

Chair, Judiciary
Chair, Economic Development,
Trade & Tourism
Energy
Military & Veteran Affairs
Joint Armed Services
1292 Sadler Way, Suite 324
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature House of Representatives



While in Session
State Capitol, Room 118
Juneau, Alaska 99801-1182
(907) 465- 3004
Fax: (907) 465-2070
Toll Free: (877) 465-3004

Representative Jay Ramras District 10

Sponsor Statement

HB 120 - "An Act authorizing the negotiation for the lease, sale, or other disposal of state land with a contract carrier that is engaged in the intrastate transportation of natural gas by pipeline; relating to regulation of certain contract carriers; relating to the authority of the Alaska Natural Gas Development Authority; relating to the authority of the governor to identify an intrastate gas pipeline project to be developed in conjunction with the Alaska Natural Gas Development Authority; and providing for an effective date."

House Bill 120 sets the framework to define the project of an intrastate natural gas pipeline and to recognize the Governor's authority to designate a project manager, a position that has not yet been defined in statute. The bill further authorizes the Alaska Natural Gas Development Authority (ANGDA), under the direction of the Governor and her appointed project manager, to apply for a right-of-way lease of state land and to assist in the acquisition of federal and state permits and authorizations required by the designated project that are necessary to build a pipeline.

House Bill 120 also recognizes that the in-state natural gas pipeline will originally be a contract carrier, this is necessary to protect the capital investments of those companies that initially delineate gas into the instate pipeline.

As House Bill 120 is written, the role of the Regulatory Commission of Alaska (RCA) is limited to authorizing a person to own or operate an intrastate natural gas pipeline as a contract carrier, issuing a certificate of public convenience and necessity, and issuing a conditional certificate to an applicant that has not yet obtained financing or possession of firm transportation commitments. However, it is the sponsor's belief that this portion of the bill can be amended at a later date when the composition of the pipeline is more clearly understood and defined.

House Bill 120 is an enhancement of the Governor's authority and a solidification of a more narrowly defined role for ANGDA as set forth by the Governor and her appointed project manager.

The language in HB120 requires the Governor through her project manager to define the project, including the proposed route, determine the economic feasibility and probability of success of the project, identify permits and authorizations required for the project, determine whether there are likely to be necessary commitments, identify the person or persons who will design, construct, operate the project, and develop a project plan for design and construction of the pipeline, before designating the project.

As this bill moves through the committee process it is anticipated that enabling language in the form of an appropriations bill will be added by the Finance Committee. Additionally, HB120 maintains the flexibility to add specific intent language to assist in the furtherance of defining the project, project manager, and the specific milestones to be met by June 2011.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

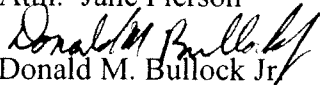
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 3, 2009

SUBJECT: Sectional Summary for CSHB 120()
(Work Order No. 26-LS0523\E)

TO: Representative Jay Ramras
Attn: Jane Pierson

FROM: 
Donald M. Bullock Jr.
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Amends AS 19.40.200(b) by adding an exception from the prohibition on the disposal of certain state land for a contract carrier that is engaged in the intrastate transportation of natural gas pipeline.

Section 2. Repeals and reenacts AS 38.05.810(e) to allow the director of the division of lands to negotiate with a contract carrier for the lease, sale, or other disposal of state land at appraised fair market value. Defines "contract carrier" for the purposes of the subsection; the definition is also incorporated by reference in secs. 9 and 10 of the bill.

Section 3. Adds a new subsection to AS 38.35.050 to authorize the commissioner of natural resources to accept a right-of-way application under AS 38.35 (Right-of-Way Leasing Act) from the Alaska Natural Gas Development Authority (ANGDA) for the purpose of developing the gas pipeline project designated by the governor under AS 44.19.037 (a new section that would be added by sec. 13 of the bill).

