

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 15, 2015

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Peter Micciche
Senator Bert Stedman
Senator Bill Stoltze

MEMBERS ABSENT

Senator Bill Wielechowski

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 24

Urging the federal government to honor its commitments to transfer land to the state; and urging the United States Secretary of the Interior and the United States Congress to adhere to the recommendations of the United States Department of the Interior in its 2006 report under the Alaska Land Transfer Acceleration Act, including lifting withdrawals.

- MOVED HJR 24 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 18

Supporting the leases issued by the United States Department of the Interior to Royal Dutch Shell in the Chukchi and Beaufort Seas; urging the Governor of the State of Washington, the Seattle City Council, and other public officials in the State of Washington to refrain from destructive attacks on the economy, jobs, and lives of the people of this state and the State of Washington and to look first at closing the Boeing production facilities to reduce emissions of carbon dioxide from commercial activity; inviting Royal Dutch Shell to use a port in this state as the homeport of its Arctic drilling fleet if the lease with the Port of Seattle is terminated; and requesting that the Alaska Congressional delegation support restricting the Export-Import Bank of the United States to lending only to small businesses.

- MOVED CSSJR 18(RES) OUT OF COMMITTEE

SENATE BILL NO. 50

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- MOVED CSSB 50(RES) OUT OF COMMITTEE

CSHB 137(FIN) AM

"An Act raising certain fees related to sport fishing, hunting, and trapping; relating to the fish and game fund; providing for the repeal of the sport fishing surcharge and sport fishing facility revenue bonds; replacing the permanent sport fishing, hunting, or trapping identification card for certain residents with an identification card valid for three years; relating to hunting and fishing by proxy; relating to fish and game conservation decals; raising the age of eligibility for a sport fishing, hunting, or trapping license exemption for state residents; raising the age at which a state resident is required to obtain a license for sport fishing, hunting, or trapping; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HJR 24

SHORT TITLE: LIFT FEDERAL LAND WITHDRAWALS

SPONSOR(S): REPRESENTATIVE(S) KELLER

04/07/15	(H)	READ THE FIRST TIME - REFERRALS
04/07/15	(H)	RES
04/10/15	(H)	RES AT 1:00 PM BARNES 124
04/10/15	(H)	Moved HJR 24 Out of Committee
04/10/15	(H)	MINUTE(RES)
04/11/15	(H)	RES RPT 5DP 1AM
04/11/15	(H)	DP: JOHNSON, SEATON, TARR, OLSON, HAWKER
04/11/15	(H)	AM: JOSEPHSON
04/13/15	(H)	TRANSMITTED TO (S)
04/13/15	(H)	VERSION: HJR 24
04/14/15	(S)	READ THE FIRST TIME - REFERRALS

04/14/15 (S) RES
04/15/15 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SJR 18

SHORT TITLE: SUPPORT SHELL PORT OF SEATTLE LEASE

SPONSOR(s): RESOURCES

04/13/15 (S) READ THE FIRST TIME - REFERRALS
04/13/15 (S) RES
04/15/15 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 50

SHORT TITLE: AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/11/15 (S) READ THE FIRST TIME - REFERRALS
02/11/15 (S) NRG, RES, FIN
03/10/15 (S) NRG AT 3:30 PM BELTZ 105 (TSBldg)
03/10/15 (S) Heard & Held
03/10/15 (S) MINUTE(NRG)
03/26/15 (S) NRG AT 3:30 PM BELTZ 105 (TSBldg)
03/26/15 (S) Moved CSSB 50(NRG) Out of Committee
03/26/15 (S) MINUTE(NRG)
03/27/15 (S) NRG RPT CS 3DP 1NR SAME TITLE
03/27/15 (S) DP: EGAN, BISHOP, HOFFMAN
03/27/15 (S) NR: MICCICHE
03/30/15 (S) RES AT 3:30 PM BUTROVICH 205
03/30/15 (S) Heard & Held
03/30/15 (S) MINUTE(RES)
04/03/15 (S) RES AT 3:30 PM BUTROVICH 205
04/03/15 (S) -- MEETING CANCELED --
04/09/15 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/09/15 (S) <Pending Referral>
04/10/15 (S) RES AT 3:30 PM BUTROVICH 205
04/10/15 (S) Heard & Held
04/10/15 (S) MINUTE(RES)
04/14/15 (S) RES AT 3:30 PM FAHRENKAMP 203
04/14/15 (S) Heard & Held
04/14/15 (S) MINUTE(RES)
04/15/15 (S) FIN AT 1:30 PM SENATE FINANCE 532
04/15/15 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JIM POUND, staff to Representative Wesley Keller
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Commented HJR 24 for the sponsor.

