

ALASKA LEGISLATURE

2366

HOUSE and SENATE FINANCE COMMITTEE FILES,

2001 - 2002

THE
FOLLOWING
DOCUMENT(S)
ARE
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Gunnuk Creek in Kake
Sunrise Lake near Wrangell

A few relicense efforts are under way or will occur soon at:

Crystal Lake in Petersburg
Dewey Lakes in Skagway

2. With the new legislation, Alaska would be unique. For projects under FERC, there is no minimum size. For example, if an Alaskan resident had a site that could generate 2 KW for their personal use, it could be jurisdictional by FERC, requiring a license that could make the project uneconomic because of the licensing process. If the state develops a well thought out and cost effective program, it will make micro-hydro (under 500KW) very attractive. Another plus of the legislation is that it would likely remove any temptation by micro-hydro developers to merely build their projects without licensing because of the costs and time associated with the current federal process.
3. Currently the State permits small domestic water systems in villages and towns. I believe small hydropower projects are very similar. I do not think we need to or intend to create a State FERC with its high cost and untimely decisions. We need to develop a process that is Alaskan in scope, well thought out and cost effective while meeting the requirements of the this legislation. We need some agency to take the lead. This agency must balance any of adverse impacts with the beneficial impacts of any proposed hydro development. I believe agencies with general charges such as the RCA, DGC or DNR are appropriate and have statutory responsibility to balance impacts (adverse and beneficial) so that hydro development occurs in a cost effective and timely manner consistent with the public interest. I have attached a paper written in 1999. It is critical of resource agencies that take the narrow view of their responsibilities. This problem needs to be corrected whether or not the state wishes to assume the responsibility of permitting small hydropower projects.

In this regard, the Alaska Rural Electric Cooperative Association (ARLCA) membership passed a Resolution 01-9, supporting the recognition of hydroelectric power as a renewable energy resource, and requiring federal and state agencies to take a balanced approach to existing and new hydroelectric projects. I have attached a full copy of this resolution for your consideration.

Resolution 01-9

A Resolution Supporting the Recognition of Hydroelectric Power as a Renewable Energy Resource, and Requiring the Federal and State Governments to Take a Balanced Approach to Existing and New Hydroelectric Projects

Hydroelectric power is a clean, economical and renewable energy alternative to power plants using fossil fuels, which are dependent on price variations and encounter transportation, storage and air emission problems. In Alaska, most small hydro projects use natural water features that do not require the damming of free-flowing rivers. Some interest groups and some in the federal government have come to consider hydroelectric power as a non-renewable energy resource. ARECA encourages the Alaska Congressional delegation to seek legislation recognizing hydropower as a renewable energy resource.

ARECA supports the efforts of its members to develop and redevelop hydroelectric projects. Furthermore, ARECA supports state-level policy that would require state resource agencies to balance the impacts of habitat changes associated with hydro projects with the benefits of such projects relative to fossil fuel alternatives.

Adopted: December 14, 2000



HYDROELECTRIC LEGISLATION

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND POWER

OF THE

COMMITTEE ON COMMERCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

**H.R. 2335, H.R. 1262, H.R. 3852,
S. 334, S. 422, S. 1236, and S. 1937**

MARCH 30, 2000

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~~native to the region. Permitting process which is being used to build dams throughout Alaska.~~

~~American Rivers and our partner organizations in Michigan also oppose HR 1262, which would exempt hydropower facilities on the Pentwater River and owned by the City of Hart, Michigan from regulation under the Federal Power Act. The Pentwater River is a tributary to Lake Michigan and a small but important steelhead fishery that currently suffers from inadequate flows from the Hart Project. These flows, which drop down to almost zero at night, cause wild fluctuations that harm migrating fish and cause significant problems with water temperature, all for a small amount of power. There is no reason that this project should be exempted from the same environmental standards that others must meet.~~

~~As a general matter, American Rivers and the members of the Hydropower Reform Coalition oppose Congressional extensions for commencement to construct new hydropower projects. The Federal Power Act currently provides for a two-year period in which to commence construction of a dam with an option to extend that period for an additional two years. Extending commencement of construction to 10 years as proposed in S. 439 could render environmental and economic evaluations conducted during the licensing process useless as conditions in the project area may change. Such extensions also limit alternative economic activity at the site, including alternative power development. Projects should not be licensed unless they are fully prepared to carry out their obligations and responsibilities. Congress should simply not accept so many extension bills.~~

CONCLUSION

~~Our nation's rivers and fisheries are facing a crisis of slow but steady extinction. Resource agencies with expertise in these areas are in the best position to address this threat. The relicensing process can always benefit from incremental administrative improvements, and perhaps one day we will come to a conclusion that it is time to look at an entirely new way of doing business, but until that point, HR 2335, and bills like it, will only turn back the clock to an era of litigation, hostility, and continued environmental decline. We can endeavor to find better ways to generate hydropower and new sources of energy but we cannot bring back species once they have gone extinct.~~

Mr. SHADEGG. Thank you. And I'd like to compliment each of the witnesses so far for staying quite close to the timeline. Mr. Grimm?

STATEMENT OF ROBERT S. GRIMM

Mr. GRIMM. Thank you, Mr. Chairman and members of the subcommittee. My name is Robert Grimm. I serve as president of Alaska Power & Telephone Company. AP&T is an investor-owned, employee-owned corporation which has been providing public utility services in Alaska since 1957.

We currently provide service to 25 different communities from above the Arctic Circle to the very southern portions of Alaska. Most of these communities are very small and due to lack of infrastructure, have isolated electric systems utilizing small diesel electric generating units that use fossil fuel.

In addition to representing my own company, I'm speaking today on behalf of Alaska's electric utility industry through our statewide association known as ARECA. We strongly support S. 422 for the reasons I would like to outline, using my utility experience as an example, but emphasizing that many other companies in Alaska have similar experiences.

One of the solutions to fossil fuel generation in these remote areas is the development of small hydro to provide a renewable and nonpolluting source of energy. We at AP&T began the program to identify and develop cost-effective projects in 1984. In 1987 we applied for a preliminary permit from FERC, which we received in June, for 36 months. In November 1993, FERC issued the license authorizing the project with a capacity of 4.5 megawatts. The

project was completed and began commercial operation in 1995. The permitting and licensing process took 7 years and cost \$1.2 million. The actual construction took 1 year and cost \$10 million. It's interesting to note that the licensing cost and permitting cost exceed the installed cost of equivalent diesel electric generating units.

This is not just a bad example or an anecdotal thing. We also have another project in Skagway, Alaska with a capacity of 4 megawatts. It's at Goat Lake, which is near Skagway. Filed for the preliminary permit in 1991. In 1994 a license application. Got the license in 1996. Took over 5 years and cost over \$1 million. The project was completed in the fall of 1998 at a cost of \$10 million.

Additionally, we have a couple of other projects that are currently under license. We've been through a relicense in our Dewey Lake system. Hence, we have first-hand experience with FERC during the last decade. It appears to us that the lack of flexibility, large project, small project, large impact, small impact in the FERC rules, regulations and requirements for these small projects has been the major reason so few have been developed in Alaska. Thus, we're forced to use fossil fuel in these remote areas, with the significant impacts associated with fuel storage, fuel spills, air emission, more than offset any of the adverse effects that have been identified in any of the projects that we've already completed or have currently under license.

These projects are very similar to small community water systems which are being developed in Alaska under State law. Small hydropower is a resource that has prove itself, yet the regulatory maze continues to hinder its development. Those of us on the front line trying to implement renewable energy policies are bewildered. With all the benefit associated with the development of small hydropower when compared to the continued use of fossil fuel, why is everybody making it so hard and difficult to develop?

My last point is tidal power. In Alaska, a lot of the communities are either on coastal sites, because there's no roads—very few roads in Alaska—or along rivers. And we've looked at several different free-flowing turbines which are essentially an adapted wind-mill type of a thing that is actually put into the water. Uses the—captures the free-flowing energy of the river that many of these villages sit by.

Unfortunately, these units are very small—in the neighborhood of 100 KW. Well, because these rivers are navigable, that would make a FERC permit required. So we would be looking at \$1 million or more to permit a project of 100 KW in these villages where we're now using—it just makes some of the alternative energy a non-option.

To reiterate, S. 442 will not diminish public interest, environmental or conservation considerations and protection as under FERC. The bill will simply transfer regulatory jurisdiction from a very distant Washington, DC to our State government in Juneau.

My understanding is that because of our special situation in Alaska, FERC does not object to the Alaska-only program contained in S. 422, and the State of Alaska supports it. Thank you.

[The prepared statement of Robert S. Grimm follows.]

PREPARED STATEMENT OF ROBERT S. GRIMM, PRESIDENT, ALASKA POWER & TELEPHONE COMPANY

My name is Robert S. Grimm. I serve as President of Alaska Power & Telephone Company (AP&T). AP&T is an investor-owned and employee-owned corporation which has been providing public utility services in Alaska since 1957. We currently provide services to 25 different communities from above the Arctic Circle to very southern portions of Alaska. Most of these communities are very small and, due to the lack of infrastructure, have isolated electric systems utilizing small diesel electric generating units that use fossil fuel.

In addition to representing my own company, I'm speaking today on behalf of Alaska's electric utility industry, through our statewide association known as ARECA. We strongly support S.422 for reasons I would like to outline, using my utility's experience as an example, but emphasizing that many other of our rural utilities have similar experiences.

One of the solutions to fossil fuel generation in these remote areas is the development of small hydroelectric projects to provide a renewable and non-polluting source of energy. We at AP&T began a program to identify and develop cost-effective projects in 1984.

In July 1987 we applied to the Federal Energy Regulatory Commission (FERC) for a preliminary permit for the Black Bear Lake Project on Prince of Wales Island in Southeast Alaska. In June 1988, FERC issued a preliminary permit for a term of 36 months. During this period, as evidenced by progress reports filed with the agency, AP&T spent a considerable amount of time and effort consulting with the agencies. In May 1991, we filed our license application. In November 1993, FERC issued the license authorizing the project with a capacity of 4.5 MW. The project was completed and began commercial operation on August 28, 1995. The permitting and licensing phase took seven years and cost nearly \$1.2 million. The actual construction took one year and cost \$10 million. It is interesting to note that the permitting costs alone almost exceed the installed cost of equivalent diesel electric generating units. I would like to point out that this project was funded entirely from private funds.

Another of our projects is located near Skagway, Alaska and has a capacity of 4 MW. The project is called the Goat Lake Hydropower. We filed for a FERC preliminary permit in January 1991 and the FERC issued that permit in June 1991. In May 1994, we filed our license application and FERC issued the license in July 1996. The permitting and licensing process took over five years and cost us \$1,043,100. The project was completed in the fall of 1998 at a cost of about \$10 million. Again, this project was funded entirely with private funds.

