

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 2, 2016

3:30 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 100(FIN)

"An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products; relating to establishing the value of the state's royalty share of gas production based on contracts with certain in-state processing facilities that manufacture urea, ammonia, or gas-to-liquid products; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 125

"An Act adding legislative nonvoting members to the board of directors of the Alaska Gasline Development Corporation."

- MOVED CSSB 125(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 100

SHORT TITLE: UREA/AMMONIA/GAS-LIQ FACILITY; TAX CREDIT

SPONSOR(S): REPRESENTATIVE(S) CHENAULT

02/09/15	(H)	READ THE FIRST TIME - REFERRALS
02/09/15	(H)	RES, FIN
03/11/15	(H)	RES AT 1:00 PM BARNES 124

03/11/15 (H) Heard & Held
 03/11/15 (H) MINUTE(RES)
 03/25/15 (H) RES AT 1:00 PM BARNES 124
 03/25/15 (H) Moved CSHB 100(RES) Out of Committee
 03/25/15 (H) MINUTE(RES)
 03/27/15 (H) RES RPT CS(RES) NT 7DP 1NR
 03/27/15 (H) DP: OLSON, TARR, SEATON, JOHNSON,
 HERRON, NAGEAK, TALERICO
 03/27/15 (H) NR: JOSEPHSON
 04/02/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/02/15 (H) -- MEETING CANCELED --
 04/03/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/03/15 (H) Heard & Held
 04/03/15 (H) MINUTE(FIN)
 04/09/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/09/15 (H) Moved CSHB 100(FIN) Out of Committee
 04/09/15 (H) MINUTE(FIN)
 04/10/15 (H) FIN RPT CS(FIN) NT 6DP 3DNP
 04/10/15 (H) DP: SADDLER, GATTIS, EDGMON, WILSON,
 NEUMAN, THOMPSON
 04/10/15 (H) DNP: KAWASAKI, GUTTENBERG, GARA
 04/13/15 (H) TRANSMITTED TO (S)
 04/13/15 (H) VERSION: CSHB 100(FIN)
 04/13/15 (S) RES AT 3:30 PM BUTROVICH 205
 04/13/15 (S) Scheduled but Not Heard
 04/14/15 (S) READ THE FIRST TIME - REFERRALS
 04/14/15 (S) L&C, RES, FIN
 04/15/15 (S) L&C REFERRAL REMOVED
 03/02/16 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 125

SHORT TITLE: LEGISLATIVE MEMBERS OF AGDC BOARD

SPONSOR(S): SENATOR(S) COSTELLO

01/19/16 (S) PREFILE RELEASED 1/15/16
 01/19/16 (S) READ THE FIRST TIME - REFERRALS
 01/19/16 (S) L&C, RES
 02/02/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/02/16 (S) Heard & Held
 02/02/16 (S) MINUTE(L&C)
 02/04/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/04/16 (S) Moved CSSB 125(L&C) Out of Committee
 02/04/16 (S) MINUTE(L&C)
 02/08/16 (S) L&C RPT CS 4DP SAME TITLE
 02/08/16 (S) DP: COSTELLO, GIESSEL, MEYER, STEVENS
 03/02/16 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE MIKE CHENAULT
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 100 as sponsor.

DON BULLOCK, House Majority Staff
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding HB 100.

STEVE WENDT, Manager
Agrium Kenai Operations
Agrium, Inc.
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 100.

ADAM DIAMOND, Manager
Government Affairs
Agrium, Inc.
Calgary, Alberta, Canada

POSITION STATEMENT: Testified in support of HB 100.

LANCE NELSON
Iron Workers Local 751
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 100.

THOM PELLEGRAM, Cook Inlet Asset Manager
Peak Oilfield Service Company
Nikiski, Alaska

POSITION STATEMENT: Testified in support of HB 100.

AARON PLIKET, President
Building and Construction Trades Council of Southcentral Alaska
and Business Agent, Plumbers and Steamfitters Local 367
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 100.

PAUL GROSSI, Lobbyist
Plumbers, Pipefitters and Ironworkers
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 100.

TOM BRICE, Business Representative

Alaska Laborers Local 341
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 100.

MAX MIELKE, Business Manager
Plumbers and Pipefitters Local 262
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 100.

BRANDON MCGUIRE
Plumbers and Pipefitters, UA Local 367
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 100.

WESTON EILER, staff to Senator Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 125.

