operate, maintain, upgrade, and expand the vessel tracking network. The tracking network aids in the safe, secure, efficient and environmentally sound maritime operations. This Marine Exchange of Alaska (MEA) project is to allow expansion of the vessel tracking system's coverage and capabilities throughout Alaska. The MEA is currently expanding the capabilities of the vessel tracking sites by adding weather sensors and radios that can receive and pass on digital selective calls from vessels in distress. Incorporating these added sensors will further enhance the safety of mariners operating in Alaska.

In addition to state agencies (Departments of Transportation and Public Facilities, Commerce, Community and Economic Development, Fish and Game, Public Safety and Environmental Conservation), the Coast Guard, coastal communities and mariners are using the system to aid safe, secure, efficient, and environmentally sound maritime operations in the Arctic. The system has also been used to monitor Shell's exploration operations and validate compliance with environmental protection measures prescribed in permits. The information provided by the system is also used by the Coast Guard and state to develop risk reduction measures for vessels transiting the Bering Strait and monitor compliance with safety and environmental regulations.

RN 38948

National Petroleum Reserve-Alaska Impact Grant Program

\$3,945,018

Brief Summary and Statement of Need:

The National Petroleum Reserve - Alaska (NPR-A) program provides grants to communities for public facilities and services. Priority is given to those communities directly or severely impacted by the leases and development of oil and gas within the NPR-A.

Ms. Hanrahan stated that the funds represented 50 percent of funding that was collected by the federal government for leases within the National Petroleum Reserve. She stated that the actual amount of NPR-A funds was unknown at this point, but that it would be somewhere between \$3.8 billion to \$3.9 billion.

RN 51902

Reappropriation: Atmautluak Rural Power System Upgrade

\$0

Project Description/Justification:

The Akiak RPSU project was completed with \$2,250,000 in state funds and \$2,250,000 in federal Denali Commission funds. The balance of the appropriation, \$1,750,000 would be used to fund a project from the same region that is on the Alaska Energy Authority (AEA) project list. The project identified is currently Atmautluak RPSU. Estimated construction cost to for the Atmautluak RPSU project is \$2.8 million dollars. Additional state funds are being sought to complete the project through the RPSU Energy Projects Capital request.

Ms. Fisher-Goad stated that the project was a reappropriation to the Atmautluak Rural Power System Upgrade Project. She related that two years prior, AEA had received a \$4 million general fund appropriation to complete the Akiak project; however, there was conditional language that specified that the project could not use more than 50 percent state funds. She stated that AEA had been able to work with the Denali Commission to fulfill to the conditional language.

Senator Dunleavy inquired if AEA currently had a project that was related to coal. Ms. Fisher-Goad replied in the negative.

Senator Dunleavy wondered if the state had a philosophy that would entertain coal possibilities in the future. Ms. Fisher-Goad replied that coal was not considered a renewable resource, but that AEA had been involved in coal projects in the past.

Senator Dunleavy inquired if coal was still a real possibility. Ms. Fisher-Goad believed that it was and added that the University of Alaska Fairbanks was looking at a combined heat and power coal project. She concluded that coal was a fuel source that people were still looking at using.

[9:55:44 AM](#)

Senator Olson inquired if the Susitna-Watana Hydroelectric Project would have a cost of \$5.2 billion. Ms. Fisher-Goad responded that \$5.2 billion was current estimate of the project's cost. Senator Olson understood that there was a built in overrun, which was quite a bit more than that amount. He inquired what other ideas AEA had regarding getting Rural Alaska access to less expensive energy. Ms. Fisher-Goad replied that AEA's mission was to reduce the cost of energy in Alaska and that there were a variety of projects that had an emphasis on the costs of power in Rural Alaska. She replied that with respect to the cost of the Susitna-Watana project, the \$5.2 billion was an estimated project cost that had a plus or minus 25 percent of the estimated project costs. She reported that the "band of possibilities" had narrowed and that the previous year, there had been an estimate of approximately \$4.76 billion. The new estimate was a Level IV engineering estimate that had a plus 50 percent/minus 30 percent estimation built into it. She related that as the stages of licensing, environmental work, and engineering design progressed, the certainty of project costs became more refined. She stated that the Renewable Energy Fund Program had funded several projects and reported that the program was statutorily targeted for high-energy-cost areas and that the Rural Power System Upgrade projects and Bulk Fuel projects were also targeted at Rural Alaska. She discussed Power Cost Equalization, which was a \$40 million program that provided

state assistance for rural residents and community facilities in Rural Alaska.