Another small hydroelectric project, Wolf Lake, is also located on Prince of Wales Island, and has a capacity of about 2 MW. The preliminary permit was issued by the FERC in April 1995. We fulfilled our obligations under the permit and filed our license application March 27, 1998. We are still awaiting a FERC license. This project would have been already permitted and under construction if the proposed legislation before you had been in place five years ago.

Additionally, as part of the Upper Lynn Canal Regional Energy Plan, we are waiting for FERC licensing for a 3 MW project located on Kasidaya Creek north of Juneau near Skagway and Haines in Southeast Alaska. We filed for our preliminary permit in July 1996 and FERC issued the permit in November 1996. We then followed an Applicant Prepared Environmental Assessment Process. That process took three years, and we applied for the license last October.

In addition, we have had the opportunity to re-license and amend our 1 MW project for Dewey Lakes FERC Project No. 1051 at Skagway, Alaska.

Hence, we have had extensive first hand experience with FERC during the last decade. It appears to us that the lack of flexibility (i.e. large impact vs. small impact) in the FERC rules, regulations, and requirements for these small projects has been the major reason that so few have been developed in Alaska.

The continued use of fossil fuel generation in these remote areas and the significant impacts associated with fuel storage and air emissions more than offset the minor impacts of these hydroelectric projects. These projects do not have large dams that constrict free-flowing rivers. These projects are very similar to the small-community water systems being developed in Alaska under state law.

As you are aware, the environmental costs associated with the continued use of fossil fuels are significant. One authority has attempted to estimate the "bottom line" cost of fossil fuels. Included in this assessment were health costs, damage to water resources, treatment costs necessary to counteract the adverse effect of fossil fuel use on food supplies, water resources, climate, and health. These costs, when tabulated, equal 3.35 cents per kilowatt-hour of fossil fuel energy. Even this assess-

ment does not include the environmental costs of cleaning up contaminated fossil fuel storage sites, which in rural Alaska alone is a \$300 million dollar problem waiting to be addressed. These facts are understood and widely accepted.

Small hydropower in Alaska is a resource that has proven itself, yet the regulatory maze continues to hinder its development. Those of us on the front line trying to implement renewable energy policies are bewildered. With all of the benefits associated with the development of small hydropower when compared to the continued use of fossil fuels, why is it that small hydro is so difficult to develop?

The proposed legislation will provide us significant regulatory relief from the hardship we are now encountering when trying to displace fossil fuel generation with a proven renewable and non-polluting resource. That relief translates into dollars and time savings.

You may hear how FERC regulations contain shortcuts to be used by smaller projects and how the Applicant Prepared Environmental Assessment can deliver a FERC license in a shorter time period. We have had direct experience with these shortcuts and have found them to be largely ineffective. While we appreciate the intent and efforts of individual FERC staff, the Applicant Prepared Environmental Assessment process simply has not saved us time or money.

A major underlying problem is the diffusion of hydropower oversight that once was exclusively FERC's. Over the years FERC's overall authority under the Federal Power Act has been eroded by court decisions and legislative initiatives giving multiple state and federal agencies authority over various aspects of the licensing process. The process has become very inefficient and confrontational and results in very long licensing time periods and additional costs. Many small hydropower projects simply cannot afford these costs.

My last point is tidal power. Currently we believe that small tidal or free flowing hydropower plants placed upon navigable waters will be subject to the jurisdiction of FERC. In Alaska this technology may have promise for many small coastal or riverside villages. However, the cost and time required for a FERC license make this technology a non-option for small-scale development.

S.422 recognizes the special circumstances that exist in rural Alaska: very small communities, remote sites, no interstate (or for the most part intrastate) power grid, stand-alone generation that is largely diesel, limited local financial resources and much undeveloped small hydroelectric potential. Hence, S.422 would greatly facilitate the development of Alaska's small hydro potential by removing regulatory overlay while still requiring applicants to receive approvals from all other local, state and federal agencies.

To reiterate, S.422 will not diminish public interest, environmental or conservation considerations and protections as under FERC. The bill will simply transfer regulatory jurisdiction from a very distant Washington, D.C. to our state government in Juneau. This jurisdictional transfer would only occur upon submission by the Alaska governor of a state regulatory program and the approval of that program by FERC after consultation with the secretaries of the Interior, Agriculture and Commerce. My understanding is that, because of our special situation, FERC does not object to the Alaska-only program contained in S.422, and the State of Alaska supports it.

We ask for your support and passage of S.422. I will gladly respond to any questions.

Thank you for this opportunity.

Mr. SHADEGG. Mr. Grimm, thank you very much for your testimony. Mr. David Piper.

~~STATEMENT OF DAVID E. PIPER~~

~~Mr. PIPER. Thank you, Mr. Chairman, members of the subcommittee. My name is Dave Piper. I'm President and Chief Executive Officer of PNGC Power, which is also known as the Pacific Northwest Generating Cooperative.~~

~~We're located in Portland, Oregon. We're a cooperatively based energy service provider for our 11 owners who are mostly small, rural electric systems throughout the Pacific Northwest.~~

~~I want to thank you and the staff particularly for convening this hearing and the courtesies that have been extended to us in this process over the last period of weeks and months. I'd like to submit~~

Alaska Small Hydroelectric and the Question of Sustainable Development

By Robert S. Grimm, President
Alaska Power & Telephone Company
March, 1999

I believe that sustainable development is a goal that we, as the most advanced species on earth, will need to adhere to in the future as the demands of our advancing civilization continue to place stresses on our natural environment. The Brundtland Commission over ten years ago proposed the following definition: *development is sustainable if it meets the needs of the present generation without diminishing the ability of future generations to meet their own needs.*¹ The Southeast Alaska Conservation Council also has a definition: It is renewable, it is equitable, and it is digestible².

The global population has tripled in this century. Biomass and food consumption has reached 40 percent of the entire land-based output of photosynthesis. No one is sure if man can continue to increase this number. Fossil and mineral resource consumption is depleting stocks in hundreds of years that took tens of thousands, or millions, of years to accumulate³. This consumption is now affecting the air we breathe and all aspects of the environment of earth.

It occurs to me that any type of renewable resource that can be utilized by mankind should be encouraged and made a priority by the policy makers. This is especially true when the use of that resource has side benefits that not only reduce the depletion of the non-renewable resource, but also reduce the other negative aspects of consuming the non-renewable, such as air or water pollution. Another side benefit is the cost to society of transporting a resource from where it is manufactured or extracted to the point where it is consumed.

It would appear that small hydro development in Alaska meets many, if not all, of the requirements of sustainable development. However, this message has not yet filtered down to the regulators that currently use an adverse and burdensome process when licensing and permitting small hydroelectric facilities. This is true not only in Alaska but in the rest of the nation also.

Alaska Power & Telephone Company has been active in the development of small hydroelectric projects throughout southeast Alaska. We began in 1995 with the development of the Black Bear Hydroelectric Project near Klawock on Prince of Wales Island, and just completed the Goat Lake Hydroelectric Project near Skagway during 1998. In addition, we were able to interconnect Haines and Skagway using a high voltage submarine cable, making both communities energy independent of fossil fuels. Both of these projects took many years to move through the permitting process: eight years at BBI, and seven years at Goat Lake. The cost was huge when compared to the population of the communities served and the continued use of fossil fuels (diesel). But the permitting cost for both projects totaled over 2 million dollars, all of which will be collected by rates from the local customers. This cost is disproportionate when compared to both the size of the project, the energy output, and the now known impacts that the project had upon the environment and resources of the area.

I am convinced that sustainable development is part of the solution, not part of the problem. It, along with other policies, will allow us as global citizens to insure that the planet earth we leave behind is better than the one we found at our birth. I believe further that the vast hydroelectric resources available to us in southeast Alaska, together with electrical transmission facilities, will allow us to displace fossil fuel energy generation completely. Since we have been given this gift, it is our responsibility to make sure it is utilized, as there are many places on earth that are not as fortunate.

The current decision making process, current regulations, and adverse regulatory environment are too expensive and too much of a burden upon our customers. Why this is, I do not know. Perhaps the process has become tainted by historical hydropower impacts that are easily avoided with today's technology and knowledge. What I do know is that change needs to occur. The overall value of renewable resources and encouragement of sustainable development needs to be recognized in today's regulatory environment. Hopefully, this will lower the current costs and efforts of licensing and permitting small hydroelectric projects to acceptable levels.

Our goal is to enter into discussions to change the process, allowing us as a civilization to authorize construction of renewable small hydroelectric projects in a manner that protects the environment and allows the benefits of the project to be captured by several, if not all, future generations. This would allow the development of these projects in a cost-effective manner so that present and future residents of Alaska do not need to consume a disproportionate amount of their limited resources to develop projects responsibly.

Now that you (person, agency, or group) understand that we are serious and willing to work toward a solution, are you willing to do the same? One of the major issues that must be addressed is the policy or goals of each of the agencies that go about their respective duties without any overview or serious policy guidance in regards to how to balance the overall benefits (direct, as well as indirect) of appropriate development. These benefits must be weighed against the impacts that inevitably come with any development.

For example, currently an agency charged with the protection of fish might, in its zeal to fulfill its mission, place conditions upon a small hydroelectric project that renders the project uneconomical and /or impracticable from an operational standpoint. This results in the small hydro being abandoned or developed in a manner that does not utilize the water resource to its fullest extent. Their actions might preserve some habitat, but in some cases the habitat is marginal at best. They may truly believe that they fulfilled their responsibility to the public by their actions and take pride in their actions, but I believe they have missed the point!

In reality they have inadvertently made the world worse, not better. They have made a policy decision that reaches far beyond their agency mission. Yes, they have preserved some habitat and a few fish, but in the process they have denied the world the use, for generations to come, of non-polluting and renewable resource waterpower. Because this energy is not available, another energy source must be used to meet energy demands. In the foreseeable future this energy will be produced with fossil fuels. As discussed above, fossil fuels rely upon non-renewable stocks that took nature millions of years to create, yet man depletes in mere hundreds of years. Fossil fuels already pollute the air¹ and contribute to the CO₂

¹The fossil fueled generators now used in Alaska produce emissions of about 1.52 pounds per kW-hr. Over a 50- year license term of a small hydroelectric even a small 5-megawatt diesel plant produces 1,741,050 tons of

concentrations that are a major contribution factor to the international concerns of global warming.

This is why the process must be changed. A balancing process must be achieved that views any proposed development in a holistic manner. This insures that the concerns, mandatory conditions and recommendations of one group¹¹ representing only their narrow interests or mission is balanced when viewed from a globally sustainable basis. The first step is for all of us involved in the water resource decisions, to recognize that this balancing must occur and to personally and professionally take responsibility to see that it does occur.