MILES BAKER, Vice President of Internal Affairs
Alaska Gasline Development Corporation (AGDC)
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding SB 125.

ACTION NARRATIVE

[3:30:33 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 Stoltze, Costello, Coghill, and Chair Giessel. Senator Wielechowski joined shortly thereafter, and Senator Micciche arrived as the meeting was in progress.

HB 100-UREA/AMMONIA/GAS-LIQ FACILITY; TAX CREDIT

[3:31:16 PM](#)

CHAIR GIESSEL announced consideration of HB 100. [CSHB 100(FIN) was before the committee.]

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, sponsor of HB 100, explained that the bill establishes a credit against the income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products. The [tax credit] is related to the value of the state's royalty share of gas production based on contracts with certain processing facilities. He said there will be wide reaching effects for

agriculture in the [Matanuska-Susitna] valley and "toward Fairbanks."

[3:33:29 PM](#)

REPRESENTATIVE CHENAULT said the "first section came on line" in 1968, and "the second process came in the 70s." The bill proposes to help bring back an aged facility that still has meaning for the State of Alaska, and there will be about \$275 million invested by the corporation that is looking to bring this facility back up. It would supply about 140 high-paying jobs that will go to Alaskans, he said. These were historically Alaskan jobs, mostly based in the Kenai area, and 300 to 600 workers will be hired to get the facility back on line. "For some reason, tax credits are bad in the State of Alaska now," he said. The state has a revenue problem, and Alaska is deficit spending, he explained.

SENATOR WIELECHOWSKI joined the committee.

REPRESENTATIVE CHENAULT said he would like to change "the tone of this into a tone that is about the state collecting more revenue." He stated that the gas is not under production, and it will be a long time before gas on state leases is developed, "and possibly never." The bill provides an avenue where the state can help a corporation bring a facility back up with no upfront money, he said. The company will not receive a dime of credit until it is using gas, and it could bring in \$15 to \$18 million a year if it uses the amount of gas that it can use with one train, he explained.

[3:37:02 PM](#)

CHAIR GIESSEL asked if the \$15 to \$18 million per year refers to royalty or production tax.

REPRESENTATIVE CHENAULT said, "It's royalty gas." He believes that Cook Inlet royalty is 12.5 percent and said the amount is based on the gas that would actually be used at the facility.

SENATOR COSTELLO noted that the sponsor statement for HB 100 mentions that the arrangement is for a limited time.

REPRESENTATIVE CHENAULT said he believes the credit would be available for 6.5 years and cannot be stacked or rolled to the following year. If [the processing facility] continues to operate, the state would receive the full amount, or \$18 million, he explained.

SENATOR COSTELLO asked if the credits are carry forward.

REPRESENTATIVE CHENAULT answered no.

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SENATOR COGHILL asked how the percentage of ownership interest in that particular facility fits into that equation.

DON BULLOCK, House Majority Staff, Alaska State Legislature, Juneau, explained that there may be several owners of the facility, "and that was just a means for proportioning the credit among different owners."

SENATOR WIELECHOWSKI asked how much gas Agrium Inc. (Agrium) will use each year.

REPRESENTATIVE CHENAULT said he has seen numbers between 26 and 28 billion cubic feet.

SENATOR WIELECHOWSKI asked if [legislative consultant, Janak Mayer] voiced potential concerns "if this opens up about the Cook Inlet supply."

MR. BULLOCK answered that consultants Janak Mayer and Nikos Tsafos of enalytica have testified that the Cook Inlet market is constrained. There are very limited exports; most of the market is for limited commercial and consumer use. As a result, he said, it is difficult to encourage more exploration and development. The consultants said that value-added processing by Agrium would be an incentive for more exploration, "which would correspond with increases in royalties to the state and ultimately more tax after the current limitations expire."

[3:41:26 PM](#)

SENATOR COGHILL asked if the credit is renewable.

REPRESENTATIVE CHENAULT said his understanding is that it is a 6.5-year credit.

SENATOR WIELECHOWSKI asked if Agrium had approached the Kenai Borough about property tax relief.

REPRESENTATIVE CHENAULT answered that Kenai Peninsula is a second class borough and does not have that power.

[3:42:40 PM](#)

CHAIR GIESSEL opened testimony for invited witnesses.