SARAH TAYLOR
Citizen's Advisory Commission on Federal Areas
Anchorage, Alaska

POSITION STATEMENT: Supported HJR 24.

KARI NORE, staff to Senator Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Commented on SJR 18 for the sponsor.

REED CHRISTENSEN, Board Member
Alaska Support Industry Alliance
Anchorage, Alaska

POSITION STATEMENT: Strongly supported SJR 18.

SARAH ERKMANN, Manager
External Affairs
Alaska Oil and Gas Association (AOGA)
Anchorage, Alaska

POSITION STATEMENT: Supported SJR 18.

AKIS GIALOPSIS, staff to Senator Giessel and the Senate
Resources Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed proposed changes to SB 50 for the
sponsor.

BILL PARADY, Deputy Commissioner
Department of Commerce, Community and Economic Development
(DCCED)
Juneau, Alaska

POSITION STATEMENT: Commented on SB 50.

GENE THERRIAULT, Director
Alaska Energy Authority (AEA)
Fairbanks, Alaska

POSITION STATEMENT: Commented on SB 50.

ACTION NARRATIVE

[3:30:55 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing
Committee meeting to order at 3:30 p.m. Present at the call to

order were Senators Stedman, Costello, Coghill, and Chair Giessel.

HJR 24-LIFT FEDERAL LAND WITHDRAWALS

[3:31:36 PM](#)

CHAIR GIESSEL announced the consideration of HJR 24.

[3:31:40 PM](#)

JIM POUND, staff to Representative Wesley Keller, Alaska State Legislature, Juneau, Alaska, explained HJR 24 for the sponsor. He said it is a kinder gentler version of previous language about land and the federal government. He explained that the "whereas" clause is basically a history of the land withdrawals during the Alaska Native Claims Settlement Act (ANCSA). That act and the Alaska National Interest Land Conservation Act (ANILCA) authorized the Secretary of Interior to withdraw and hold more than 150 million acres of land in Alaska for the purposes of studying what to do with it down the road.

[3:32:21 PM](#)

SENATOR STOLTZE joined the committee.

MR. POUND explained that part of that requirement was for a report, known as the Alaska Lands Transfer Acceleration Report, to be filed with Congress, which was done in 2006; it also became an act in 2007. The report cited that 95 percent of the land that was being withheld had outlived its original purpose and should be returned to the state. Despite that report, none of that land has been released so far. During that time, the state has been permitted to do some "top-filing" on the land, so whenever it is turned over there is an option for the state to getting that land and take care of it.

The resolves ask the federal government to honor its commitment to Alaska under Statehood, ANCSA, the Cook Inlet Exchange, ANILCA and the Alaska Land Transfer Acceleration Act and release approximately 152,181,400 acres of land. It further asks congress to strongly encourage the Secretary of the Interior to act in that direction. The only stick in this resolution is that it suggests that the Attorney General to seek legal action if the land is not released.

The final clause says who the resolution will go to.

[3:34:10 PM](#)

SARAH TAYLOR, Citizen's Advisory Commission on Federal Areas, Anchorage, Alaska, supported HJR 24. She had been working on the Bureau of Land Management (BLM) (d)(1) withdrawal issues for the last 12 years. "Why are we still waiting for our land? Someone said the answer is because the good stuff is all locked up."

