

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 7, 2018

1:46 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative John Lincoln
Representative Harriet Drummond
Representative Justin Parish
Representative Chris Birch
Representative DeLena Johnson
Representative George Rauscher
Representative David Talerico

MEMBERS ABSENT

Representative Mike Chenault (alternate)
Representative Chris Tuck (alternate)

COMMITTEE CALENDAR

PRESENTATION(S): ALYESKA PIPELINE SERVICE COMPANY

- HEARD

HOUSE BILL NO. 217

"An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 217

SHORT TITLE: RAW MILK SALES; FOOD EXEMPT FROM REGS

SPONSOR(S): REPRESENTATIVE(S) TARR

04/07/17	(H)	READ THE FIRST TIME - REFERRALS
04/07/17	(H)	RES, FIN
04/12/17	(H)	RES AT 1:00 PM BARNES 124
04/12/17	(H)	Scheduled but Not Heard
04/13/17	(H)	RES AT 5:00 PM BARNES 124
04/13/17	(H)	-- Continued from 4/12/17 --

04/14/17	(H)	RES AT 1:00 PM BARNES 124
04/14/17	(H)	<Bill Hearing Postponed>
04/17/17	(H)	RES AT 1:00 PM BARNES 124
04/17/17	(H)	Heard & Held
04/17/17	(H)	MINUTE (RES)
01/31/18	(H)	RES AT 1:00 PM BARNES 124
01/31/18	(H)	Heard & Held
01/31/18	(H)	MINUTE (RES)
02/07/18	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

TOM BARRETT, President
 Alyeska Pipeline Service Company
 Anchorage, Alaska
POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Voyage Plan Marine Services Contract Transition Winter 2018 Update."

ANDRES MORALES, Director
 Ship Escort/Response Vessel System
 Alyeska Pipeline Service Company
 Anchorage, Alaska
POSITION STATEMENT: Answered questions during a presentation by Alyeska Pipeline Service Company.

DIANA RHOADES, Staff
 Representative Geran Tarr
 Alaska State Legislature
 Juneau, Alaska
POSITION STATEMENT: On behalf of Representative Tarr, sponsor, provided a sectional analysis of the committee substitute for HB 217, Version J.

BRYCE WRIGLEY, President
 Alaska Farm Bureau, Inc.
 Delta Junction, Alaska
POSITION STATEMENT: Testified in support during the hearing of HB 217.

PATRICIA GRISWOLD
 Grandma's Gardens
 Delta Junction, Alaska
POSITION STATEMENT: Testified during the hearing of HB 217.

ART GRISWOLD
 Delta Junction, Alaska

POSITION STATEMENT: Provided comments on topics not pertinent to CSHB 217, Version J.

MATTHEW BATES

Delta Junction, Alaska

POSITION STATEMENT: Provided comments on topics not pertinent to CSHB 217, Version J, and spoke in support of one provision of the bill.

DANNY CONSENSTEIN, Spokesperson

Alaska Food Policy Council

Anchorage, Alaska

POSITION STATEMENT: Testified in general support during the hearing of HB 217.

JOHANNA HERRON, Coordinator

Marketing, Alaska Grown & Farm to School

Division of Agriculture

Department of Natural Resources

Palmer, Alaska

POSITION STATEMENT: Testified during the hearing of HB 217.

ACTION NARRATIVE

[1:46:51 PM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 1:46 p.m. Representatives Tarr, Birch, Parish, Talerico, Drummond, Rauscher, Lincoln, and Josephson were present at the call to order. Representative Johnson arrived as the meeting was in progress.

PRESENTATION(S): Alyeska Pipeline Service Company

[1:47:49 PM](#)

CO-CHAIR TARR announced that the first order of business would be a presentation by the Alyeska Pipeline Service Company related to the transition from Crowley to Edison Chouest Offshore for Prince William Sound and Valdez Marine Terminal Prevention and Response.