[3:42:51 PM](#)

STEVE WENDT, Manager, Agrium Kenai Operations, Agrium Inc., Kenai, Alaska, said Agrium Inc. (Agrium) is headquartered in Alberta, but it has numerous U.S. operations. The corporation produces and mines the three primary agricultural nutrients of nitrogen, potash, and phosphate, and it sells the products wholesale and retail worldwide. He said the [Kenai] facility was built in 1968 by Unocal because of the large supply of Cook Inlet gas, and Agrium purchased the facility in 2000 to produce urea and ammonia. The facility sold products mostly to Asia and the Lower 48, but a small volume was sold in Alaska, which can enable better agricultural economics and food security, he stated. He said Agrium had been a significant player in the Kenai Peninsula Borough economy; it was its largest taxpayer and contributed to local nonprofit organizations.

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MR. WENDT stated that there were "gas curtailments" in early 2002, and after exploring multiple opportunities for new gas supplies, it was forced to close the plant in 2007. He said that Agrium partnered with the Alaska Department of Labor by funding a transition center in Kenai for laid off employees.

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MR. WENDT said that the Cook Inlet "renaissance" has opened the possibility that Agrium could restart its facility, so policies passed by the legislature have had their intended impact. Because of the explorer tax credits, Southcentral Alaska has more energy security with new discoveries of gas in Cook Inlet, he stated. With Agrium as a consumer, he expects new production to come on line.

ADAM DIAMOND, Manager, Government Affairs, Agrium Inc., Calgary, Alberta, Canada, added that HB 100 is designed to protect Alaska, because it does not require any out-of-pocket spending to the state, and it does not impact any existing state revenue streams. The bill does not require any upfront state obligation, and Agrium will first be required to invest up to \$275 million to get the plant running before it will receive incentives. He said that the bill includes a sunset provision, and credits cannot be carried forward or transferred, ensuring that it will always be revenue positive for the state.

SENATOR WIELECHOWSKI asked if Agrium can get property tax relief from the Kenai Peninsula Borough.

MR. WENDT said the legal finding is that a second-class borough is unable [to reduce property taxes].

SENATOR WIELECHOWSKI expressed concern about Agrium using 25 percent of the Cook Inlet gas supply. He said that the LNG [liquefied natural gas] plant has acted as a buffer, where if gas is needed [by utility companies], it would reduce its production. He asked if Agrium would do that.

MR. WENDT said that prior to shutting down and Conoco taking the role as the swing for utility usage, Agrium acted as the primary player for 40 years, and it cut rates or shut plants down "when utilities made that call." He said Agrium will always be last in line, and the utilities will always be first.

[3:50:12 PM](#)

MR. WENDT said this is the only facility that Agrium has had to shut down and lay people off, and Agrium does not want it to happen again. There will be extreme due diligence before ever starting it up. "They want to ensure gas reserves are there first and foremost for the utilities, other industries, and, finally, Agrium, for a minimum 10-year term," he stressed, and that is a very difficult hurdle.

[3:51:00 PM](#)

SENATOR WIELECHOWSKI said the likely cost, according to the fiscal note, will be \$3 to \$4 million per year, and it could go up to almost \$15 million per year—or twice that if there are multiple trains. Typically, if a business needed tax relief, it would open its books and show Alaskans why they should give up millions of dollars each year. He said he would be open to the relief if the corporation needed it. He asked if Agrium would provide information on its rates of return and net present values, with the tax relief and without it, so legislators can see if the relief is really needed.

MR. WENDT said he could provide a current financial statement. This is a very difficult project, and there is not "an extremely high hurdle rate for projects, being in the agricultural sector, but even so, commodity prices are down," including urea and ammonia. He stated that this is a very difficult project, and \$3 million is significant to the project and an opportunity for the state to participate in opening the plant.

SENATOR WIELECHOWSKI noted that an Agrium financial statement might not be that helpful, but he would like to see some modeling based on rates of return and net present value.

CHAIR GIESEL asked Mr. Wendt to provide it to the committee.

[3:53:31 PM](#)

SENATOR WIELECHOWSKI asked about Agrium's history of local hire.

MR. WENDT replied that permanent, full-time employees will be Alaskans, because workers have a week-on, week-off schedule, so travel [outside] would be difficult. Additionally, Agrium requires workers to be available for overtime during their weeks off. He said that Agrium has a history of employing over 99 percent Alaskans "as far as our 140 are concerned." He said that the company brings in specialty contractors, from time to time, but it always has a long-term maintenance contract with a local company.