Remember the bumper sticker, "Think Globally-Act Locally".

Thank you for the opportunity to share my thoughts.

¹ Bruntland Commission, World Commission on Environment and Development, *Our Common Future*, Oxford University Press, Oxford, 1987.

² Southeast Alaska Conservation Council <http://www.soacc.org/pages/SUSTAIN.ITM>, It is renewable. It uses resources no faster than they can be replenished. In general, natural capital is conserved rather than depleted. It is equitable. It is equitable among people and across generations. The future is not sacrificed for the present. It is digestible. The by-products of production are re-usable, recyclable, or biodegradable.

³ William C. Clark, at the Kennedy School of Government, Harvard University, [The world] physical stage is rapidly changing. It holds twice as many people as it did in 1950; four times what it did in 1850. World trade has increased more than 20-fold over the last century; energy use more than 100-fold. This increasing magnitude of human activity has brought about an increasing scale and complexity of interactions among humans, their technologies, and their environment. What were once local incidents of pollution shared throughout a common watershed or air basin now involve multiple nations—witness the concern for acid deposition in Europe and North America. What were once acute episodes of relatively reversible damage now affect multiple generations—witness debates over disposal of chemical and radioactive wastes. What were once straightforward questions of ecological preservation versus economic growth now reflect complex linkages—witness the feedback among energy and crop production, deforestation and climate change that are evident in studies of the atmospheric greenhouse effect. What once was a relatively well-behaved world of smooth and predictable trends increasingly reveals a propensity for abrupt and unexpected change—witness the surprise and consternation of scientists and people alike confronted with the appearance of the Antarctic ozone hole.

emissions into the atmosphere that surrounds earth. Ten years ago the Exxon Valdez spilled almost eleven million gallons into Prince Williams Sound. The total weight of the oil spilled was 40,700 tons. The Valdez spill represents only 2% of the weight created by the operation of a small fossil fuel generator that can be replaced by non-polluting, renewable small hydro. Emission data from AP-42, Section 3.4, Environmental Protection Agency.

¹¹ These groups include project developers, as well as agencies, special interest, and the general public.

SB140 Regulating and Licensing Certain Water-Power Development Projects
DCED Talking Points
Senate Finance

- Bill calls for RCA to adopt regulations, license and regulate water power plants of 5 mw or less, essentially creating a state version of the Federal Energy Regulatory Commission program. We believe RCA is an appropriate agency to assume these duties. It does represent an expansion of their current mission, and accordingly costs are outlined in our fiscal note and in fiscal notes of other agencies.

- Administration has an interagency team (DNR, F&G, CZM, RCA and DCED) analyzing the bill. Want to share today the common points emerging from our review.

- We believe development of small hydro projects can support economic development and improve the availability/cost of power in rural Alaska. We understand a state program may have advantages in allowing us to focus the process on issues pertinent to Alaska

- When federal legislation was pending, the Governor supported giving Alaska jurisdiction. At the same time the Governor recognized that this is a complex undertaking and we must be sure a state program results in proper design and construction, and at the same time protects fish, wild life and the environment at least as well, or as rigorously, as does FERC. The Governor also acknowledged the importance of establishing an appropriate funding mechanism that could be either a direct appropriation or be based on a user fee system.

- Each agency fiscal note (RCA, DNR, F&G) assumes it will take two years to develop regulations that will define program operations. Once state regulations are recommended, FERC must approve our state program before ceding authority to the state.

- Costs of operating the program in FY05 and beyond are a bit more difficult to estimate. Agencies currently understand their existing role with FERC process but expect during the regulations process to outline the additional duties, statutes and regulatory authority they may need to operate a program as well as FERC (for example, FERC has jurisdiction over entire watersheds while F&G currently has oversight only of streambeds.)

- The State of Oregon currently has a hydro project program that operates in addition to FERC for all hydro projects in that state, and we will examine their extensive statutes and regulations, as well as work with FERC, for ideas.

- Thank you and will turn over to agencies to testify and respond to questions on program impacts and fiscal notes.

STATEMENT OF THE ALASKA PUBLIC WATERS COALITION
on
SB 140, REGULATION AND LICENSING OF CERTAIN WATER-POWER
DEVELOPMENT PROJECTS
before the
SENATE FINANCE COMMITTEE
ALASKA LEGISLATURE
JUNEAU, ALASKA
FEBRUARY 21, 2002

Mr. Chairman and members of the Committee, my name is Jack Hession, and I am representing the Alaska Public Water Coalition here this morning. The Coalition includes sport fishing groups, conservation organizations, former members of the Alaska Water Board and other individuals, all of whom share an interest in the sound management and proper disposition of Alaska's publicly owned water resources.

In summary, the Coalition strongly opposes enactment of SB 140, which would establish a state hydroelectric regulatory program with authority to accept license applications for hydroelectric projects on state, private, and federal lands in Alaska, including state and federal conservation system units. The Coalition supports the continuation of Federal Energy Regulatory Commission jurisdiction on all lands in Alaska.

Impact on state and national conservation system units

Under SB 140 a state license or exemption from licensing in a national conservation system unit would be subject to the approval of the Secretary of the Interior or Agriculture, and licensing conditions would be imposed. This provision provides insufficient protection for the national conservation system units, as a Secretary favoring hydropower could be expected to endorse projects in the units. The bill does not have a similar provision for state conservation system units.

Alaska jurisdiction over projects located in federal conservation system units would be unprecedented; no state currently has such jurisdiction. Under the Federal Power Act and other applicable federal law, the Federal Energy Regulatory Commission does not accept applications for hydropower projects located within national parks, wild and scenic rivers, or wilderness areas, all of which are closed to new hydropower development.

If a state regulatory authority accepted license applications for hydropower projects within these national conservation system, it would be met with intense controversy and litigation from citizens determined to protect the purposes and natural values for which

these lands were set aside by Congress. With equal determination, citizens would also defend state conservation system units from destructive hydroelectric dams.

The State should not assume the cost of hydropower regulation

SB 140 would establish a state hydroelectric regulatory program within the Regulatory Commission of Alaska for the purpose of licensing, re-licensing, exempting from licensing, and regulating hydroelectric projects of 5 megawatts or less on all lands in Alaska, with the exception of national study rivers. The new regulatory program would be modeled after the licensing requirements of the Federal Energy Regulatory Commission (FERC). To ensure that the state program met these federal requirements, the program would have to be approved by FERC.

Putting this state regulatory program in place would require a professional staff capable of matching FERC's expertise, and a substantial annual expenditure of state funds. Because the federal law requires the state's regulatory program to "...protect the public interest, purposes... and the environment to the same extent provided by the requirements for licensing and regulation by [FERC]," the State would be obliged to spend approximately as much on a regulatory program as FERC now does for its Alaska regulatory responsibilities. (Emphasis added). The State's cost could even exceed FERC's if state regulators accepted applications for dams in national conservation system units.

To get a realistic estimate of the cost of a state regulatory program, the Committee should consult FERC on the cost of the Commission's Alaska regulatory program.

In any event, we question whether it is in the State's interest to take on a new and costly responsibility when the State is facing a fiscal crisis and the Legislature is seeking to reduce, not increase, the cost of state government.

Federal Energy Regulatory Commission

Expanding an existing state bureaucracy such as the Alaska Regulatory Commission, or creating an entirely new agency or division in an existing department makes no sense at all when licensing of hydroelectric projects is being competently administered by FERC. The "small" hydropower industry, which was the moving force behind the federal law and now supports SB 140, has failed to show that FERC's licensing process for small hydro is flawed or somehow fails to protect the State's interests in hydropower license procedures. The industry complains of its costs and the length of the FERC process, but to our knowledge the industry has been unable to cite a single instance of an Alaska license application being denied by the federal commission.

Ironically, the Alaska Rural Electric Co-Operative Association, which supports SB 140, had some kind words about the existing FERC process. In testimony before the Senate Resources Committee's February 8 hearing on SB140, Eric Yould, the Association's Executive Director, said that "Our members have taken a certain amount of solace in

having a third independent body, FERC, with the ability to stand up to federal and state agencies. We have found ourselves at the mercy of state agencies that sometime are not friendly at all to the very notion of hydro projects and make the lives of people trying to do this quite miserable." He said that FERC is a "known" and "trusted" entity that acts as an independent arbiter.

His observations bear on the fundamental question before the Alaska Legislature as it considers SB 140: Given that the FERC process is working satisfactorily, should the State rush to replace it and assume the financial burden now carried by the federal government? We think the answer is clearly "no."

Thus as it considers SB 140, we recommend that the Committee and the Legislature as a whole apply the adage "if it ain't broke, don't fix it." FERC's program is not broken; the Commission is adequately carrying out the responsibilities assigned to it by Congress.

Furthermore, a state takeover of FERC's responsibilities would amount to voluntarily accepting an unfunded mandate from the federal government. By contrast, other federal mandates to the State are accompanied by substantial federal funds, an example of which is the generous federal funding of the Alaska Surface Mining Control and Reclamation Act. Thus in order to adequately fund a state hydropower regulatory program, the Legislature would be obliged to increase overall state spending, or take the necessary funds from other vital state services and programs. Neither course is in the public interest. Congress's offer of "small" hydropower jurisdiction is an offer the State should politely but firmly refuse.

In conclusion, a state regulatory program would likely result in intense controversy if hydropower projects were proposed for units of the state and national conservation systems. Because the existing FERC licensing and regulatory process is performing satisfactorily and at minimum cost to the state government, it is not fiscally prudent for the State to assume FERC's responsibilities and costs, particularly at a time of major shortfalls in state revenues.

We recommend that the Committee take no further action on SB 140.

Thank you for considering our views.



OFFICIAL BUSINESS

Alaska State Legislature
Senate
Office of the Secretary

STATE CAPITOL, ROOM 213
JUNEAU, ALASKA 99801-1182
(907) 465-3701
FAX: 465-2932
EMAIL: senate_secretary@legis.state.ak.us

FOR YOUR IMMEDIATE ATTENTION

DATE: March 1, 2002
TO: Finance Committee
(Mindy/Robin - Room 520)
FROM: Office of the Senate Secretary
SUBJ: Fiscal Note(s)

The attached fiscal note or notes relate to the following bill pending in your Committee:

SENATE BILL NO. 140

"An Act relating to regulation and licensing of certain water-power development projects."

Please add the fiscal note(s) to the inside front cover of the blue or yellow committee folder.

Thank you.