She explained that the D-1 withdrawals reference Section 17, (d)(1), of the Alaska National Interest Lands Conservation Act (ANILCA). All of those withdrawals are still on the books even 34 years after ANILCA was passed. A number of withdrawals were made for a pipeline corridor and some other things, and the BLM 2006 report recognized the reasons for those withdrawals were no longer at issue and that, therefore, the release of 151 million acres was consistent with the public interest but they were going to consider withholding 6 million acres of (d)(1) lands until a more appropriate withdrawal could be put in place.

Throughout 2000, when BLM was going through its planning process it was recommending in each plan that the (d)(1) withdrawals be lifted. Even with each of those recommendation those withdrawals have not been lifted. Some very prime acreage is sitting under a (d)(1) withdrawal preventing its transfer to anyone. This is a great opportunity to free up the title and start to address which withdrawals they would like to hold on to and then allow Alaska to receive entitlement free of this encumbrance.

SENATOR COGHILL said the only negative aspect about this is that Alaska is dealing with so many federal issues that resolutions are going out at a high rate. They just need to make sure they are heard.

CHAIR GIESSEL opened public testimony on HJR 24; finding none, she closed it.

SENATOR COSTELLO moved to report HJR 24, version 29-LS0843\A, from committee with individual recommendations and attached zero fiscal note. There were no objections and it was so ordered.

[3:40:03 PM](#)

At ease from 3:40 to 3:41 p.m.

[3:41:27 PM](#)

SENATOR MICCICHE joined the committee.

SJR 18-SUPPORT SHELL PORT OF SEATTLE LEASE

[3:41:37 PM](#)

CHAIR GIESSEL announced consideration of SJR 18.

KARI NORE, staff to Senator Giessel, Alaska State Legislature, Juneau, Alaska, explained SJR 18 for the sponsor. She said this resolution supports the Royal Dutch Shell Port of Seattle leases. It also urges the State of Washington to stop interfering with Alaska's economic development, especially when it comes to developing the oil and gas deposits in the Beaufort and Chuckchi Seas and the Alaska Arctic.

She said this resolution also offers Seward and/or Dutch Harbor as possible ports for Royal Dutch Shell in the event that Seattle and the State of Washington move forward with the termination of their current leases.

SENATOR STEDMAN said Shell had been looking at several ports and that Dutch Harbor and Seward are far from the supply chain. He was wondering why those were picked from the whole gamut of choices they have in Alaska.

CHAIR GIESSEL replied that Dutch Harbor is an actual location where Shell has harbored their vessels before and they have some facilities set up for them there; Seward is in the process of developing a harbor. Ketchikan is an option and she wasn't sure that Whittier could accommodate the drilling vessels.

SENATOR STEDMAN said Sitka has a dock facility that is capable of accommodating Panamax-sized ships. It appears that no one port will have the capacity to facilitate offshore and that Alaska will end up with multiple ports. Seattle is being extremely rude and Alaska would like to get Shell's business.

SENATOR STOLTZE said Seward has a rich history in the development of Alaska and asked if they had received support from the City of Seward for economic development because of the National Park issue and politics involved in Seward. He asked if they had received any support from the City of Seward for economic development and bringing something as evil as fossil fuels into its port.

CHAIR GIESSEL responded, as the immediate past senator for Seward, that Seward was the home port for at least one of Shell's vessels and is quite open to development. An industrial harbor is being developed across the bay from the city.

[3:46:40 PM](#)

SENATOR STEDMAN moved conceptual Amendment 1 to add "has available potential home ports at Dutch Harbor, Seward, Ketchikan, Sitka, and anywhere in Prince William Sound" on page 3, line 13, to leave the all the options open for companies. There were no objections and conceptual Amendment 1 was adopted.

[3:47:42 PM](#)

CHAIR GIESSEL opened public testimony on SJR 18.