MR. DIAMOND added that Agrium is considering a single train, which will likely create 140 full-time jobs. During the 30-month construction period, "we're looking at upwards of 400 direct construction jobs," he stated.

SENATOR WIELECHOWSKI asked what gas price will make the facility economic considering the higher price of Cook Inlet gas.

MR. WENDT agreed that [Cook Inlet gas] would be the costliest gas the company will be buying, and it might be higher than what competitors pay. The only way this project can work is that "the iron is sitting there; the facility is there; we've kept it in good shape." Gas price yesterday was \$1.70, and that is why state assistance is important, he stated.

[3:56:05 PM](#)

SENATOR MICCICHE joined the committee.

MR. DIAMOND said it would cost about \$2 billion to build a new facility, so the existence of the plant makes the idea viable.

SENATOR WIELECHOWSKI asked if there are big markets for Agrium's product in Alaska and Asia and if being in the state has that advantage.

MR. WENDT confirmed that transportation costs to Asia from Alaska are favorable. Prices for Agrium's product are low, but accessing the Asia market is advantageous.

MR. DIAMOND said Alaska's [market] will be a small percentage of what Agrium produces, but when the plant shut down previously, fertilizer prices in Alaska increased by a factor of four.

[3:58:26 PM](#)

CHAIR GIESSEL opened public testimony.

LANCE NELSON, Iron Workers Local 751, Fairbanks, Alaska, spoke in support of HB 100. With a poor capital budget for the next few years, this [bill] would be a bonus to the state. During construction, there will be 200 people working six days a week for \$45 per hour, plus overtime, so there will be \$630,000 per week in payroll, and most of that would go back into the Nikiski community. In the long term, maintenance jobs would employ 140 people, so 140 families would get good pay and hopefully good benefits, he stated. "This is costing the state no money; it's a little tax credit," he added.

SENATOR STOLTZE recalled that the facility had contentious labor issues and "is maybe decertified." He asked Mr. Nelson if he has expectations that the legislature does not know about. He added that he had no position on the issue, but he is curious, and it would be in the public's interest.

MR. NELSON said he could not speak about the company's past, but he would just like to see Alaskan jobs for Alaskan families.

[4:02:25 PM](#)

THOM PELLEGRAM, Cook Inlet Asset Manager, Peak Oilfield Service Company, Nikiski, Alaska, spoke in support of HB 100. He said he worked with Agrium before it shut down. The industry in Cook Inlet is slowly fading with the [declining] price of crude, and HB 100 is a job-creating bill. A year ago his company had about 525 Alaskans on the payroll, and now there are 220 with more layoffs to come. He said Agrium is a great operator and treated their people well.

[4:04:43 PM](#)

AARON PLIKET, President, Building and Construction Trades Council of Southcentral Alaska, and Business Agent for Plumbers and Steamfitters local 367, Anchorage, Alaska, said the Agrium plant was put on the Kenai Peninsula for one reason: cheap and abundant natural gas. Today the cheap, easy gas is gone, he said, and when Agrium closed in 2007, he thought he would never see it open. With new technology and the discovery of new gas, he is more hopeful that the facility will restart. He said the bill is about jobs, and it is important to look for ways to put

Alaskan to work, which will help keep a pool of skilled workers in Southcentral Alaska and ready for the next project. He noted that this is not the year to be talking about tax credits, but this is different because it does not cost the state "unless they use the gas," and then "they would pay the appropriate tax assessment, creating revenue for the state." He said it is fair for Agrium to ask for help in getting things going. Regarding Senator Stoltze's comments, this is not a union/nonunion issue, this is about jobs, he stated.

[4:07:28 PM](#)

PAUL GROSSI, Lobbyist, Plumbers and Pipefitters and Ironworkers, Juneau, Alaska, said HB 100 is about jobs for us and revenue for the state. No taxes are being paid now, so this is an opportunity for the state to get additional revenue. The credit is for 6.5 years, but construction will take 2 to 3 years, so the tax credit is only for a few years. After that time, the state will get royalties and taxes. "So is it really a tax credit? I don't know," he said. It seems like the tax credit is misnamed. He noted that future capital budgets will be very minimal, and this is a way to help private industry and promote jobs for Alaskans. The credit will soften the blow if there is a recession. This is a value-added industry, and it is needed to diversify Alaska's economy. He recalled the last recession when construction workers left for the Lower-48. Some came back, he stated, but the younger ones made a life someplace else, so the skilled labor was lost. This project will bridge that gap "until we get to the pipeline or some of these other large-scale projects where we need the kind of talent that these people who will be working on this project will provide."