Section 4. Amends AS 38.35.120(a) to include a contract carrier as a party to a noncompetitive lease for a right-of-way. Excludes a contract carrier from the application of AS 38.35.120(a)(1)(B), relating to a requirement that a North Slope natural gas pipeline operate as a common carrier with respect to the intrastate transportation of North Slope natural gas.

Section 5. Amends AS 41.41.010(a) adding an authorization for ANGDA to assist in

Representative Jay Ramras

April 3, 2009

Page 2

developing the natural gas pipeline project designated by the governor under AS 44.19.037 (a new section that would be added by sec. 13 of the bill). Authorizes ANGDA to apply for a right-of-way lease of state land and to assist in the acquisition of federal and state permits and authorizations required by the designated project.

Section 6. Amends AS 41.41.010(d) to state that assisting the development of the intrastate pipeline project designated by the governor under AS 41.41.010(a)(6) is an essential government function of the state.

Section 7. Amends the definition of "project" in AS 41.41.990(3) to exclude the project designated by the governor under AS 44.19.037.

Section 8. Amends AS 42.06.140(a) to authorize the Regulatory Commission of Alaska (RCA) to authorize a person to own or operate an intrastate natural gas pipeline as a contract carrier.

Section 9. Adds the definition of "contract carrier" to AS 42.06.140; the definition incorporates the definition in AS 38.05.810(e) that is added by sec. 2 of the bill.

Section 10. Adds a new subsection to AS 42.06.240 to authorize RCA to issue a certificate of public convenience and necessity to a contract carrier if the commission finds that the certificate is in the best interest of the state.

Section 11. Adds a new section to AS 42.06 to authorize RCA to issue a conditional certificate to an applicant that has not obtained or committed financing or does not possess firm transportation commitments for the transportation of natural gas. Establishes conditions for the conditional certificate and authorizes RCA to specify additional conditions.

Section 12. Amends the definitions of "pipeline" and "pipeline facility" in AS 42.06.630(16) to include the facilities of a contract carrier.

Section 13. Amends AS 44.19 by adding a new section to authorize the governor to designate a proposed project for the development of an intrastate gas pipeline to be developed with the assistance of ANGDA. Requires the governor to take certain action and make certain determinations before designating the proposed project. Requires the governor to give notice to the board of directors of ANGDA so that ANGDA can assist in the development of the designated project.

Section 14. Provides an immediate effective date for the Act.

DMB:ljw
09-213.ljw

26-LS0523\E
Bullock
4/3/09

CS FOR HOUSE BILL NO. 120()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE RAMRAS

A BILL
FOR AN ACT ENTITLED

1 **"An Act authorizing the negotiation for the lease, sale, or other disposal of state land**
2 **with a contract carrier that is engaged in the intrastate transportation of natural gas by**
3 **pipeline; relating to regulation of certain contract carriers; relating to the authority of**
4 **the Alaska Natural Gas Development Authority; relating to the authority of the**
5 **governor to identify an intrastate gas pipeline project to be developed in conjunction**
6 **with the Alaska Natural Gas Development Authority; and providing for an effective**
7 **date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 *** Section 1. AS 19.40.200(b) is amended to read:**

10 (b) The prohibition on disposal of state land under (a) of this section does not
11 apply to a disposal

12 (1) to a contract carrier that is engaged in the intrastate
13 transportation of natural gas by pipeline, a licensed public utility, or a licensed

1 common carrier under AS 38.05.810(e);

2 (2) for the reauthorization of leases that were in effect on January 1,
3 1994, for nonresidential purposes within the following development nodes:

4 (A) Coldfoot:

5 Township 28 North, Range 12 West, Fairbanks Meridian

6 Sections 3 - 4

7 Sections 9 - 10

8 Sections 15 - 16

9 Sections 20 - 22

10 (B) Yukon River Crossing:

