

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 21, 2013

1:30 p.m.

MEMBERS PRESENT

Senator Mike Dunleavy, Chair
Senator Peter Micciche, Vice Chair
Senator Donald Olson
Senator Bert Stedman
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 23

"An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

- MOVED CSSB 23(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 23

SHORT TITLE: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/16/13	(S)	READ THE FIRST TIME - REFERRALS
01/16/13	(S)	L&C, FIN
01/31/13	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
01/31/13	(S)	Bills Previously Heard/Scheduled
02/05/13	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/05/13	(S)	Heard & Held
02/05/13	(S)	MINUTE(L&C)
02/19/13	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/19/13	(S)	Heard & Held
02/19/13	(S)	MINUTE(L&C)
02/21/13	(S)	MINUTE(L&C)

WITNESS REGISTER

BRITTANY HUTCHISON, representing
Diane Hutchison, presiding officer
Fairbanks North Star Borough Assembly
Fairbanks, AK

POSITION STATEMENT: Testified in support of SB 23.

DAVID PRUHS, representing himself
Fairbanks, AK

POSITION STATEMENT: Testified in support of SB 23.

ACTION NARRATIVE

[1:30:10 PM](#)

CHAIR MIKE DUNLEAVY called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Olson, Micciche, and Chair Dunleavy. Senators Ellis and Stedman arrived soon thereafter.

SB 23-AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

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CHAIR DUNLEAVY announced the consideration of SB 23 and noted that this was the third hearing.

SENATOR ELLIS joined the meeting.

[1:31:30 PM](#)

BRITTANY HUTCHISON, representing Diane Hutchison who is the presiding officer of the Fairbanks North Star Borough Assembly, testified in support of SB 23. She explained that lowering energy costs for the Interior was a priority and that SB 23 was an avenue to meet that goal. She stated that providing low-cost financing to truck natural gas to Fairbanks and the Interior is either a bridge solution while awaiting a pipeline or an energy cost stabilizer if a pipeline never comes. She highlighted that Fairbanks has PM_{2.5} air quality problems, which has attracted potentially expensive federal attention. The ability to convert to gas as a heating source will help solve this problem and ease the burden that PM_{2.5} air pollutant levels place on the state.

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DAVID PRUHS, representing himself, Fairbanks, AK, testified in support of SB 23. He said his remarks would be associated with commerce. He said was born and raised in Fairbanks and had

established a professional career in real estate. He emphasized that the Fairbanks community was in crisis because of the high cost of energy. He pointed out that the utility costs for his commercial property averaged 30 percent of the gross income, whereas the national average was 12-15 percent. He said he predicted that this would be the winter of Fairbanks' foreclosure and that dire prediction had come true. He said there were more foreclosed properties on the market now than any time since the 1980s, and the high cost of energy in the Interior was the caus.

He said the start-up costs for trucking natural gas are expensive, but should be considered over a 20-year term. The current estimates indicate that this project will bring the price of fuel down to the price that it was just 10 years ago. Additional benefits of trucking gas are that rural villages along the Yukon can receive barge shipments of liquid natural gas and communities along the Interior road system can be serviced.

MR. PRUHS concluded that this was the only viable project to bring gas to the Interior within three years, and it had widespread support.

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CHAIR DUNLEAVY closed public testimony and asked for a motion to adopt [Amendment 1].

[1:38:11 PM](#)

SENATOR OLSON moved Amendment 1, labeled 28-GS1738\A.5.

A M E N D M E N T 1

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: SB 23

Page 10, line 18:

Delete "the Fairbanks North Star Borough"

Insert "Interior Alaska"

CHAIR DUNLEAVY objected for discussion purposes.

SENATOR OLSON explained that the amendment would have the effect of benefitting all of Alaska rather than just the Fairbanks North Star Borough. The reasoning is that the gas coming off the North Slope belongs to all the people in the state of Alaska.

CHAIR DUNLEAVY found no objection and announced that Amendment 1 passed.

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CHAIR DUNLEAVY asked for a motion to adopt Amendment 2.

SENATOR MICCICHE moved Amendment 2, labeled 28-GS1738\A.6

A M E N D M E N T 2

OFFERED IN THE SENATE

BY SENATOR MICCICHE

TO: SB 23

Page 1, line 5, following "production":
Insert "or regasification"

Page 10, line 12, following "PRODUCTION":
Insert "OR REGASIFICATION"

Page 10, line 12, following "production":
Insert "or regasification"

Page 10, line 17:
Delete "on the North Slope"

[1:39:11 PM](#)

SENATOR OLSON objected.

SENATOR MICCICHE explained that the amendment adds the regasification option and essentially says that if for some reason the economics don't work and the project will not occur on the North Slope, AIDEA can evaluate other options. He pointed out that the project was missing a detailed evaluation of facility economics so it was not known if the economics of the facility on the North Slope would prove out and funding could be secured.

He said the goal is to provide the lowest cost energy to Fairbanks as quickly as possible, and this recognizes that there may be other opportunities to deliver LNG at a lower cost, more

quickly. This would allow AIDEA to complete an evaluation to ensure the most economical project possible.

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CHAIR DUNLEAVY asked if there was objection.

[1:40:42 PM](#)

SENATOR OLSON maintained his objection.

He said he objected to removing the reference to the plant being located "on the North Slope" because it was his understanding that the facility was being built there to make it possible for rural areas to have access to gas. If the facility is located anywhere other than the North Slope, it will put the people in Senate District T above the Fairbanks area at a disadvantage. He acknowledged that building on the North Slope is very expensive, and pointed out that if economics were part of the equation, the plant would be built somewhere else. He objected to that.

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SENATOR MICCICHE said the reality is that the amendment does not affect the economics. It allows AIDEA to look at other opportunities to deliver the same energy if the other project were to fail.

[1:42:25 PM](#)

CHAIR DUNLEAVY asked Senator Olson if his objection related to deleting the phrase "on the North Slope" on page 10, line 17.

SENATOR OLSON confirmed that was his main objection, inserting the references to regasification wasn't an issue.

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SENATOR MICCICHE said he would be willing to revise the amendment.

SENATOR STEDMAN joined the committee.

[1:43:08 PM](#)

At ease

[1:45:21 PM](#)

CHAIR DUNLEAVY reconvened the meeting and asked Senator Micciche to explain Amendment 2 once again.

SENATOR MICCICHE explained that the amendment allows an evaluation of the project economics. If the economics of the LNG

liquefaction facility do not work, it allows AIDEA to evaluate other projects to deliver the same product to the same communities.

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A roll call vote was taken. Senators Micciche and Dunleavy voted in favor of Amendment 2 and Senators Olson, Stedman, and Ellis voted against it. Therefore, Amendment 2 failed by a vote of 2:3.

[1:47:21 PM](#)

At ease

[1:48:02 PM](#)

CHAIR DUNLEAVY solicited a motion to move the bill.

[1:48:14 PM](#)

SENATOR STEDMAN moved to report SB 23, Version A as amended, from committee with individual recommendations and attached fiscal note(s).

CHAIR DUNLEAVY found no objection and announced that CSSB 23(L&C) moved from the Senate Labor and Commerce Standing Committee.

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There being no further business to come before the committee, Chair Dunleavy adjourned the Senate Labor and Commerce Standing Committee meeting at 1:48 p.m.