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TOM BARRETT, President, Alyeska Pipeline Service Company (APSC), provided a PowerPoint presentation entitled, "Voyage Plan Marine Services Contract Transition Winter 2018 Update," dated 2/7/18,

and brief background information on the presenters. Mr. Barrett informed the committee APSC seeks to position its systems of pipeline, terminal, and the Ship Escort/Response Vessel System (SERVS), with new and more capable equipment with the intent to create durable assets for the next 20-40 years. Since last year, APSC is continuing the process of transition and wishes to relate to the committee a sense of the upcoming activity. As an aside, he advised [on 2/3/18] there was a small spill at the terminal due to an ice plug with approximately 150 gallons spilled into a concrete deck and spread by high winds. He said valves may need to be replaced, but replacements are not available currently, and further described the possible cause of the spill and the difficult weather conditions during the response. Mr. Barrett directed attention to the PowerPoint presentation which discussed the transition of marine services from Crowley Maritime Corporation (Crowley) to Edison Chouest Offshore (ECO). Slide 2 displayed a new barge that will be one of the largest oil spill barges in the world. [APSC] provides escort and response services in accordance with spill agreements, and contingency plans, filed with the state and the U.S. Coast Guard (USCG). Slide 3 displayed a tanker escort that escorts laden tankers. The tanker escorts are regulated by USCG and the Department of Environmental Conservation (DEC) and demonstrate their capabilities through approximately 75 drills per year to ensure the readiness of equipment and staff. Slide 4 illustrated an approximate transition schedule, and he pointed out the transition process began in 2016, including the construction of vessels and the recruiting and training of personnel. Mr. Barrett noted Crowley has been very cooperative, and ECO personnel have begun observing operations, which will continue. He spoke highly of ECO equipment and capabilities and further described training procedures. The regulatory approval process is ongoing with an amended terminal contingency plan, a filed tanker contingency plan, and responses to comments or concerns from the public and the state. All parties have a common goal to facilitate a smooth transition and to maintain and improve the best escort and response system in the world, which is prepared to deal with a contingency or response ranging from fishing vessel traffic to a tanker that has lost power. Mr. Barrett advised the system is safer than it has ever been due to fewer tankers transiting and that tankers now have double hulls.

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MR. BARRETT continued to slide 5, noting that the transition team is working seven days per week, twenty-four hours per day

along with a full staff managing operations: vessels are under construction; training is underway; ECO is participating; there is stakeholder engagement with various contractors and vendors. Transition guiding principles were listed as follows: obligations to protect the environment, resources, and culture; move oil safely with zero incidents and immediate response if necessary (slide 6). He described the recent events associated with a tsunami alert. The final principle is APSC's value for transparent partnerships with regulators and stakeholders, many of whom live in Prince William Sound (slide 6). Transition objectives were listed as follows: flawless operation; ECO vessels will exceed the current fleet; maintain full compliance with regulatory requirements (slide 7). Slide 8 displayed new escort tugs that have 20 percent more power and that are of a standard design to enhance flexibility for crews and operations. He pointed out improved equipment that is provided on the new escort tugs.

[2:00:55 PM](#)

ANDRES MORALES, Director, SERVS, APSC, advised more powerful escort tugs are important when tugs are towing tankers or stopping vessels. Also, modern equipment allows a vessel master to focus on operating the vessel.

[2:01:41 PM](#)

MR. BARRETT noted one existing APSC barge is 50 years old.

REPRESENTATIVE BIRCH asked for the methods that connect an escort tug to a tanker.

MR. MORALES said a tether line from a constant-tension wench connects to the stern of the tanker; the tether is large and stronger than steel cable. The escort and tanker remain tethered when close to shore, and the tanker is released when further out at sea.

There followed brief questions and answers related to the vessels pictured on slides 8, 9, and 10.

CO-CHAIR JOSEPHSON related the Prince William Sound Regional Citizens' Advisory Council (RCAC) believes the transition is an overall improvement in equipment, but expressed concern about training and operations. Further, a naval architect suggested bow thrusters would aid in the maneuverability of escort tugs. He asked whether Crowley or ECO tugs have bow thrusters.

MR. BARRETT said [ECO] tugs do not. He opined ECO tugs are designed to function at the speed of the escorted tankers and the "bow thruster approach could interfere with the ability of the skeg ... and you'd lose power."

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MR. MORALES related bow thrusters are useful at 0-2 knots but the lowest speed during an escort is 6 knots; other marine architects advised "it would actually, probably, diminish your ability to effectively respond."

CO-CHAIR JOSEPHSON further related Prince William Citizens' Regional RCAC's core concern about testing during winter conditions such as high seas and high winds. He questioned whether DEC also maintains concerns and asked for a response in this regard.