11 Township 12 North, Range 10 West, Fairbanks Meridian

12 Sections 6 - 7

13 Township 12 North, Range 11 West, Fairbanks Meridian

14 Sections 1 - 2

15 Section 12

16 Township 13 North, Range 10 West, Fairbanks Meridian

17 Sections 29 - 32

18 Township 13 North, Range 11 West, Fairbanks Meridian

19 Section 22

20 Sections 25 - 27

21 Sections 34 - 36

22 (3) for nonresidential development within the following development
23 nodes:

24 (A) Deadhorse:

25 Township 10 North, Range 14 East, Umiat Meridian

26 Township 10 North, Range 15 East, Umiat Meridian

27 Section 8

28 Sections 17 - 20

29 Section 30

30 (B) Coldfoot:

31 Township 28 North, Range 12 West, Fairbanks Meridian

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

Sections 3 - 4

Sections 9 - 10

Sections 15 - 16

Sections 20 - 22

Township 29 North, Range 12 West, Fairbanks Meridian

Sections 23 - 27

Sections 34 - 35

(C) Franklin Bluffs:

Township 4 North, Range 14 East, Umiat Meridian

Sections 3 - 4

Sections 9 - 10

Sections 15 - 16

(D) Happy Valley:

Township 3 South, Range 14 East, Umiat Meridian

Sections 19 - 20

Sections 29 - 30

(E) Yukon River Crossing:

Township 12 North, Range 10 West, Fairbanks Meridian

Sections 6 - 7

Township 12 North, Range 11 West, Fairbanks Meridian

Sections 1 - 2

Section 12

Township 13 North, Range 10 West, Fairbanks Meridian

Sections 29 - 32

Township 13 North, Range 11 West, Fairbanks Meridian

Section 22

Section 25 - 27

Section 34 - 36; or

(4) necessary for

(A) an oil and gas lease or gas only lease under AS 38.05.180;

(B) exploration, development, production, or transportation of

1 oil and gas north of 68 degrees north latitude; or

2 (C) a state lease or materials sale for

3 (i) exploration, development, production, or
4 transportation of oil or gas;

5 (ii) reconstruction or maintenance of state highways; or

6 (iii) construction or maintenance of airports.

7 * **Sec. 2.** AS 38.05.810(e) is repealed and reenacted to read:

8 (e) The lease, sale, or other disposal of state land at appraised fair market
9 value may be negotiated by the director with a contract carrier that is engaged in the
10 intrastate transportation of natural gas, a licensed public utility, or a licensed common
11 carrier, if the interest in state land is required for the conduct of the business of the
12 public utility, common carrier, or contract carrier. In this subsection,

13 (1) the lease, sale, or other disposal of state land is subject to approval
14 by the commissioner; and

15 (2) "contract carrier" means a person that owns or operates a pipeline
16 for which the transport of natural gas is negotiated by individual contracts or
17 agreements.

18 * **Sec. 3.** AS 38.35.050 is amended by adding a new subsection to read:

19 (e) The commissioner may accept an application from the Alaska Natural Gas
20 Development Authority established under AS 41.41.010 for a noncompetitive right-of-
21 way lease of state land for the purpose of developing the gas pipeline project
22 designated by the governor under AS 44.19.037.

23 * **Sec. 4.** AS 38.35.120(a) is amended to read:

24 (a) A noncompetitive lease of state land for a right-of-way for an oil or natural
25 gas pipeline valued at \$1,000,000 or more may be granted only upon the condition that
26 the lessee expressly covenants in the lease, in consideration of the rights acquired by it
27 under the lease, that

28 (1) it assumes the status of and will perform all of its functions
29 undertaken under the lease as either a common carrier or contract carrier and will
30 accept, convey, and transport without discrimination crude oil or natural gas,
31 depending on the kind of pipeline involved, delivered to it for transportation from