Senator Olson inquired how much money from the Renewable Energy Program was targeted at Rural Alaska. Ms. Fisher-Goad responded that she could provide a breakdown of all the projects and that there was a statutory requirement that specified that there needed to be a regional balance to where the projects were targeted at. She stated that she did not have the breakdown with her regarding how much funding went to Rural Alaska out of the \$202 million that had been appropriated to the fund for projects. She added that the projects were broken down into different regions, several of which were for Rural Alaska and concluded that AEA could provide the information to the committee.

Senator Olson further inquired if the amount that went to rural projects was less than \$202 million. Ms. Fisher-Goad responded that it would be less than \$202 million primarily because of the requirement to spread the funding across the State of Alaska.

Co-Chair Meyer noted that Ms. Sarah Fisher-Goad had made a presentation to committee, but had been unable to finish due to time restraints. He requested a complete list of the projects and how much money was saved in Rural Alaska and elsewhere throughout the state. Ms. Fisher-Goad responded that that she would be happy to provide the requested information and recalled a prior discussion regarding rescheduling for AEA to be able to complete the overview. She offered that the presentation had ended right before the Renewable Energy Fund overview.

[10:00:24 AM](#)

Co-Chair Meyer noted that he would confer with Co-Chair Kelly regarding scheduling the overview and repeated his request for the list of projects.

Senator Olson pointed out that over \$95 million was being spent on a project, which may or may not be within budget. He requested information regarding the Alaska Air Carriers Association's request for the Medallion Foundation. He thanked Governor Parnell for recognizing how important the Medallion Program was and noted that it decreased aircraft accidents by 39 percent, which was very significant. He observed that a number of his family members had been

killed in aircraft accidents and related that he was sensitive to the issue. He discussed a letter from the Alaska Air Carriers Association and related that it expressed concerns regarding the future funding of the Medallion Program. He stated that association wanted \$3.5 million over the next three years in order to continue the program. He pointed out that even the Department of Public Safety's pilots subscribed to the Medallion Program. He discussed the Safety Management System, which would be required for Part-139 airports and pointed out that Fairbanks International Airport was 1 of the 27 airports that would be required by the Federal Aviation Administration to have one of these systems. He stated that the Medallion Program had already put a number of people in place to try and develop the management system and inquired if the administration would be in favor of increasing funding to the Alaska Air Carriers Association in order to allow them continue with the Medallion Foundation. Ms. Hanrahan replied that the governor's budget allocated \$250,000 "for this purpose," and offered that the legislature had the prerogative to allocate funds where it thought appropriate.

Senator Olson stressed importance of continuing with the Medallion Program and related that it had a dramatic effect in reducing the number aircraft accidents.

Senator Olson discussed the Arctic Power- Arctic National Wildlife Refuge Program. He pointed out that Arctic Power had been in place for a long period of time and that a lot of money had been spent on trying to open up the Alaska National Wildlife Reserve (ANWR). He observed the absence of the late U.S. Senator Ted Stevens, who had been a strong advocate of the program, as well as the changes to the federal administration that were anti-development in the region. He inquired why the state was still spending \$300,000 in unrestricted general funds for Arctic Power that seemed "to have no vision of going anywhere" for the next several years. Ms. Hanrahan believed that "this" administration felt that it was important to open up the coastal plain of ANWR and that it would like to continue the support for that effort.

Co-Chair Meyer pointed out that the committee probably shared Senator Olson's frustration and opined that the chances of ANWR being opened in the next several years were not very high. He appreciated that the effort was still out

there and related that the committee could discuss whether to take a break for a few years or to keep pursuing it.

Co-Chair Meyer observed that Vice-Chair Fairclough had joined the committee.