REED CHRISTENSEN, Board Member, Alaska Support Industry Alliance, Anchorage, Alaska, strongly supported SJR 18. He is also the President of Dowland-Bach Corporation. He said the Alaska business climate is like the weather: if you like it or not, just wait five minutes because it will change. This rugged environment and remoteness is part of the natural challenges of doing business in Alaska, but most people don't realize it or our resiliency and capacity to rise to them.

However, the recent stance by neighbors in Washington State and others are much worse than the flooding of the Dalton Highway. The Alliance strongly supports this resolution and echoes remarks made by Mayor Brower of the North Slope in her open letter to Lieutenant Governor Hensley that says statements from current leadership in Washington State and Seattle "reflect a lack of basic knowledge about our region and are offensive to people who live in America's Arctic."

[3:51:23 PM](#)

SARAH ERKMANN, Manager, External Affairs, Alaska Oil and Gas Association (AOGA), Anchorage, Alaska, supported SJR 18. She said the Arctic Outer Continental Shelf (OCS) holds enormous oil and gas resources, approximately 27 billion barrels of oil and 132 tcf of natural gas. In comparison, the Trans Alaska Pipeline System (TAPS) has carried just more than 17 billion barrels in over 30 years. At one point, it carried more than 2 million barrels of oil a day, but now it transports an average of 550,000 barrels a day. TAPS has played a critical link in the nation's energy security and OCS development in the Beaufort and Chukchi Seas could feed into TAPS and maintain its viability for years to come.

Additionally, oil and gas development in the Arctic OCS means jobs for Alaskans. Development of the Chuckchi and Beaufort Seas is predicted to produce an annual average of 35,000 direct and indirect jobs over the next half century for Alaska, alone. Those jobs represent a total payroll of more than \$70 billion. When it comes to the Pacific Northwest, Shell's decision to

stage its Arctic operation in Seattle in 2012 poured hundreds of millions of dollars into the Seattle economy and employed more than 400 people. Seattle stands to benefit from similar economic benefits in 2015. On a broader scale, the State of Washington and City of Seattle benefit from the development of Alaska's resources via 113,000 jobs for Washington residents and annual business sales to the state of \$5 billion.

[3:54:11 PM](#)

CHAIR GIESSEL finding no further comments on SJR 18, closed public testimony.

SENATOR STEDMAN commented that Washington State might do a refined products tax on exports next year, and maybe Alaska might have a difference of opinion on that. So, it goes beyond just what they are doing with Shell.

[3:55:04 PM](#)

SENATOR MICCICHE said he appreciated SJR 18 very much. The point is not lost of the hypocrisy of some communities; it seems like the more btus they use per capita the more they are against oil and gas development. He suggested encouraging developers of waters off of Alaska to start a little earlier on to keep their investments in the state. The more that occurs, the more our infrastructure will be capable of servicing those vessels and assets.

SENATOR COGHILL remarked that one of the things that gets lost by many people who live in Seattle is that Alaska is trying to build an infrastructure for power here. They have lived for almost a century with hydro projects put together by the federal government and run by the Army Corps of Engineers that has given them 4-cent power that they lean on, and they are quite often accusing Alaskans of leaning on the federal government. Boeing would not have moved to Seattle if it hadn't been for low cost power that was created a century ago.

SENATOR STEDMAN added that it goes beyond the western side of the State of Washington; "it goes into the eastern side when you look at damming of rivers for hydro-generation and the farm belt that sprang up once they had the ability to water the desert." In the event legislators ever go down that road and mention it formally to their legislature, he would like to use a broader brush and remind them of development on both sides of the mountains.

SENATOR COSTELLO moved to report SJR 18, as amended, from committee with individual recommendations and attached fiscal note(s). There were no objections and CSSJR 18(RES) was reported from the Senate Resources Standing Committee.

[3:59:23 PM](#)

At ease from 3:59 to 4:00 p.m.

SB 50-AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

[4:00:45 PM](#)

CHAIR GIESSEL announced the consideration of SB 50, noting that this is the fourth time the committee has taken it up.

SENATOR COSTELLO moved to adopt CSSB 50 (), version 29-GS1019\E, as the working document.