MR. BARRETT said APSC works closely with citizens' organizations, but he would seriously question the rationale on this issue with citizens and with DEC; in fact, the Prince William Sound RCAC is misinformed about "how emergency response training works." He noted his 35 years of experience in USCG, which is one of the premier lifesaving organizations in the world in difficult conditions. However, USCG doesn't train in dangerous conditions but builds capability and proficiency training in controlled conditions. He cautioned training in uncontrollable conditions presents a higher risk to life, and he gave several examples of risks to personnel under various scenarios. The fundamental training construct is to "train your people, you have them practice ... and then you trust them." He acknowledged the public bears adverse consequences of increased risk; however, APSC crews are working every day and will respond. Training in the varied conditions of Prince William Sound with large vessels holds inherent dangers. Mr. Barrett pointed out national firefighter training standards prohibit firefighters from training in uncontrolled conditions. He opined the highest value is in crews and APSC must measure the risks and consequences of training.

MR. MORALES agreed, adding his experience is that a tanker losing power, or shut down, creates a tremendous risk.

MR. BARRETT restated he did not understand the rationale of opposing organizations and further explained using simulators as training is a well-known science.

[2:17:22 PM](#)

CO-CHAIR JOSEPHSON related 10 months ago, DEC expressed concern about substantial design deficiencies in the Chouest fleet. He remarked:

Specifically, DEC reported that Alyeska may not be conducting model testing, simulator testing, and numerical testing, or full-scale testing based on Prince William Sound or Gulf of Alaska conditions. They also expressed desire to see proof that there was satisfactory demonstration of system performance.

MR. BARRETT explained tugs use computer-based design which is more accurate than model testing. Based on reports from DEC, APSC ordered model testing on the tugs in order to validate the accuracy of the computer program; tests are complete, and results will be available soon. Further, all tugs must be classified for escort service by USCG which requires additional testing and standards; in fact, APSC will not accept vessels without escort certifications and certifications by the American Bureau of Shipping (ABS). After sea trials, tug performance will be demonstrated in Prince William Sound. He assured the committee "the computer-based design is actually the way the industry is headed"

CO-CHAIR JOSEPHSON continued:

The press report from [DEC's] press person was that without a demonstration of satisfactory system performance they wouldn't let you pass through Hinchinbrook, fully laden.

MR. BARRETT said the contingency plan requires APSC demonstrate a stop by the escorts of the largest tanker, which will be of a BP vessel. He advised when the tugs arrive in March and June, APSC will provide the demonstration of "practice slows."

REPRESENTATIVE JOHNSON asked for the source of the report quoted by Co-Chair Josephson.

CO-CHAIR JOSEPHSON said the article was from the Alaska Dispatch News, March 2017, and offered to provide a copy.

[2:22:07 PM](#)

MR. BARRETT clarified the source of the article was a report - written by Robert Allen, a marine design consultant - chartered by the Prince William Sound RCAC. [APSC] reviewed the report and found useful aspects. He noted when industry makes improvements, sometimes laws and regulations do not manage changes easily. For example, computer-based design is more accurate and reliable than tank tests, and the [marine] industry is transitioning to performance-based standards; technology is moving fast, and it is hard to keep up.

REPRESENTATIVE JOHNSON stated APSC has an exemplary record regarding environmental concerns.

MR. BARRETT said under difficult conditions APSC seeks operational excellence.

REPRESENTATIVE BIRCH asked whether tipping tests are used on large vessels.

MR. BARRETT explained stability is tested as part of the ABS certification process.

MR. MORALES added there are large tanks that simulate an ocean and use models.

MR. BARRETT continued to slide 10 which pictured and described general purpose tugs. Slide 12 pictured oil spill response barges and he described safety features such as skimmers and deluge pumps for snow removal. Slide 13 pictured escort work boats that are built by Bayweld in Homer. Slides 14-15 pictured training highlights. He advised the average experience level of incoming captains is over 20 years, and related their observations of the transition. Slides 17-19 pictured stakeholders, fishing vessel training, and a large barge. Mr. Barrett offered to respond to questions anytime.

[2:30:57 PM](#)

MR. MORALES, in response to Representative Drummond, said the barge shown on slide 19 is used for near shore response and will be part of the fleet.

MR. BARRETT, in response to Representative Rauscher, explained the cycle time of a ship varies from 9-16 days.

REPRESENTATIVE JOHNSON asked for an opinion on [proposed bill HB 322].

MR. BARRETT said he will review the bill, especially as related to some of the definitions. [APSC] handles ballast water and saltwater and he questioned whether the bill includes ballast water and saltwater in the definition of produced water.