Attachment(s)

SB 140-SMALL WATER-POWER DEVELOPMENT PROJECTS
SENATE FINANCE COMMITTEE

SIGN-IN

* NAME: Sally Sadder Subject/Bill No: SB140
Co./Dept./Title: Dept. Comm. Econ Dev Phone: X2503
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: Chico Donnerlein Subject/Bill No: SB140
Co./Dept./Title: Director, Hab Div., GDF&G Phone: X4105
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SITE: ANCHORAGE LIO

COMMITTEE: Senate Finance

DATE: 04-02-02

SUBJECT OF MEETING:

SB 140

UPDATE #: 3



P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT
TO TESTIFY?
Y or N

| <u>P R I N T</u> YOUR NAME | ADDRESS (MAILING & ZIP) | REPRESENTING | DO YOU WANT TO TESTIFY? Y or N |
|----------------------------|-------------------------|--------------|-----------------------------------|
| Keith Bayha | | | Y - SB 140 |
| Email address: | | | |
| Will Abbott | | RCA | Y - SB 140 |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |

SITE: ANCHORAGE LIO

COMMITTEE: Sen Finance

DATE: 2-21-02

SUBJECT OF MEETING:

SB 140

UPDATE #: 1



P R I N T YOUR NAME

DO YOU WANT
ADDRESS (MAILING & ZIP)

REPRESENTING

TO TESTIFY?
Y or N

| Gary Prokosch | | DNR | Ans? |
|----------------------|--|-----------------------|----------|
| Email address: | | | SB 140 |
| Jack Hession | | AK Public Water Coal. | Y-SB 140 |
| Email address: | | | |
| Will Abbott | | Regulatory Comm. | Y-SB 140 |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |
| | | | |
| Email address: | | | |

SB

141

SFIN

FILE

SB 141

**was referred to the
Senate Finance
Committee**

**No hearing was held
on this bill**

SB

142

SFIN

FILE

SB 142

**was referred to the
Senate Finance
Committee**

**No hearing was held
on this bill**



ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON

- ◆ CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
- ◆ CHAIR, SENATE RESOURCES COMMITTEE

Session:

State Capitol, Room 427, Juneau, AK 99801
Telephone 907/465-2828 Fax 907/465-4779

District:

45457 Kenai Spur Hwy.; Suite 101B, Soldotna, AK 99669
Telephone 907/260-3042 Fax 907/260-3044

SB 142 - LEASE-PURCHASE SPRING CREEK CORRECTIONAL Sponsor Statement

This bill authorizes a lease-purchase agreement with the City of Seward for the construction of an addition to the Spring Creek Correctional Center for secure classroom facilities and prisoner housing.

The State of Alaska has certain constitutional and statutory duties to provide educational opportunities to prisoners for eventual reintegration of those prisoners into society. Spring Creek Correctional Center has operated a successful pilot program that is intended to accomplish those duties.

This legislation would provide space for an educational program, a vocational training program, and housing for the inmates in those programs. Additionally, some work will need to be accomplished on the site. Total estimated costs are \$22,130,000.

REPRESENTING THE KENAI PENINSULA

*Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Fritz Creek Happy Valley Halibut Cove Homer Hope Kachemak City Kachemak Selo
Kasilof Lowell Point Moose Pass Nanwalek Nikoluevsk Ninilchik Port Graham Razdolna Seward Seldovia Soldotna Starbuck Sterling Voznesenka*



ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON

- ◆ CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
- ◆ CHAIR, SENATE RESOURCES COMMITTEE

SB 142 (S-FIN) SS: 4-26-01

Session:

State Capitol, Room 427, Juneau, AK 99801
Telephone 907/465-2828 Fax 907/465-4779

District:

45457 Kenai Spur Hwy.: Suite 101B, Soldotna, AK 99669
Telephone 907/260-3042 Fax 907/260-3044

SB 142 - LEASE-PURCHASE SPRING CREEK CORRECTIONAL Sectional Analysis

Section 1. Purpose and Findings sections, stating

- (a) Findings as:
- (1) the state and commissioner of corrections have certain constitutional and statutory duties to prisoners for educational and other opportunities;
 - (2) Spring Creek Correctional Center (SCCC) has a pilot program to achieve the goals;
 - (3) School age by statute extends until 20 years of age when person has not completed the twelfth grade; and
 - (4) More than 400 inmates state wide under 21 years of age that would benefit from educational programs.
- (b) Purpose as:
To provide educational opportunities for prisoners, especially prisoners of school age through the pilot program at SCCC.

Section 2. Adds new section to uncodified law that:

- (a) Authorizes Department of Administration to enter into a lease-purchase agreement with the City of Seward for the construction of a facility and provide secure classroom facilities and housing for prisoners transferred to SCCC; project approval subject to limitations:
- (1) total constructions and related costs not to exceed \$15 million;
 - (2) total lease payments not to exceed \$28,320,000 and annual rental obligation not to exceed \$1,621,200;
 - (3) State owns facility at end of lease-purchase agreement;
 - (4) Addition design and construction must provide secure classroom facilities and housing, not fewer than 140 beds.
- (b) Subsection (a) provides notice and approval required by AS 36.30.085.

JT/mj: SB 142 (S-FIN) SS: 4/26/01

REPRESENTING THE KENAI PENINSULA

Anchor Point Bear Creek Clam Gulch Cooper Landing Crown Point Friz Creek Happy Valley Halibut Cove Homer Hope Kachemak City Kachemak Selo
Kasilof Lowell Point Moose Pass Nanwalek Nikolaeval Ninilchik Port Graham Razdolna Seward Seldovia Soldotna Stariski Sterling Voznesenka

STATE OF ALASKA

DEPARTMENT OF CORRECTIONS Commissioner's Office

TONY KNOWLES, GOVERNOR

431 N. Franklin Street, Suite 203
Juneau, AK 99801
PHONE: (907) 485-4652
FAX: (907) 465-3390

March 22, 2001

The Honorable Robin Taylor
Alaska State Senate
State Capitol, Room 30
Juneau, Alaska 99801

Re: SB 142

Dear Senator Taylor:

At Wednesday's Senate Judiciary hearing, several questions arose regarding SB 142, relating to the expansion of the Spring Creek Correctional Center for a youthful offender education program. This letter is to provide answers to some of those questions.

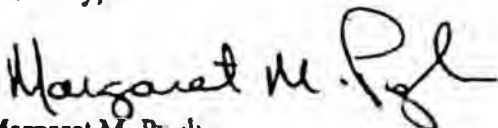
The first question related to the cost of care for prisoners at Spring Creek. The institutional cost of care at Spring Creek is \$77.48 per prisoner per day this fiscal year. The statewide average cost is \$78.96, which is very close to Spring Creek's costs. The total cost of care (as opposed to the institutional costs) is an additional \$32 per prisoner per day. The break down for these additional costs is \$6.00 for inmate programs, \$16.70 for health care, \$4.00 for the Division of Administrative Services' costs, and \$6.23 for statewide indirect costs.

This \$32.00 amount is added to each facility's institutional costs to produce a total cost of care figure. Thus, while the institutional cost of care for the inmates at Spring Creek is \$77.48, the total cost of care for those inmates is approximately \$109. Similarly, the average statewide institutional cost of care for prisoners is approximately \$79, while the average statewide total cost of care is approximately \$111.

As to class sizes, although there is no formula per se, we are anticipating approximately 20 students per class. We are working with the Department of Education and Early Development to address the questions raised about funding for instructors, etc.

If you have any further questions that I can answer, please let me know.

Sincerely,


Margaret M. Pugh
Commissioner

TONY KNOWLES, GOVERNOR

431 N. Franklin Street, Suite 203
Juneau, AK 99801
PHONE: (907) 465-4052
FAX: (907) 465-3390

DEPARTMENT OF CORRECTIONS
Commissioner's Office

April 3, 2001

The Honorable Robin Taylor
Alaska State Senate
State Capitol, Room 30
Juneau, Alaska 99801

Re: SB 142

Dear Senator Taylor:

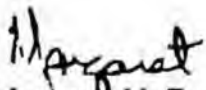
This is a follow-up to my letter to you dated March 22, 2001. In that letter, I answered several of the questions that came up at the Senate Judiciary hearing of March 21, 2001, regarding SB 142, relating to the expansion of the Spring Creek Correctional Center for a youthful offender education program. This letter is to answer the last question, which relates to the funding mechanisms that will be used for the costs of providing instruction to these offenders.

As set out in the fiscal note submitted by the Department of Education and in the Department of Corrections' revised fiscal note, approximately one-half of the 150 participants in the youthful offender education program will participate in an academic curriculum designed to result in the award of a high school diploma. (The remaining students will be participating in a vocational education or other alternative education program.) Of these 75 high school students, 50 are expected to fall within the age range covered by the foundation formula program. The educational costs for these students is addressed in the Department of Education's fiscal note.

The remaining 25 will be too old to qualify for foundational formula funds, i.e., will have turned 20 prior to August 15th of the school year. The Department of Corrections is including \$125,000 as a contractual expense in its fiscal note to pay for these students' instruction. This amounts to \$5,000 per student, which is somewhat less than, but meant to approximate, the per capita funding that would be provided under the foundational formula.

With this information, I believe we have now answered all of the questions you wished to have addressed before bringing the bill back up in committee. If there is any further information that I may provide to you, please let me know.