1 fields in the vicinity of the pipeline subject to the lease throughout its route both on
2 state land obtained under the lease and on the other land; it will accept, convey, and
3 transport crude oil or natural gas without unjust or unreasonable discrimination in
4 favor of one producer or person, including itself, as against another but will take the
5 crude oil or natural gas, depending on the kind of pipeline involved, delivered or
6 offered, without unreasonable discrimination, that the Regulatory Commission of
7 Alaska shall, after a full hearing with due notice to the interested parties and a proper
8 finding of facts, determine to be reasonable in the performance of its duties as a
9 common carrier or contract carrier; however, a lessee that owns or operates a natural
10 gas pipeline

11 (A) subject to regulation either under the Natural Gas Act (15
12 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
13 with respect to rates and charges for the sale of natural gas, is, to the extent of
14 that regulation, exempt from the common carrier or contract carrier
15 requirement in this paragraph;

16 (B) that is a North Slope natural gas pipeline (i) is required to
17 operate as a common carrier only with respect to the intrastate transportation of
18 North Slope natural gas, as that term is defined in AS 42.06.630, and (ii) is not
19 required to operate as a common carrier as to a liquefied natural gas facility or
20 a marine terminal facility associated with the pipeline, and is not otherwise
21 required to perform its functions under the lease as a common carrier; for
22 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
23 facilities of a total system of pipe, whether owned or operated under a contract,
24 agreement, or lease, used by a carrier for transportation of North Slope natural
25 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
26 transportation, and including all pipe, pump, or compressor stations, station
27 equipment, tanks, valves, access roads, bridges, airfields, terminals and
28 terminal facilities, including docks and tanker loading facilities, operations
29 control centers for both the upstream part of the pipeline and the terminal,
30 tanker ballast treatment facilities, fire protection system, communication
31 system, and all other facilities used or necessary for an integral line of pipe,

1 taken as a whole, to carry out transportation, including an extension or
2 enlargement of the line; **this subparagraph does not apply to a lessee that is**
3 **authorized to operate as a contract carrier by the Regulatory Commission**
4 **of Alaska under AS 42.06.140(a)(11);**

5 (2) it will interchange crude oil or natural gas, depending on the kind
6 of pipeline involved, with each like common carrier **or contract carrier** and provide
7 connections and facilities for the interchange of crude oil or natural gas at every
8 locality reached by both pipelines when the necessity exists, subject to rates and
9 regulations made by the appropriate state or federal regulatory agency;

10 (3) it will maintain and preserve books, accounts, and records and will
11 make those reports that the state may prescribe by regulation or law as necessary and
12 appropriate for purposes of administration of this chapter;

13 (4) it will accord at all reasonable times to the state and its authorized
14 agents and auditors the right of access to its property and records, of inspection of its
15 property, and of examination and copying of records;

16 (5) it will provide connections, as determined by the Regulatory
17 Commission of Alaska under AS 42.06.340, to facilities on the pipeline subject to the
18 lease, both on state land and other land in the state, for the purpose of delivering crude
19 oil or natural gas, depending on the kind of pipeline involved, to persons (including
20 the state and its political subdivisions) contracting for the purchase at wholesale of
21 crude oil or natural gas transported by the pipeline when required by the public
22 interest;

23 (6) it shall, notwithstanding any other provision, provide connections
24 and interchange facilities at state expense at **the** [SUCH] places the state considers
25 necessary if the state determines to take a portion of its royalty or taxes in oil or
26 natural gas;

27 (7) it will construct and operate the pipeline in accordance with
28 applicable state laws and lawful regulations and orders of the Regulatory Commission
29 of Alaska;

30 (8) it will, at its own expense, during the term of the lease,

31 (A) maintain the leasehold and pipeline in good repair;

1 (B) promptly repair or remedy any damage to the leasehold;

2 (C) promptly compensate for any damage to or destruction of
3 property for which the lessee is liable resulting from damage to or destruction
4 of the leasehold or pipeline;