REPRESENTATIVE JOHNSON requested a response from APSC on HB 322.

MR. BARRETT, in response to Co-Chair Josephson, clarified APSC flushes some of its lines with saltwater. Flushed saltwater, storm water, and ballast water are processed by a treatment facility in large volumes; ballast water incorporates a small amount of oil.

CO-CHAIR JOSEPHSON asked:

If the statute refers to a fine of say, \$500 for x number of gallons, and that statute was written close to 30 years ago or more, can you see the merit in maybe updating the statute ...?

MR. BARRETT gave an example of a small spill that cost APSC \$2.5 million and said his answer is that [APSC] is motivated by prevention and the cost of cleanup. In further response to Co-Chair Josephson, he clarified \$2.5 million was APSC's cost to clean up the spill.

HB 217-RAW MILK SALES; FOOD EXEMPT FROM REGS

[2:38:21 PM](#)

CO-CHAIR TARR announced that the final order of business would be HOUSE BILL NO. 217, "An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

[2:39:06 PM](#)

CO-CHAIR JOSEPHSON moved to adopt the committee substitute (CS) for HB 217, 30-LS0593\J, Wayne, 2/6/18, as the working document.

CO-CHAIR TARR objected for discussion purposes.

[2:39:31 PM](#)

DIANA RHOADES, Staff, Representative Geran Tarr, Alaska State Legislature, informed the committee CSHB 217 [Version J] adds provisions from HB 46 - which moved out of the House Resources Standing Committee [3/22/17] - , would allow the commissioner of the Department of Natural Resources (DNR) to sell promotional merchandise related to the Alaska Grown logo, and encourages the state, schools, and municipalities to purchase Alaska Grown agricultural and fisheries products at a required 7 percent preference and up to a 15 percent preference. Another change in HB 217 brought by the committee substitute is the removal of the section related to raw milk sales; however, CSHB 217 maintains the provisions to increase farmers' direct-to-consumer sales by implementing the food freedom movement.

MS. RHOADES paraphrased from the following sponsor statement [original punctuation provided]:

Section 1 - Establishes Short Title as Alaska Food Freedom Act

Concerns about states enforcing the federal Food Safety Modernization Act prompted farmers across the country, including Alaska, to pass laws to guarantee the freedom of farmers to sell directly to end consumers without overwhelming government regulations.

Section 2 -Amends powers of Commissioner of Department of Natural Resources to sell promotional merchandise related to the Alaska Grown logo

Allows the Division of Agriculture within the Department of Natural Resources to issue a license and charge a license fee for the sale of promotional merchandise related to the Alaska Grown logo. The commissioner shall price the merchandise in a manner that ensures a reasonable monetary return to the state. It is encouraged that the merchandise be manufactured in the US and is procured from either an Alaska bidder or a person that employs Alaska prison inmates.

Section 3 - Amends Food, Drugs and Cosmetic Act's Prohibited Acts Section, to allow exemptions from licensing for some in-state food production

Allows direct sales from farmers to consumers for certain Alaska Grown food and food products with appropriate labeling; allows online sales of value-added food products; defines farmers' markets.

Section 4 - Rewrites municipal procurement code preference for Alaska Grown agricultural products

If receiving state money, a municipality is currently required to purchase Alaska Grown agriculture products if they are priced not more than seven percent above a similar product harvested outside the state; this would give flexibility to purchase the product if priced not more than 15 percent above a similar product harvested outside the state.

Section 5 - Rewrites municipal procurement code preference for Alaska-grown fisheries products

If receiving state money, a municipality is currently required to purchase Alaska Grown seafood products if they are priced not more than seven percent above a similar product harvested outside the state; this would give flexibility to purchase the product if priced not more than 15 percent above a similar product harvested outside the state.

CSHB217 (J) Alaska Food Freedom Act Sectional Analysis
2.7.18

Page 2

Section 6 - Amends municipal solicitation procedure for procurement code preference for Alaska-grown agricultural and fisheries products

If receiving state money, a solicitation by a municipality for the purchase of Alaska Grown agriculture and seafood products must include written notice that these products must follow the rules of Section 4 and 5. Further, if they don't purchase Alaska Grown products, the municipal officer shall certify in writing the reasons why Alaska Grown products were not purchased.

Section 7 - Amends state preferences for Alaska Grown agricultural products

When agricultural products are purchased by the state or by a school district that receives state money, they are currently required to purchase Alaska Grown products if they are priced not more than seven percent above a similar product harvested outside the state; this would give flexibility to purchase the product if priced not more than 15 percent above a similar product harvested outside the state.