Sincerely,


Margaret M. Pugh
Commissioner

Project Budgets for Expansion of Spring Creek Correctional Center's Youthful Offender Program

| | For Youthful Offenders Unit Capacity of 150 |
|------------------------------|---|
| Educational Space | \$6,210,000 |
| Vocational Training Space | \$2,530,000 |
| Housing | \$10,960,000 |
| Site Development & Utilities | \$2,430,000 |
| Totals | \$22,130,000 |

EDUCATIONAL SPACE PROGRAM

| | For Youthful Offenders Unit Capacity of 150 | | |
|----------------------------------|--|-----------------|--------------------|
| | Quantity | Size, Sq.Ft. | Sq.Ft. |
| Classrooms (linkable in pairs) | 5 | 800 | 4,000 |
| Library/Study Hall | 3 | 500 | 1,500 |
| Computer Lab(s) | 2 | 500 | 1,000 |
| Inmate Toilets | 1 | 225 | 225 |
| Staff Toilet(s) | 2 | 50 | 100 |
| Storage | 6 | 150 | 900 |
| Staff Offices | 7 | 90 | 630 |
| Staff Workroom | 1 | 150 | 150 |
| Counseling Room(s) | 4 | 225 | 900 |
| Culinary Skills Kitchenette | 1 | 275 | 275 |
| Chapel Space | 1 | 1500 | 1,500 |
| Sub-Total Net Space Requirement | | | 11,180 |
| Net-to-Gross Factor | | | 1.7 |
| Total | | | 19,006 |
| Estimated Construction Cost/S.F. | | | 230 |
| Project Budget Factor | | | 1.42 |
| Estimated Cost | | | \$6,210,000 |

VOCATIONAL TRAINING SPACE PROGRAM

| | For Youthful Offenders Unit Capacity of 150 | | |
|----------------------------------|--|-----------------|--------------------|
| | Quantity | Size, Sq.Ft. | Sq.Ft. |
| Material Storage/Staging | 1 | 1800 | 1,800 |
| Sallyports | 2 | 200 | 400 |
| Workshop(s) | 1 | 4000 | 4,000 |
| Office(s) | 2 | 90 | 180 |
| Toilet(s) | 1 | 225 | 225 |
| Classroom | 2 | 250 | 500 |
| Sub-Total Net Space Requirement | | | 7,105 |
| Net-to-Gross Factor | | | 1.32 |
| Total | | | 9,379 |
| Estimated Construction Cost/S.F. | | | 190 |
| Project Budget Factor | | | 1.42 |
| Estimated Cost | | | \$2,530,000 |

HOUSING SPACE PROGRAM

| | For Youthful Offenders Unit Capacity of 150 | | |
|----------------------------------|--|-----------------|---------------------|
| | Quantity | Size, Sq.Ft. | Sq.Ft. |
| Double-Occupancy "Wet" Cells | 64 | 100 | 6,400 |
| Single-Occupant "Wet" Max Cells | 22 | 90 | 1,980 |
| Single-Occupant "Wet" Seg. Cells | 10 | 90 | 900 |
| Showers | 1 | 400 | 400 |
| Dayroom(s) | 2 | 2750 | 5,500 |
| Control Room(s) | 1 | 250 | 250 |
| Sallyports | 1 | 150 | 150 |
| Serving Kitchen | 1 | 300 | 300 |
| Production Kitchen | | | 0 |
| Staff Offices | 5 | 90 | 450 |
| Staff Toilet(s) | 2 | 50 | 100 |
| Nurse's Office & Exam Room | 1 | 300 | 300 |
| Conference Room(s) | 1 | 200 | 200 |
| Control Room(s) | 1 | 250 | 250 |
| Mini-Library(s) | 2 | 150 | 300 |
| Property Storage | 150 | 5 | 750 |
| General Storage | 3 | 100 | 300 |
| Sub-Total Net Space Requirement | | | 18,530 |
| Net-to-Gross Factor | | | 1.7 |
| Total | | | 31,501 |
| Estimated Construction Cost/S.F. | | | 245 |
| Project Budget Factor | | | 1.12 |
| Estimated Cost | | | \$10,960,000 |

Site Development & Utilities

| | For Youthful Offenders Unit Capacity of 150 |
|--------------------------------------|--|
| | Allowance |
| Excavation, Backfill, Grading | 250,000 |
| Expand Perimeter Fence Route | 350,000 |
| Expand Perimeter Detection Zones | 175,000 |
| Expand Patrol Road, Lighting | 125,000 |
| Sewage Collection Piping | 50,000 |
| Water Distribution Piping | 40,000 |
| Electrical Distribution | 40,000 |
| Heating Fuel Storage Tankage, Piping | 40,000 |
| Industries Product Warehousing | 350,000 |
| Expand Parking Lot | 90,000 |
| Outdoor Recreation Yard, Covered | 200,000 |
| Total | \$1,710,000 |
| Project Budget Factor | 1.42 |
| Estimated Cost | \$2,430,000 |

SB 142 Offender Data

| Sentenced Felons - One Year Or More to Serve | | | | |
|--|------------|------------|------------|------------|
| | 25 & Under | 24 & Under | 23 & Under | 22 & Under |
| AGE | Offenders | | | |
| 25 | 30 | | | |
| 24 | 29 | 29 | | |
| 23 | 30 | 30 | 30 | |
| 22 | 17 | 17 | 17 | 17 |
| 21 | 33 | 33 | 33 | 33 |
| 20 | 21 | 21 | 21 | 21 |
| 19 | 12 | 12 | 12 | 12 |
| 18 | 6 | 6 | 6 | 6 |
| 17 | 0 | 0 | 0 | 0 |
| TOTAL | 178 | 148 | 119 | 89 |

Additior ally, there are **388 UNSENTENCED felons** in the system age 25 or younger.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 3/14/01

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4-26-01

Judiciary Committee considered SENATE BILL NO. 142

LEASE-PURCHASE SPRING CREEK CORRECTIONAL CENTER

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
 same title
 new title
House Bill:
 same title
 technical title
 new: SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|---------|--------|------|-----|
| DOR | 3/14/01 | ✓ | | 2 |
| DOC | 3/20/01 | ✓ | | 1 |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | Do PASS | Do NOT PASS | No REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>John J. Coedry</i> | ✓ | | | |
| <i>John Sullivan</i> | ✓ | | | |
| <i>David Therman</i> | | | x | |
| | | | | |
| CHAIR: <i>Adrian Taylor</i> | ✓ | | | |

SB

143

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 143
 () Publish Date: _____
 Dept. Affected: Natural Resources
 BRU: Oil & Gas Development
 Component: Pipeline Coordinator
 Component Number: 1191

Revision Date/Time (Note if correction): _____
 Title: Right-of-Way Leasing Act: Application Cost
 Sponsor: Senate Resources
 Requester: Senate Resources

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|---------|---------|---------|---------|---------|---------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | * | * | * | * | * | * |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | * | * | * | * | * | * |

Estimate of any current year (FY2001) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

The fiscal note estimates that \$3,464,300 will be needed through the first half of FY02 to prepare to receive a gas pipeline application. Those costs include work to establish a Gas Pipeline Office and to provide technical assistance to proponents. It also includes efforts related to permit process streamlining, such as consultation with the state's federal and Canadian counterparts. DNR estimates that least 50 percent of the total may be reimbursable through agreements with project proponents.

(continued on attached page)

Prepared by: Bill Britt Phone 271-4304
 Division: State Pipeline Coordinator's Office Date/Time 30-Apr-01
 Approved by: Pat Pourchot Date 30-Apr-01
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

An asterisk is included in FY02 because the exact number will not be known until negotiations with proponents are complete.

An asterisk is included in the columns for FY03-FY07 due to Section 2 of SB 143 (the proposed AS 38.35.145(c)). During the last several years, the number of preapplication efforts ongoing with the SPCO has varied from zero to three. DNR estimates that SPCO cost associated with these efforts have averaged approximately \$10K per month. These costs have been funded by GF/PR secured through memoranda of agreements with the project proponents, as envisioned by SB 143.

However, the proposed AS 38.35.145(c) appears to make such agreements impossible after December 31, 2003. Any preapplication expenses after that date not covered by an existing agreement would need to be funded by GF, or could not occur. It is possible that pipelines associated with Point Thompson, NPRA, and ANWR could occur after that date.

Finally, it is important to note that SB 143 presents the opportunity, not obligation, for project proponents to enter into preapplication reimbursable agreements with the SPCO. Although it is expected that they will do so, there are no guarantees.

ALASKA STATE LEGISLATURE



Senator John Torgerson, Chair
Senator Drue Pearce, Vice Chair
Senator Rick Halford
Senator Pete Kelly
Senator Robin Taylor
Senator Kim Elton
Senator Georgianna Lincoln

STATE CAPITOL, Room 427
JUNEAU, AK 99801-1182
Phone: (907) 465-4907
FAX: (907) 465-4779

35477 Kenai Spur Hwy.
Suite 101B
Soldotna, Ak 99669
Phone: (907) 260-3041
Fax: (907) 260-3044

SENATE RESOURCES COMMITTEE

SPONSOR STATEMENT

SB 143

“Right-Of-Way Leasing Act: Application Cost”

One of the legislature’s priorities is commercialization of North Slope gas. Any sponsor of a pipeline project will have to obtain a right-of-way across state lands. This bill would authorize the state to be reimbursed for work performed by the State Pipeline Coordinator’s Office (SPCO) in preparing to receive and process an application for a right-of-way lease. It also clarifies that an applicant must reimburse the SPCO for costs incurred in processing an application whether or not the application is granted.

AS 38.35.140 provides that a lessee shall reimburse the state for all reasonable costs incurred in processing an application filed for a right-of-way lease. The SPCO has entered into an agreement with a lessee seeking to renew a lease. The lessee has agreed to reimburse the state for costs incurred before receipt of the renewal application. However, legislative legal services has questioned whether existing law authorizes the state to be reimbursed for costs incurred before the receipt of an application. The SPCO anticipates that it will be asked to perform substantial work by prospective gas pipeline lessees this year in anticipation of filing applications later this year or early next year. Much of the cost of this work would clearly be reimbursable to the state if the prospective lessee actually had a pending application. It is important to ensure that the state is reimbursed for the significant cost that it will incur in performing work in anticipation and furtherance of the application process.

Additionally, the SPCO, in the past, has required a prospective lessee to reimburse the state for costs incurred in processing an application even if the application has not been granted. This bill would conform the law to existing practice between the SPCO and prospective lessees to make clear that the state must be reimbursed for the costs of processing an application whether or not the lease is ultimately granted. Prospective lessees cannot expect the state to pay for services requested by them on routes that ultimately are not selected or on applications that may ultimately be withdrawn, suspended, or otherwise not granted.

ALASKA STATE LEGISLATURE

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SENATE RESOURCES COMMITTEE

Sectional Analysis for SB 143

“An Act authorizing the Department of Natural Resources to enter into agreements with a person or persons desiring to own an oil or natural gas pipeline proposed to be located on state land for the purposes of providing for payment of the reasonable costs incurred in preparing for activities before receipt of an application under the Alaska Right-of-Way Leasing Act and for activities relating to the processing of an application under that Act; and providing for an effective date.”

One of the legislature's priorities is commercialization of North Slope gas. Any sponsor of a pipeline project will have to obtain a right-of way across state lands. This bill would authorize the state to be reimbursed for work performed by the State Pipeline Coordinator's Office (SPCO) in preparing to receive and process an application for a right-of-way lease.

Section #1 – This section amends AS 38.35140(b) to clarify that a lease applicant must reimburse the state for all reasonable costs incurred in processing an application even if the application is not granted. An applicant cannot expect the state to pay for services requested by the applicant on routes that ultimately are not selected or on an application that may ultimately be withdrawn, suspended, or otherwise not granted.