CHAIR GIESSEL objected for discussion purposes.

[4:01:32 PM](#)

AKIS GIALOPSOS, staff to Senator Giessel and the Senate Resources Committee, Alaska State Legislature, Juneau, Alaska, went over the proposed changes to SB 50 for the sponsor. He said in contrast to Version W, sections 1, 2, 3, 6, and 7 have been removed. Those sections dealt specifically with the two additional components of SB 50 that did not deal with the Interior Energy Project (IEP), namely adjusting the bonding authorizations for AIDEA for inflation and repealing of existing bond authorizations. The rationale is two-fold: first, these are clean-up provisions and due diligence warrants putting them in another bill where they can be vetted. Secondly, it appears that the exigent circumstances of accelerating the IEP is requiring a focus on the IEP's flexibility in the context of AIDEA and thus, scaling that bill to that project.

The second changes address Senator Coghill's installation of new language in a new sections 1 and 4 of Version E. He deferred to Senator Coghill for an explanation.

[4:03:21 PM](#)

SENATOR COGHILL explained that section 1 deals with intent language. With the increased flexibility, it asks that this language focus solely on advancing the Interior Energy Project (IEP) referred to in 26SLA. To stay consistent, it asks for an open and competitive solicitation process and to select private entities to participate in the LNG project.

Section 4 in the uncodified law asks for reports that would require the Alaska Industrial Development and Export Authority (AIDEA) to submit quarterly reports to the legislature by way of the Chief Clerk and Secretary and to the legislature generally at the request of Legislative Budget and Audit (LB&A). The quarterly reports should include a progress on all the components: a status of the local distribution infrastructure, an up-to-date monitoring of conversions and anticipated conversions, which will drive economies of scale, and a financial accounting of funds expended and those anticipated to be spent. Section 5 said there comes a time when requirements should be repealed.

CHAIR GIESSEL asked why the year 2025 was chosen.

MR. GIALOPSOS apologized for omitting a fourth change, the new section 5, which is repealer language of the prior section 4. { The reason 2025 was added was to affirm the IEP's trajectory of coinciding with first gas from the North Slope production of a large scale natural gas project. The intent of the chair and others of having that timeframe, even if the IEP enters into obsolescence earlier, is so there would be an ability for a post mortem on the positive or negative consequences of that policy decision to inform future AIDEA endeavors.

CHAIR GIESSEL invited opinions from Mr. Therriault and Mr. Parady on Version E.

4:08:02 PM

BILL PARADY, Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED), deferred to his colleague for comment, but he appreciated the opportunity to be accountable for what is represented in section 4.

GENE THERRIAULT, Director, Alaska Energy Authority (AEA), Fairbanks, Alaska, said the reporting requirements and intent in SB 50 are reasonable.

CHAIR GIESSEL found no questions and removed her objection saying CSSB 50 (RES) version \E was adopted.

SENATOR STOLTZE said hope, caution, skepticism burns eternal.

SENATOR COGHILL said these reporting requirements will help keep a bright light on the IEP; due diligence by AIDEA and the legislature is important. He guessed another discussion on it would be needed next year.

CHAIR GIESSEL commented that yesterday they heard great public testimony from Fairbanks and she had received an email from one of them, Mr. Merrick Pierce, whose concluding sentence was that the meter price needs to be closer to \$10 mmbtu in Anchorage for a project to work and she thought that was a pretty high requirement for this project to pencil out in Fairbanks. She said the main purpose of this CS was to focus on the IEP and get gas to Fairbanks as soon as possible.

SENATOR STEDMAN commented it's clear that Fairbanks needs assistance with air inversion issues and the cost of oil over the last few years, and a \$10 in Anchorage price would be nice to have across the state.

[4:15:59 PM](#)

SENATOR COSTELLO moved to report CSSB 50(RES), version E, from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

ADJOURNMENT

[4:16:46 PM](#)

Finding no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee meeting at 4:16 p.m.