[4:12:57 PM](#)

SENATOR STOLTZE said that in 1988 there was a jobs bill, and he believes it was for under \$10 million, and organized labor was an enthusiastic supporter. He said, "You can't fight for a union contract unless you create the job first, so I appreciate that perspective." He said he will ask Speaker Chenault to fill him in on the history of "some of the range wars."

[4:14:24 PM](#)

TOM BRICE, Business Representative, Alaska Laborers Local 341, Anchorage, Alaska, said his group supports HB 100.

[4:15:19 PM](#)

MAX MIELKE, Business Manager, Plumbers and Pipefitters Local 262, Juneau, Alaska, testified in support of HB 100 and said, "we are all about jobs, and these are probably going to be some

good Alaskan jobs," although he is not sure if his members will have access to them. He said he is unsure of Alaska's future beyond next year, which is a little scary, but he strongly supports the bill.

4:16:13 PM

BRANDON MCGUIRE, Plumbers and Pipefitters, UA Local 367, Anchorage, Alaska, said Agrium has the potential to have a positive impact on Alaska's economy, because capital projects are going to become scarce. Many Alaska construction workers rely on capital projects. As part of his job, he said, he speaks with skilled union and nonunion craftspeople. Both groups agree on the need to work, and this project can employ a wide range of labor for recommissioning the plant and for running it, he stated. Giving a tax break comes at a time when Alaska cannot afford it, but the return should allow the state to recoup much more. The tax credit provides \$3 million per year for about 10 years, and the return can be worth more than \$17 million yearly. He likened it to an investment return of several hundred percent. He added that skilled labor "does not have the tendency to sit around on its haunches and wait for something to happen; the term 'baby boomers' did not come from people not willing to work outside of their immediate region." He reminded the committee that if there are no employment opportunities in the state, people will move elsewhere. He said that he speaks with people every day from different states who are willing to move to Alaska. His fear is not that he will have to tell them that he does not have anything now, but that it will be Alaskans doing the same thing in the near future, he concluded.

CHAIR GIESEL said she will keep public testimony open.

4:20:29 PM

SENATOR MICCICHE said ratepayers are concerned about utilities having an adequate supply of Cook Inlet natural gas.

MR. WENDT answered that Enstar just signed a contract with Hilcorp "that provides them 70 percent" into March, 2023. He said that Chugach Electric [Association, Inc.] has "100 percent out through 2022; HEA [Homer Electric Association, Inc.] is satisfied, I believe, through 2019." He said ML&P [Anchorage Municipal Light & Power] just purchased properties from ConocoPhillips, and he assumes it is satisfied for the near term. He noted that prior to Agrium shutting down, it had the role of "swing" and would cut rates or shut down when requested by the utilities. He said that "without question that's what we would do, and we would expect to do the same in the future."

This is the only facility Agrium has ever shut down, and Agrium will not be put in the same position of having a fully staffed plant with no gas. He explained that Agrium is setting high standards of due diligence and requiring proven reserves for at least ten years for utilities, other industries, and for Agrium. "If we can satisfy all of that, then we will go ahead and fund this project," he stated.

SENATOR MICCICHE said his first oil field job was at Agrium. The community misses the company, which was generous, and Agrium retirees are still active in the community. When the facilities shut down, "the really quality oilfield service providers go away," which makes it more expensive for the utilities. It takes more than one "employee unit" to do a job when the employees are newer and less experienced, he said, and the cost to our ratepayers "becomes significant." He asked about balance: "We really have too little for starting up all of the facilities but too much to keep oil and gas companies looking hard in Cook Inlet." He asked how "that 80 million-a-day demand" would affect exploration and development in Cook Inlet.

[4:25:35 PM](#)

MR. WENDT answered that incentives have resulted in numerous significant discoveries of gas. Agrium is working with all producers in the inlet, and it has seen a lot of confidential information. There have been several significant discoveries, he said, but they won't be delineated and developed without a market. Agrium will provide a summer season [of demand], which is lacking now. The extremes in the utility market make things difficult for producers, he explained. Agrium will help the discoveries be developed.