Section #2 – This section adds a new section to AS 38.35. AS 38.35.140 provides that a lessee shall reimburse the state for all reasonable costs incurred in processing an application for a right-of-way lease. Although once before the SPCO has entered into an agreement to be reimbursed for costs incurred before an application is received, legislative legal services has questioned whether this is authorized under existing law. The SPCO anticipates that it will be asked to perform substantial work by prospective gas pipeline lessees this year in anticipation of filing applications later this year or early next year. This work would clearly be reimbursable if the prospective lessee actually had a pending application. This section will insure that the state is reimbursed for the significant cost that it will incur in performing work in anticipation and furtherance of the application process.

SB

143

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

| |
|-----------------------------|
| REPORTED OUT |
| MAR 28 2001 |
| SENATE FINANCE COMMITTEE |

DATE: 3/20/01

FURTHER:

DATE TURNED
IN TO OFFICE: 28 March 2001

Finance Committee considered **SENATE BILL NO. 143**

RIGHT-OF-WAY LEASING ACT: APPLICATION COST

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|-------------------|----------|--------|------|-----|
| Natural Resources | 03/16/01 | ✓ | | 1 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>Linda Green</i> | ✓ | | | |
| <i>John Crutcher</i> | ✓ | | | |
| <i>John Hefner</i> | | | ✓ | |
| <i>Michael C. Olson</i> | | | ✓ | |
| <i>Tommy Hefner</i> | ✓ | | | |
| <i>Steve D. Simon</i> | ✓ | | | |
| COCHAIR: <i>David D. ...</i> | ✓ | | | |
| COCHAIR: <i>John ...</i> | ✓ | | | |

MAR 28 2001

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 143
 (S) Publish Date: 3/20/01
 Dept. Affected: Natural Resources
 BRU: Oil & Gas Development
 Component: Pipeline Coordinator
 Component Number: 1191

Revision Date/Time (Note if correction): _____
 Title: Right-of-Way Leasing Act: Application Cost
 Sponsor: Senate Resources
 Requester: Senate Resources

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|---------|---------|---------|---------|---------|---------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | * | * | * | * | * | * |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|---|---|---|---|---|---|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | * | * | * | * | * | * |

Estimate of any current year (FY2001) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)
 The fiscal note estimates that \$3,957,900 will be needed through the first half of FY02 to prepare to receive a gas pipeline application. Those costs include work to establish a Gas Pipeline Office and to provide technical assistance to proponents. It also includes efforts related to permit process streamlining, such as consultation with the state's federal and Canadian counterparts. DNR estimates that least 50 percent of the total may be reimbursable through agreements with project proponents.
 (continued on attached page)

Prepared by: Bill Britt Phone 271-4304
 Division: State Pipeline Coordinator's Office Date/Time 16-Mar-01
 Approved by: Pat Pourchot Date 16-Mar-01
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

(Rev 11/2000 OMB)
COMMITTEE COPY

ANALYSIS: (continued)
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SENATE RESOURCES COMMITTEE

SPONSOR STATEMENT

SB 143

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ALASKA STATE LEGISLATURE



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SENATE RESOURCES COMMITTEE

Sectional Analysis for SB 143

“An Act authorizing the Department of Natural Resources to enter into agreements with a person or persons desiring to own an oil or natural gas pipeline proposed to be located on state land for the purposes of providing for payment of the reasonable costs incurred in preparing for activities before receipt of an application under the Alaska Right-of-Way Leasing Act and for activities relating to the processing of an application under that Act; and providing for an effective date.”

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SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/14/01

FURTHER: Finance

Date of 5-Day Notice: 3-15-01
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3-19-01

Resources Committee considered SENATE BILL NO. 143

RIGHT-OF-WAY LEASING ACT: APPLICATION COST

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|---------|--------|------|-----|
| DNR | 3-16-01 | Yes | | 1 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Zero | FN# |
|------------|------|--------|------|-----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | DO PASS | DO NOT PASS | NO REC | AMEND |
|----------------------------------|---------|-------------|--------|-------|
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | | | ✓ | |
| CHAIR: <i>[Signature]</i> | ✓ | | | |

SB

145

HFIN

FILE

AMENDMENT #1

5/3/01
Adopted

OFFERED IN THE HOUSE

TO: CSSB145 (FIN)

Sec. 13. The uncodified law of the State of Alaska is amended by adding a new section to read:

NOTICE TO REVISOR. The administrator of the public employees' retirement system shall notify the revisor of statutes of a ruling described in sec. 14(1) of this Act that is issued before March 1, 2002.

Sec. 14. Sections 4 and 6 – 10 of this Act take effect on the earlier of

- (1) a ruling from the United States Internal Revenue Service permitting the retirement system to include Village Public Safety Officer as members of a governmental plan under the Internal Revenue Code; or
- (2) March 1, 2002.

Request for HCS CSSB 145 (FIN)
Final/ Passed from Committee

Using LS0584\W

Add:

With Faxed Amendments 1 and 2

Thank you

Louanne Christian
465-6814
room 519

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 4
 Bill Version: CSSB 145(FIN)
 (S) Publish Date: 4/20/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title: An Act relating to the expansion of the village BRU: Centralized Administrative Services
public safety officer program Component: Retirement and Benefits
 Sponsor: Senator Halford
 Requester: Senate Finance Component Number: 64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|----------------------|--|--|--|--|--|--|

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

CSSB 145(FIN) will not increase cost to the Public Employees Retirement System because all costs will be fully paid by the VPSO's and their employers.

Prepared by: Guy Bell, Director Phone 465-4471
 Division: Retirement and Benefits Date/Time April 18, 2001
 Approved by: Jim Duncan, Commissioner Date April 18, 2001
 Agency: Department of Administration

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 5
 Bill Version: CSSB 145 (JUD)
 (S) Publish Date: 4/23/01
 Dept. Affected: Public Safety
 BRU: VPSO Program
 Component: VPSO/contracts
 Component Number: 516

Revision Date/Time (Note if correction):
 Title: An Act relating to the expansion of the Village
public safety officer program to include the provision of . . .
 Sponsor: Senator Halford
 Requester: Senate Finance Committee

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Personal Services | 165.6 | 331.3 | 331.3 | 331.3 | 331.3 | 331.3 |
| Travel | 4.7 | 9.4 | 9.4 | 9.4 | 9.4 | 9.4 |
| Contractual | 127.7 | 32.7 | 32.7 | 32.7 | 88.7 | 32.7 |
| Supplies | 29.2 | 7.6 | 12.3 | 7.6 | 23.8 | 12.3 |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | 779.9 | 779.9 | 779.9 | 779.9 | 779.9 | 779.9 |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 1,107.1 | 1,160.9 | 1,165.6 | 1,160.9 | 1,233.1 | 1,165.6 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 1,006.0 | 1,160.9 | 1,165.6 | 1,160.9 | 1,233.1 | 1,165.6 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| 1007 I/A Receipts | 101.1 | | | | | |
| TOTAL | 1,107.1 | 1,160.9 | 1,165.6 | 1,160.9 | 1,233.1 | 1,165.6 |

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

| | | | | | | |
|-----------|---|---|---|---|---|---|
| Full-time | 4 | 4 | 4 | 4 | 4 | 4 |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: *(Attach a separate page if necessary)*

See attached pages for line-item details by section.

In FY2002 one-time federal grant funding will be available to cover training and equipment related costs including: ALETS Academy, boat lease/purchases, snowmachines and four-wheelers.

Prepared by: Ken Bischoff, Director Phone 465-5488
 Division: Administrative Services Date/Time 4/18/01 12:00 AM
 Approved by: Glenn Godfrey, Commissioner Date 4/18/01
 Agency: Department of Public Safety

For distribution information, call the Governor's Legislative Office

SB 145 makes two significant changes to the current Village Public Safety Officer (VPSO) program. First, VPSO program is amended to specifically incorporate probation and parole activities. Secondly, VPSOs would be made members of the Public Employees' Retirement System (PERS). The bill will also create a new Regional Public Safety Officer job class.

Note: Fiscal note was developed based upon the assumption that all provisions of the bill are fully funded. To the extent program changes under Sec. 4 – 8 are not funded, the VPSO program will necessarily experience a reduction in funded positions and/or direct services provided.

Sec. 2 of the bill expands the Village Public Safety Officer (VPSO) program to include probation and parole supervision to persons under supervision of the Department of Corrections (DOC). VPSOs will be required to communicate with and monitor the activities and progress of these persons at the direction of DOC probation and parole officers. Chapter 137 SLA 98 provided \$115,000 to establish a Pilot Project within the VPSO program to provide probation and parole supervision through the Bristol Bay Native Association (BBNA) and their eleven (11) VPSOs. \$20,000 was provided to train the 11 VPSOs on Probation/Parole supervision duties and \$95,000 for direct compensation. The pilot program has been continued through FY2000 and FY2001 with level funding.

| | Personal Services | Indirect Costs | Total | Employees | Grand Total |
|---------------|-------------------|----------------|----------|-----------|-------------|
| Per VPSO Cost | \$ 6,784 | \$ 1,843 | \$ 8,627 | 11 | \$ 94,987 |

Based on current contract with BBNA for 11 VPSOs (in bold above). Total contract is for \$94,897

SB 145 proposes to expand the VPSO oversight program to the other eight (8) regional non-profits who collectively employ 73.5 VPSOs. Using the same rate of compensation developed for the pilot program noted above, a statewide program will require \$634.1 in additional funding.

New 8 VPSO Programs compensation:

| Native Corporations | APIA | AVCP | CHUG | KANA | KAWE | MANI | TCC | THCC | TOTAL |
|-----------------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| VPSOs | 5.5 | 26 | 3 | 5 | 10 | 7 | 10 | 7 | 73.5 |
| VPSO Personal Services | \$ 6,784 | \$ 6,784 | \$ 6,784 | \$ 6,784 | \$ 6,784 | \$ 6,784 | \$ 6,784 | \$ 6,784 | |
| Individual Indirect Costs | \$ 1,843 | \$ 1,843 | \$ 1,843 | \$ 1,843 | \$ 1,843 | \$ 1,843 | \$ 1,843 | \$ 1,843 | |
| Total for Personal Services | \$37,312 | \$176,384 | \$20,352 | \$33,920 | \$67,840 | \$47,488 | \$67,840 | \$ 47,488 | \$498,624 |
| Total for Indirect Costs | \$10,137 | \$ 47,918 | \$ 5,529 | \$ 9,215 | \$18,430 | \$12,901 | \$18,430 | \$ 12,901 | \$135,461 |
| Total | \$47,449 | \$225,302 | \$25,881 | \$43,135 | \$86,270 | \$60,389 | \$86,270 | \$ 60,389 | \$634,085 |

Amount noted above (\$634.1) is reflected on the Grants & Claims line.