Section 8 - Amends state preferences for Alaska Grown fisheries products

If fisheries products are purchased by the state or by a school district that receives state money, they are currently required to purchase Alaska Grown products if they are priced not more than seven percent above a similar product harvested outside the state; this gives flexibility to purchase the product if priced

not more than 15 percent above a similar product harvested outside the state.

Section 9 - Amends state solicitation procedure for procurement preferences for Alaska Grown fisheries and agricultural products

If receiving state money, a solicitation by a state or school district for the purchase of Alaska Grown agriculture and seafood products must include written notice that these products must follow the rules of Sections 7 and 8. Further, if they don't purchase Alaska Grown products, the officer responsible shall certify in writing the reasons why Alaska Grown products were not purchased.

Section 10 - Amends Public Finance Fiscal Procedures Act to collect fees

Allows the commissioner of the Department of Natural Resources to collect fees for Alaska Grown promotional merchandise.

Section 11 - Effective date

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CO-CHAIR TARR removed her objection. There being no further objection, Version J was before the committee.

CO-CHAIR TARR opened public testimony.

[2:44:12 PM](#)

BRYCE WRIGLEY, President, Alaska Farm Bureau, Inc., said the Alaska Farm Bureau strongly supports all efforts to expand agricultural opportunities in Alaska because as a young state, Alaska has not had the opportunity to build an infrastructure and establish policies to help farmers grow their businesses. In fact, Alaska imports approximately 95 percent of its food, and residents only have a 3- to 5-day supply of most food items in grocery stores. Bills like HB 217 would improve agricultural policies and increase access and options for consumers and farmers. Mr. Wrigley reported the Alaska \$5 Alaska Grown Challenge is a tool to increase the visibility of Alaska Grown products, and the bill would strengthen the product preference program which would allow farmers to increase production and serve additional markets. [CSHB 217] provides receipt authority for a revenue stream in support of Alaska Grown marketing materials. Further, good agricultural policies are important because they will increase opportunities to get local products to market, will build the agricultural industry, will increase

food security, and will create jobs in the rural farming industry.

[2:47:16 PM](#)

PATRICIA GRISWOLD, Grandma's Gardens, informed the committee Grandma's Gardens is a greenhouse and garden business. She related she is familiar with state regulations on the labeling of products such as jams and fresh produce, and commented on items not on the agenda.

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ART GRISWOLD provided comments on topics not pertinent to CSHB 217.

[2:51:28 PM](#)

There followed a brief discussion of topics not pertinent to CSHB 217.

[2:54:43 PM](#)

MATTHEW BATES provided comments on topics not pertinent to CSHB 217, and spoke in support of the provision in CSHB 217 related to Alaska Grown.

[2:56:32 PM](#)

DANNY CONSENSTEIN, Representative, Alaska Food Policy Council (AFPC), said AFPC is a coalition of Alaskans striving to create a healthier, more secure, and more self-reliant Alaska by improving its food system. [AFPC] represents farmers, fishermen, food businesses, schools, government agencies, nonprofits, subsistence users, and consumers in Alaska. He said AFPC is pleased that the legislature is now recognizing food issues are a priority. HB 217 recognizes the critical role played by farmers markets - and other direct sales to consumers - to create a market for agricultural and fishing businesses. In fact, AFPC sees opportunities to create jobs and to diversify the economy by supporting food-related small businesses and retain some of the \$1.9 billion that is spent on imported food. In 2014, AFPC published a report that revealed \$1 out of \$5 earned by Alaska farmers is earned through direct sales, and the direct sales market is growing; at this time annual direct sales are \$2.2 million annually. Mr. Constantine explained large industrial-scale agribusiness is not necessary to achieve the

goal of more Alaskans eating Alaska Grown food, and he provided an example. He also expressed support for state procurement of local products.

[3:03:02 PM](#)

JOHANNA HERRON, Coordinator, Marketing, Alaska Grown & Farm to School, Division of Agriculture, DNR, regarding the receipt authority [provision in CSHB 217], informed the committee the division has historically had to find federal funding to provide marketing supplies to farmers; however, farmers have expressed interest in buying supplies wholesale from the division.

[3:03:56 PM](#)

CO-CHAIR TARR announced public testimony for HB 217 remained open.

HB 217 was held over.

[3:04:28 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:04 p.m.