SENATOR STOLTZE said he did not hear mention of the Matanuska Electric Association, which is a major customer of Hilcorp.

MR. WENDT apologized for that oversight but said he is not as familiar with its contract situation.

SENATOR STOLTZE said it [serves] about 130,000 people. He asked about emergency storage.

MR. WENDT explained that the ConocoPhillips LNG facility next door has acted as "swing" during the summer. "We understand that utilities will always come first."

[4:29:19 PM](#)

SENATOR STOLTZE said that the previous mayor of Anchorage had a proactive energy policy committee, and he asked if it continues, or "did that go by the way, so we could spend more time on diversity?"

MR. WENDT said he was not familiar with an energy committee.

SENATOR WIELECHOWSKI said the oil and gas industry testified in the House that if tax credits decline in Cook Inlet there will be decreased investment.

MR. WENDT said he agrees. Tax credits in Cook Inlet need to remain for two years for the Agrium project to be viable. More than one producer has told him that. He said Agrium might be able to assist in reducing those credits once it is operating, he added.

SENATOR WIELECHOWSKI asked if Agrium's position is that oil and gas tax credits in Cook Inlet must remain for two years.

MR. WENDT said he was not familiar with all credits, but the producers have said that the credits that do not expire in 2016 need to remain for two years to make their projects viable.

SENATOR MICCICHE said he managed the [Agrium] facility for many years, and Mr. Wendt is used to dealing with him.

[4:32:33 PM](#)

CHAIR GIESSEL held HB 100 in committee.

SB 125-LEGISLATIVE MEMBERS OF AGDC BOARD

[4:33:34 PM](#)

CHAIR GIESSEL announced consideration of SB 125.

SENATOR MIA COSTELLO, sponsor of SB 125, said the legislature has a depth of knowledge regarding the gasline, and SB 125 is offered in a spirit of cooperation and making the gasline process better for all Alaskans. The bill adds two non-voting ex-officio members to the Alaska Gasline Development Corporation (AGDC). She said there are more members on her son's soccer team than there are on the AGDC board. Adding members will improve communication and the process, she stated.

[4:35:49 PM](#)

WESTON EILER, staff to Senator Costello, Alaska State Legislature, said that the first two sections of SB 125 add two

nonvoting legislative members to serve two-year terms (on the AGDC), one from the House and one from the Senate, and sections 3 through 6 are conforming amendments. The AGDC now has five public members and two commissioners of state departments appointed by the governor. He said SB 125 is intended to strengthen and diversify the board for upcoming complex policy issues and large funding decisions, which require transparent and clear decision-making. Having legislators on the board gives all parties a seat at the table, and legislators understand that a long view is needed for budgeting decisions. The legislators will be an asset, he opined, providing perspective and continuity. Legislators serve on over 12 state boards and commissions, he added, including the Knik Arm Bridge and Toll Authority and the Alaska Aerospace Corporation. They will better understand AGDC if they are on the board, which is helpful because any contract over the span of two years needs to come back to the Legislature, he stated.

SENATOR STOLTZE said he served on two boards as an ex-officio and always participated in executive sessions.

SENATOR COSTELLO said she intends for the two legislators to attend all meetings.

MR. EILER noted that legislative council said the bill language allows members to participate in executive sessions.

[4:41:03 PM](#)

SENATOR STOLTZE said the bill relies on good faith, and "every hand outreached hasn't always been shaken, hence this bill is before us." He said the change will allow a better flow of information. Most board members are not legislators, and when he was an ex-officio, he helped provide the legislative perspective, especially when asking candid questions in executive sessions. The board will still make its own decisions, he stated, but it will be with better informed consent.

SENATOR WIELECHOWSKI said AGDC started out with people who had pipeline experience, and now it is shifting more to being political, and that is not the direction it should go.

SENATOR COSTELLO appreciated his sentiment, "but who better to have sitting there in the room than people that were around when the statutes and the laws were written and crafted for the project?" The benefit of having expertise is invaluable, and legislators are elected by their neighbors and are political people, but they "wear different hats." She said the precedent

is set with other boards, and she offers the bill in a spirit of teamwork.

SENATOR STOLTZE said he was reminded of a movie from the 1980s where people were shocked that there was a whorehouse in Texas, "but there are politics on this board." His good friend, John Burns, had "tire tracks on his back" from a truck driven by a "trimmed out politician," and he probably saw that his job was more political than he expected.