Sec. 3 of this legislation will expand public safety presence in rural Alaska with the establishment of four Regional Public Safety Officer positions. Six months of funding and associated up front costs are requested in FY02. Details below:

| | Year 1 FY02 | Year 2 FY03 | Year 3 FY04 | Year 4 FY05 | Year 5 FY06 | Year 6 FY07 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Average Cost of Entry Level Officer (Four Positions) | 165.6 | 331.3 | 331.3 | 331.3 | 331.3 | 331.3 |
| Personal Services Total | 165.6 | 331.3 | 331.3 | 331.3 | 331.3 | 331.3 |
| Instate Field Travel (transp, PD, training, aircraft charter) | 4.7 | 9.4 | 9.4 | 9.4 | 9.4 | 9.4 |
| Travel Total | 4.7 | 9.4 | 9.4 | 9.4 | 9.4 | 9.4 |
| Communications & DP Services (phones, fax, radio, data, postage, DP services) | 12.7 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 |
| Photo Processing/Reproduction | 0.4 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| ALETS Academy Costs (tuition) | 28.3 | | | | | |
| PSEA Physical | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Boat Lease/Purchase | 48.0 | | | | 21.6 | |
| Computer Lease/Purchase | 9.6 | | | | 9.6 | |
| Snow machine/Four-wheeler | 24.8 | | | | 24.8 | |
| Misc. Contractual (conf., training, equip. repair) | 2.7 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 |
| Contractual Total | 127.7 | 32.7 | 32.7 | 32.7 | 88.7 | 32.7 |
| Office & DP Supplies | 1.4 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Uniform & Access. (est. life 18 mos.) | 9.4 | | 4.7 | | 4.7 | 4.7 |
| Ammunition, law enforcement, fuel. | 2.4 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| Firearms (Pistol & Shotgun) | 4.5 | | | | | |
| Radios | 11.5 | | | | 11.5 | |
| Supplies Total | 29.2 | 7.6 | 12.3 | 7.6 | 23.8 | 12.3 |
| Combined Total | 327.2 | 381.0 | 385.7 | 381.0 | 453.1 | 385.7 |

Personal Services: Year 1 costs equals six months of salary & benefits (74A - Bethel Location)

Contractual: Year 1 includes 1/2 cost of "annualized contractual", one-time purchases (ALETS Training), and Equipment Lease/Purchase (boat, snow-machine, four-wheeler, and computer).

Supplies: Year 1 includes 1/2 cost of "annualized supplies" and one-time purchases (firearms and radio).

General Notes:

In calculating the cost per officer, we did not include office space.

Sections 4 – 7 relate to making VPSOs members of the State's PERS retirement system

| Nonprofit | FY01 Salaries | Employer Contributions | | | | Employee Contributions | |
|--|---------------|------------------------|---------------|-----------------|------------|------------------------|------------|
| | | PERS % | Indirect Rate | PERS Retirement | PERS % | PERS Retirement | |
| | 1 | 2 | 3 | 4 | 5 | 6 | |
| | | | Column 1x2 | | column 3x4 | | column 1x6 |
| APIA | 195,025 | 8.26% | 16,109 | 1.253 | 20,185 | 6.75% | 13,164 |
| AVCP | 889,212 | 8.26% | 73,448 | 1.162 | 85,348 | 6.75% | 60,022 |
| BBNA | 347,209 | 8.26% | 28,679 | 1.273 | 36,509 | 6.75% | 23,437 |
| CHUG | 66,781 | 8.26% | 5,516 | 1.300 | 7,171 | 6.75% | 4,508 |
| KANA | 126,875 | 8.26% | 10,479 | 1.258 | 13,184 | 6.75% | 8,564 |
| KAWE | 351,769 | 8.26% | 29,056 | 1.260 | 36,611 | 6.75% | 23,744 |
| MANI | 231,628 | 8.26% | 19,132 | 1.220 | 23,342 | 6.75% | 15,635 |
| TCC | 376,758 | 8.26% | 31,120 | 1.167 | 36,317 | 6.75% | 25,431 |
| THCC | 196,896 | 8.26% | 16,263 | 1.165 | 18,947 | 6.75% | 13,290 |
| Base Total | 2,782,153 | | | | 277,613 | | 187,795 |
| PERS costs attributed to Probation and Parole Monitoring | 573,200 | 8.26% | 47,346 | 1.208 | 57,194 | 6.75% | 38,691 |
| | | | | | 334,807 | | 226,486 |
| Net Offset for existing retirement benefits | | | | | (189,000) | | |
| Net PERS Employer Fiscal Impact | | | | | 145,807 | | |

The amount noted above (\$145.8) is reflected on the Grants & Claims line.

NOTES:

- The non-profits presently pay retirement benefit contributions of approximately \$189,000. This fiscal note is prepared on the assumption that participation in PERS would eliminate current retirement cost reimbursements to non-profits where VPSOs become PERS members. The fiscal note amount is reduced by netting \$334,807 in projected PERS costs against the \$189,000 in current retirement cost reimbursements.
- Assumes that mandatory Employee contributions of 6.75% would be deducted from the employee's salary and have no impact to the non-profits employers or state grant program. It is the department's understanding that VPSOs do not presently make employee contributions to existing non-profit retirement plans.
- Section 5 relates to entitlement to prior credited service. Employees do not have an option to buy back credited service until vested, after 5 years. At that time, the cost would fall solely to the employee. VPSOs who become PERS members would become Tier III members and would vest for retirement in 5 years, vest in 10 years for medical and would be eligible for retirement at age 60.
- Salaries related to probation monitoring and parole activities were from the sum of salaries reported on the two schedules on page two of this fiscal analysis.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSSB 145
 (S) Publish Date: 4/23/01

Revision Date/Time: 4/17/01/4:20 pm Dept. Affected: Corrections
 Title: An Act relating to regional and village public BRU: Administration & Operations
safety officers; relating to the expansion of the village public... Component: Community Corrections Dir. Office
 Sponsor: Senator Halford
 Requester: Senate Finance Committee Component Number: 1382

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services | 49.8 | 66.5 | 66.5 | 66.5 | 66.5 | 66.5 |
| Travel | 75.4 | 45.0 | 45.0 | 45.0 | 45.0 | 45.0 |
| Contractual | 15.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Supplies | 35.0 | 47.0 | 47.0 | 47.0 | 47.0 | 47.0 |
| Equipment | 20.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 195.2 | 184.5 | 184.5 | 184.5 | 184.5 | 184.5 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 69.8 | 96.5 | 184.5 | 184.5 | 184.5 | 184.5 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other IA 1007* | 125.4 | 88.0 | | | | |
| TOTAL | 195.2 | 184.5 | 184.5 | 184.5 | 184.5 | 184.5 |

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

| POSITIONS | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|-----------|---------|---------|---------|---------|---------|---------|
| Full-time | 1 | 1 | 1 | 1 | 1 | 1 |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill will expand the duties of Village Public Safety Officers to include assisting Field Probations Officers in monitoring probationers and parolees in rural communities. It will require coordinating with all the non-profit regional corporations to provide oversight to all of the communities. In addition, it will require initial and on-going training and field auditing to assure community safety and probationer/parolee compliance. FY02 reflects a 9 month period and the remaining years are full fiscal years. In order to accomplish this, the Department of Corrections will adopt regulations in accordance with Sec. 18 65.670(c). This will require: 1 Probation Officer IV, staff travel and 5 days centralized training for 74 VPSOs, office rent and communications costs for staff, supplies including office and urinalysis testing supplies for probationers, and equipment to include a staff computer (1st year) and breathalyzers for VPSOs.
 *Interagency Receipts from the Dept. of Public & Safety for training of VPSOs for FY02 & FY03. Subsequent years will require other sources of funds.

Prepared by: Candace Brower Phone 465-4652
 Division: Commissioner's Office Date/Time 4/17/01/4:30pm
 Approved by: Margaret Pugh Date 4/17/01
 Agency: Department of Corrections

For distribution information, call the Governor's Legislative Office

AMENDMENT #2

Adopted

OFFERED IN THE HOUSE

TO: CSSB145 (FIN)

Page 2, following line 4:

Insert a new bill section to read:

Sec. 2. AS 01.10.060(a)(7) is amended to read:

(7) "peace officer" means

- (A) an officer of the state troopers;
- (B) a member of the police force of a municipality;
- (C) a village public safety officer;
- (D) a regional public safety officer;
- (E) a United States marshal or deputy marshal; and
- (F) [(E)] an officer whose duty it is to enforce and preserve the public peace;"

Renumber the following bill sections accordingly.

Public Safety Employees Association, Inc.
"Representing Alaska's Finest"

May 2, 2001

Senator Rick Halford
State Capitol, Room 107
Juneau, AK 99801-1182

Re: Support of SB 145

Dear Senator Halford,

I am writing to you in support of SB 145, and in thanks for your foresight in the creation of this bill.

This bill deserves the support of all law enforcement agencies and organizations. In short, PSEA whole-heartedly supports the passage of SB 145.

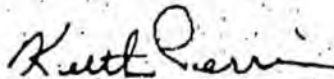
VPSOs have become an integral part of law enforcement in rural Alaska. I personally have worked with a number of VPSOs and have found they are committed professionals who are sometimes called upon to help in dangerous and life-threatening situations. Stress levels are comparable to many other law enforcement positions, which currently receive the consideration your bill would provide to VPSOs.

SB 145 will not only help in the retention of VPSOs, it will also aid in the recruitment of quality individuals for such positions. This in turn will also help bring about a stronger pride of service amongst VPSOs, which we believe is an essential component in the makeup of the law enforcement community.

Your understanding of the VPSO program is as remarkable as is your compassion for both the affected employers and those who assist with law enforcement.

PSEA would like to go on record applauding your efforts, especially the diligence you have shown in personally supporting the bill throughout the legislative process.

Sincerely,



Keith Perrin
Business Manager

City of Shaktoolik



P. O. Box 10
Shaktoolik, Alaska 99771

March 28, 2001

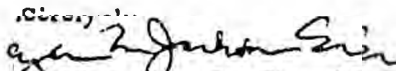
The Honorable Rick Halford
State Capital, Room 7
Juneau, Alaska 99801

Dear Senator Halford

We are in support of passing Senate Bill 145. The VPSO's provide law enforcement, fire, suppression, emergency medical services, and search and rescue services in rural and isolated communities throughout Alaska. They have very broad responsibilities and they are, in most instances the lone, trained, unarmed peace officer in their communities.

VPSO's are paid anywhere from 14 to 38% less than their municipal counterparts employed in similiar positions. The VPSO's benefits need to be consistent with other peace officers in Alaska PERS. The VPSO turnover rate is mainly due to low wages and benefits provided in relation to the high responsibility and dangerous nature of their position.