10:04:57 AM

Co-Chair Meyer discussed the Economic Development Marketing Initiative. He pointed out that the state had a lot of initiatives. He was unsure how this initiative differed from all the other marketing programs, but noted that it was an annual occurrence. He requested an explanation of the difference between this particular marketing program versus some of the other marketing initiative programs and wondered if it should be in the operating budget if it was an ongoing initiative. Ms. Hanrahan thought that this particular initiative was developed partly from a desire several years ago by the administration and the legislature for DCCED to expand its efforts on economic development and help diversify its economic base. She pointed out that at the time, there had been some "gap analysis" conducted within the department to determine what areas were not getting enough support. She related that the Alaska Seafood Marketing Institute was very specific to fish and was a strong program. She pointed out that tourism was another very specific sector, but that the department had a number of different sectors that were not being addressed or did not have adequate support. She shared that the initial program was meant to "beef up" the department's efforts in the areas that had not been addressed as well in the past, as well to expand into areas that it had not addressed before.

Co-Chair Meyer requested examples of areas that had not been addressed in the past. He offered that tourism and fishing had their own marketing programs and further queried if the timber or the mining industries were the areas that Ms. Hanrahan was referencing. Ms. Hanrahan replied in the affirmative and explained that the initiative was helping the department to become a more active and involved participant in timber and mining. She shared that it also allowed the department participate in more national and international trade shows related to the two industries. She pointed out that the department would be attending the Canadian investor's conference on

minerals, which represented an effort to bring more attention to these areas.

Ms. Hanrahan continued to address Co-Chair Meyer's question and shared that the department was also involved with helping to incentivize Iceland Air and that it was looking at getting more air carriers coming to Alaska. She pointed out that the department had also development a new program in mariculture and that it was expanding and diversifying its base; furthermore, it was supplementing the programs that it currently had.

[10:08:31 AM](#)

Co-Chair Meyer commented that it would be useful to see the successes of the annual appropriation and inquired if it might be more appropriate to put it in the operating budget. Ms. Hanrahan agreed that if the program continued, it would be appropriate in the operating budget. She pointed out that some of the programs that DCCED was currently working included "buying local" campaigns. She shared that the department was collaborating with other state-agency programs such as the Alaska Grown and Silver Hand programs. She stated that the department was working on Alaskan branding for marketing. She pointed out that FY13 was the first year of the program and that it was first time that department would be putting forward an extra effort into supplementing the statutory responsibilities it had in the areas of timber, forest products, and fisheries; furthermore, the department would be expanding its base.

Co-Chair Meyer asked if the program was new. Ms. Hanrahan responded that it was started in FY13.

Co-Chair Meyer inquired about the cost of the Blood Bank of Alaska project and asked who else was participating in the facility besides the state. Ms. Hanrahan replied the state was putting \$19.1 million into the blood bank, but that the request only referenced \$7 million. She stated that the blood bank had initiated a campaign for private donations, which had a goal of \$10 million. She pointed out that \$10 million would be added to the \$19.1 million, which brought the total up to \$29.1 million. She observed that "they" were still working on leveraging the \$23 million gap. Co-Chair Meyer commented that it was a sizable gap.

Vice-Chair Fairclough observed that the Blood Bank of Alaska was approaching other foundations and was attempting to leverage matching money in order to fill in the gap. She believed that the blood bank had contacted the Rasmussen Foundation. She commented that her office had indicated to the blood bank that 100 percent state funding was not the best way to move forward with the project and offered that it was working hard to take on a significant responsibility regarding the project.

[10:12:16 AM](#)

Co-Chair Meyer noted that Blood Bank of Alaska's project was needed statewide. He added that committee wanted the project to be successful, but would like there to be other participants besides the state.

Co-Chair Meyer observed that there would be more discussion about the \$50 million request for the natural gas treatment and distribution system. He discussed the two appropriations for the Arctic Winter Games.

Senator Olson inquired how the department decided on who would participate in the Arctic Winter Games, as well as the number of participants. Ms. Hanrahan replied she did not have the information offhand, but that she would get back to committee with a response.

Senator Olson requested a distribution of where the games' participants came from in Alaska.

Co-Chair Meyer discussed the following meeting's agenda.

[10:14:13 AM](#)

SB 18 was HEARD and HELD in committee for further consideration.

[10:14:22 AM](#)

#

ADJOURNMENT

The meeting was adjourned at 10:14 a.m.