CHAIR GIESSEL opened public testimony, and, finding none, she closed it.

[4:45:06 PM](#)

SENATOR COGHILL asked if the bill needs to be explicit in allowing legislative board members to attend executive sessions.

MILES BAKER, Vice President, Internal Affairs, AGDC, Juneau, answered that the board has not discussed it, but he assumes legislative members would participate in executive sessions.

SENATOR COGHILL asked if there are any barriers.

MR. BAKER said he is not aware of any, but he will get back to the committee with an answer.

SENATOR COGHILL said he expects there will be barriers, and it needs to be put into law.

CHAIR GIESEL said that she thinks Senator Coghill is correct.

SENATOR STOLTZE said he understands Mr. Baker's situation, because "when you're walking on eggs you don't hop." He asked for a document to clear up the issue.

[4:47:33 PM](#)

SENATOR WIELECHOWSKI asked if the board gets per diem and if travel is involved.

MR. BAKER answered that public members of the AGDC board receive a \$400 honorarium for each day they do board business, which is typically one meeting per month preceded by a day of committee work. He estimated a total of two to four days of honorariums each month, but the two commissioners are not entitled to them. The board usually meets in Anchorage, but it has met in Fairbanks and Palmer, and AGDC pays for hotels and travel.

SENATOR WIELECHOWSKI said SB 125 has no fiscal note and asked if legislative members would use their office accounts.

MR. BAKER assumed that the legislators would operate similar to the commissioners, and travel and per diem would be subject to the legislative budget rules and not come from the AGDC budget.

SENATOR WIELECHOWSKI asked if the legislative members will sign confidentiality agreements.

MR. BAKER answered that for most of what the board is involved in there have not been many requests [for agreements]. Legislators are already entitled to most of the confidential information that would require the board to sign such an agreement, but whether their normal oath of office would apply or whether the legislative members would need to sign the agreements could be answered by legal counsel.

[4:51:24 PM](#)

SENATOR STOLTZE asked what activities or information might the board want to exclude legislators from, "since you used the term 'most'."

MR. BAKER explained that he meant that not everything the board deals with needs confidentiality agreements.

[4:52:30 PM](#)

CHAIR GIESEL closed public testimony.

SENATOR MICCICHE offered conceptual amendment 1 stating that, other than voting, legislative board members shall participate in all processes of the board, including executive sessions, and they shall not receive an honorarium.

SENATOR COGHILL objected for discussion.

SENATOR STOLTZE suggested "no compensation" instead of "no honorarium." This is not an issue on most boards, but "I think there's been other factors that even cause this legislation being brought forward."

SENATOR MICCICHE suggested adding travel or per diem after "honorarium."

SENATOR COGHILL said it is not clear if legislators could use their legislative accounts.

SENATOR STOLTZE said he served on the Alaska Seafood Marketing Council and the Knik Arm Bridge Toll Authority, and there has never been a question that the legislative branch "picked up these; it was certainly a courtesy to us ... and it was a benefit to have us on the board as a nonvoting member." He said legislators cannot be voting members because of the dual office [statute]. That the committee is even dealing with this bill dictates why the language has to be so specific, he opined.

SENATOR MICCICHE said conceptual amendment 1 is: other than voting, legislative members of the board shall participate in all processes of the board, including executive sessions.

[4:57:52 PM](#)

At ease.

[4:58:17 PM](#)

SENATOR MICCICHE continued with his conceptual amendment: [legislative members will not] be compensated by AGDC for an honorarium, travel, or per diem for their participation on the AGDC board.

CHAIR GIESEL noted the need to renumber the bill. Finding no further objections, conceptual amendment 1 was adopted.

[4:59:28 PM](#)

SENATOR COSTELLO moved to report SB 125, version 29-LS1250\E, as amended, from committee with individual recommendations and attached fiscal note(s).

SENATOR WIELECHOWSKI objected and said he respects the sponsors in putting SB 125 forward, but the legislature has numerous opportunities to participate with the AGDC, including regular briefings and testimony. He stated that Alaska needs less politics [in the AGDC], and the bill adds a new layer. He removed his objection, but he said he will not support the bill.

CHAIR GIESSEL heard no further objections, and CSSB 125(RES) moved out of committee.

[5:00:49 PM](#)

CHAIR GIESSEL adjourned the meeting at 5:00 p.m.