We are grateful that Senate Bill 145 was introduced in which we are in support of. We would like to thank you for your time in supporting our VPSO Program throughout Alaska. We would like to urge the Alaska Legislature to appropriate funding for VPSO wage increase so that it can be brought to an equitable level. Thank You for supporting Senate Bill 145.


Gary M. Jackson Sr. - City of Shaktoolik
Mayor

Shishmaref Kawerak, Inc
P.O. Box 154
Shishmaref, Alaska 99772

.....
Kawerak, Inc.

April 2, 2001

The Honorable Rick Halford
State Capitol, Room 7
Juneau, Alaska 99801

Dear Senator Halford:

I support the efforts to pass Senate Bill 145.

VPSO's put their lives on the line in a job that is both dangerous and demanding in order to serve their communities.

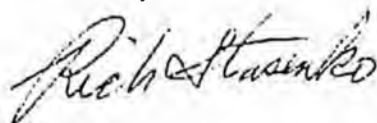
They provide law enforcement, fire suppression, emergency medical services, and search and rescue services in rural and isolated communities throughout Alaska - hence their motto "First Responders, Last Frontier." They have very broad responsibilities and they are, in most instances, the lone, trained, unarmed peace officer in their community.

Yet, VPSO's are underpaid. Their pay is 14-38% less than their municipal counterparts employed in like positions. Their benefits needs to be consistent with other peace officers in Alaska PERS.

Low wages and fewer benefits promote a high turnover rate for VPSO's. This fact puts people in Rural Communities at risk. It is critical to the safety and health of the citizens Rural Alaska to pass Senate Bill 145.

I am grateful for the introduction of Senate Bill 145. The Alaska Legislature needs to support Senate Bill 145 with appropriate funds.

Sincerely,



Rich Stasenko
Regional EET Specialist

CITY OF GAMBELL

March 29, 2001

TO: Honorable Rick Halford
State Capitol, RM# 7
Juneau, AK 99801

FROM: City of Gambell
P.O. Box 189
Gambell, AK 99742

Dear Senator Halford,

The City of Gambell supports the passage of Senate Bill 145. VPSO's are our #1 Rural Law Enforcement Officers, in which they provide law enforcement, search & rescue, EMT, and fire support in our communities.

VPSO's are paid less than other municipal counterparts which are employed in the same field, law enforcement. Their benefits should also be the same as other peace officers in Alaska, which are under the PERS. VPSO's turnover rate is high due to low wages, their employed in a highly dangerous job, where they are unarmed.

We are thankful that Senate Bill 145 was introduced. We urge the Alaska Legislature to pass the Senate Bill, this Bill could greatly improve Public Safety in Rural Alaska, with the increase of wages & benefits for the VPSO's.

Wilbur Booslu
Mayor
City of Gambell

Preston Apangalouk
City Administrator
for Wilbur Booslu
[Signature]

March 28, 2001

The Honorable Rick Halford
State Capital, Room 7
Juneau, Alaska 99801

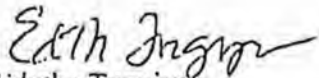
Dear Senator Halford:

I am writing this as an individual, strongly supporting Senate Bill 145. I have known this issue to be the most important and yet never get any support whatsoever since time immemorial. It is long overdue, and I am glad to see it is finally getting attention and support the program needs.

To give you my experience, I am from Gambell, now living in Nome. Gambell always had and will always have law enforcement problems. Even with the funding from the Federal COPS and UHP, where we created Peace Officer positions with much higher hourly wages, we still see high turn over, due to lack of training, benefits and support from the community. I believe we will have interest from the community members and non-residents alike if this important Bill passes. We have experienced and seen much heartache, as Gambell is notoriously known for crimes that you do not see in many small communities, which I'm sure the State is aware of.

Again, I am in full support of this important Bill and I hope it will get full support from legislation! Thank- you.

Sincerely,


Edythe Tungiyah
Dedicated Voter from Nome Area

Brevig Mission V.P.S.O.
P.O. Box 79
Brevig Mission, Alaska 99785
Phone: (907) 642-2264

March 28, 2001

The Honorable Rick Halford
State Capitol, Room 7
Juneau, Alaska 99801

Dear Senator Halford:

As a V.P.S.O. and a citizen of rural Alaska I strongly support the efforts to pass Senate Bill 145. As a V.P.S.O. I provide law enforcement, fire suppression, emergency medical services and search and rescue services in my rural community of Brevig Mission. In most situations I'm alone with no back up or help, and most of the situations that I must face are dangerous and potentially life threatening.

We as V.P.S.Os are paid anywhere from 14-38% less than our municipal counterparts employed in like positions. Due to our low wages I'm forced to take an extended leave of absence from the V.P.S.O. program to pursue a higher paying job opportunity, which will begin in the spring and last till late fall, so that I may make ends meet financially.

I'm truly grateful that Senate Bill 145 was introduced and I thank you for this time to express my support. I urge the Alaska Legislature to appropriate additional funds for V.P.S.O. wage increases to be brought to an equitable level so as to improve the provision of rural public safety in the State of Alaska.
"First Responders, Last Frontier."

Sincerely,

Ronald J. Bloomstrand Jr.
Village Public Safety Officer



KAWERAK, INC.

P.O. BOX 948 • NOME, ALASKA 99762

TELEPHONE: (907) 443-5231 • FAX: (907) 443-3708

- SERVING THE
- VILLAGES OF:
- AREVIO MISSION
- COUNCIL
- DIOMEDE
- ELIM
- GAMARFIL
- GOLovin
- KING ISLAND
- KUYUK
- MARY'S ISLAND
- NOME
- SAVOONGA
- SHAKTOCUK
- SILCHAMAREF
- SOLOMON
- STEBBINS
- ST MICHAEL
- TELLU
- UNAI AKIFFT
- WALLES
- WHITE MOUNTAIN

March 28, 2001

The Honorable Rick Halford
 The Honorable Dave Donley
 The Honorable Pete Kelly
 The Honorable Donny Olson
 State Capitol
 Juneau, Alaska 99801

Gentlemen:

On behalf of Kawerak Inc., I am writing to express our support for the passage of Senate Bill 145. Village Public Safety Officers (VPSOs) provide law enforcement, fire suppression, emergency medical services, and search and rescue services in rural and isolated communities throughout Alaska – hence their motto "First Responders Last Frontier." They have very broad responsibilities and they are, in most instances, the lone, trained, unarmed peace officer in their community.

VPSO's are paid anywhere from 14-38% less than their municipal counterparts employed in like positions. Their benefits need to be consistent with other peace officers in Alaska. The VPSO turnover rate is mainly due to low wages and benefits provided in relation to the high responsibility and dangerous nature of their job.

We are grateful that Senate Bill 145 was introduced and we encourage you to actively work for its passage. We urge the Alaska Legislature to appropriate additional funds for VPSO wage increases to be brought to an equitable level so as to improve the provision of rural public safety in the State of Alaska.

Sincerely,

Kawerak Inc.

Loretta Bullard
 President

cc: Senator Ward, Senator Lincoln, Senator Hoffman, Senator Austerman

City of St. Michael
Box 70
St. Michael, Alaska 99659
Ph.#. (907) 923-3222 Fax #(907) 923-2284

March 30, 2001

The Honorable Donald C. Olson
Alaska State Senator
State Capital, Room 510
Juneau, Alaska 99801

Dear Senator Olson:

First of all I would like to thank Rick Halford who introduced the legislation on Senate Bill 145 and Senate Finance Co-Chair Dave Donley and Pete Kelly. The Village Public Safety Officer Program is the only other service provided to 227 tribes in the great state of Alaska.

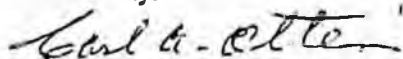
Unlike the other 226 villages St. Michael populace of 412+ people depend on our female VPSO for the demand of vital services such as search and rescue, and supervise people on probation and parole. Our nearest Alaska State Trooper who are located in Nome are 93 airmiles North of St. Michael. Because of the lack of domestic supervision for persons on probation, Recurring incarceration incidents occur for the same people. Making it more expensive and Overbooked jails throughout the state.

The VPSO wages and retirement benefits are long over due. The facilities in the villages are Shacks and the one in St. Michael is squeezed into a small 16'x16' and one tiny cell @ 10'x 6', Built into our small community building which is 23 years old.

We should not take precious time away from VPSO's when they are trying to be eligible for Foodstamps that takes lots of time and effort when they have to get their wages faxed in or other pertinent information for Public Assistance or another part time job.

Thank you for your very important legislation and we give you elected leaders the power of Authority to enhance the Safety, Health and Welfare of our 226 villages who lack the many Resources a number of the metropolitan cities already have in this great big beautiful State of Alaska.

Sincerely:



Carl A. Otten
The Honorable Mayor
City of St. Michael

Cc: The Honorable Alaska State Senator Rick Halford
The Honorable Alaska State Senator Dave Donley
The Honorable Alaska State Senator Pete Kelly

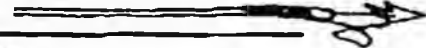
CA/vw



KAWERAK, INC.



P.O. BOX 948 • NOME, ALASKA 99762



TELEPHONE: (907) 443-5231 • FAX: (907) 443-~~2708~~ 4452

SERVING THE
VILLAGES OF

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GAMBELL
GOLOVIN
KING ISLAND
KOYUK
MARYS GLOO
NOME
SAVOONGA
SHAKTOOLIK
SHISHMARLU
SOLOMON
STEBBINS
ST. MICHAEL
TELLER
UNALASKA
WALES
WHITE MOUNTAIN

RESOLUTION 01-05

Support for Alaska Senate Bill 145 - VPSO Program

Whereas, Village Public Safety Officers provide law enforcement, fire suppression, emergency medical services, and search and rescue services in rural and isolated communities throughout Alaska - hence their motto "First Responders - Last Frontier;" and

Whereas, Village Public Safety Officers have very broad responsibilities and they are, in most instances, the lone, trained, unarmed peace officer in their community; and

Whereas, Village Public Safety Officers are paid up to 38% less than their municipal counterparts employed in like positions;

Whereas, the benefits provided to Village Public Safety Officers need to be consistent with other peace officers in the Alaska Public Employees Retirement System (PERS); and

Whereas, the high turnover rate of Village Public Safety Officers is mainly due to the low wages and benefits provided in relation to the high responsibility and dangerous nature of their job; and

Whereas, Senate Bill 145 has been introduced in the Alaska Senate that would make additional funding available for Village Public Safety Officers wages by having them provide parole supervision services at the village level, and to allow Village Public Safety Officers to participate in PERS;

Now therefore be it resolved the Kawerak Board of Directors expresses their collective support for Senate Bill 145 and requests the Alaska Legislature to pass the bill; and