5 (9) it will not transfer, assign, or dispose of in any manner, directly or
6 indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-
7 way lease, or any rights under the lease or any pipeline subject to the lease to any
8 person other than another owner of the pipeline (including subsidiaries, parents, and
9 affiliates of the owners), except to the extent that the commissioner, after
10 consideration of the protection of the public interest (including whether the proposed
11 transferee is fit, willing, and able to perform the transportation or other acts proposed
12 in a manner that will reasonably protect the lives, property, and general welfare of the
13 people of Alaska), authorizes; the commissioner shall not unreasonably withhold
14 consent to the transfer, assignment, or disposal;

15 (10) it will file with the commissioner a written appointment of a
16 named permanent resident of the state to be its registered agent in the state and to
17 receive service of notices, regulations, decisions, and orders of the commissioner; if it
18 fails to appoint an agent for service, service may be made by posting a copy in the
19 office of the commissioner, filing a copy in the office of the lieutenant governor, and
20 mailing a copy to the lessee's last known address;

21 (11) the applicable law of this state will be used in resolving questions
22 of interpretation of the lease;

23 (12) the granting of the right-of-way lease is subject to the express
24 condition that the exercise of the rights and privileges granted under the lease will not
25 unduly interfere with the management, administration, or disposal by the state of the
26 land affected by the lease, and that the lessee agrees and consents to the occupancy
27 and use by the state, its grantees, permittees, or other lessees of any part of the right-
28 of-way not actually occupied or required by the pipeline for the full and safe
29 utilization of the pipeline, for necessary operations incident to land management,
30 administration, or disposal;

31 (13) it will be liable to the state for damages or injury incurred by the

1 state caused by the construction, operation, or maintenance of the pipeline, and it will
2 indemnify the state for the liabilities or damages;

3 (14) it will procure and furnish liability and property damage insurance
4 from a company licensed to do business in the state or furnish other security or
5 undertaking upon the terms and conditions the commissioner considers necessary if
6 the commissioner finds that the net assets of the lessee are insufficient to protect the
7 public from damage for which the lessee may be liable arising out of the construction
8 or operation of the pipeline.

9 * Sec. 5. AS 41.41.010(a) is amended to read:

10 (a) There is established the Alaska Natural Gas Development Authority, the
11 purpose of which is to provide one or more of the following services and functions in
12 order to bring natural gas **produced in the state** [FROM THE NORTH SLOPE] to
13 market, including

14 (1) the acquisition and conditioning of North Slope natural gas;

15 (2) the design and construction of **a** [THE] pipeline system;

16 (3) the operation and maintenance of **a** [THE] pipeline system;

17 (4) the design, construction, **and** operation [,] of other facilities
18 necessary for delivering the gas to market and to Southcentral Alaska; [AND]

19 (5) the acquisition of natural gas market share sufficient to ensure the
20 long-term feasibility of the pipeline system project, **other than the project**
21 **designated by the governor under AS 44.19.037; and**

22 **(6) assisting the person developing the intrastate gas pipeline**
23 **project designated by the governor under AS 44.19.037 by applying for a**
24 **noncompetitive right-of-way lease of state land under AS 19.40.200 or AS 38.35**
25 **(Alaska Right of Way Leasing Act) and assisting in the acquisition of federal and**
26 **state permits and authorizations required for the project.**

27 * Sec. 6. AS 41.41.010(d) is amended to read:

28 (d) The acquisition of natural gas from the North Slope and its delivery to
29 tidewater for shipment to market **and the provision of assistance in the development**
30 **of an intrastate gas pipeline under (a)(6) of this section** by the authority **are** [IS
31 AN] essential government **functions** [FUNCTION] of the state.

1 * **Sec. 7.** AS 41.41.990(3) is amended to read:

2 (3) "project" means the gas transmission pipeline, together with all
3 related property and facilities, to extend from the Prudhoe Bay area on the North Slope
4 of Alaska either to tidewater at a point on Prince William Sound and the spur line
5 from Glennallen to the Southcentral gas distribution grid or to tidewater at a point on
6 Cook Inlet, and includes planning, design, and construction of the pipeline and
7 facilities as described in AS 41.41.010(a)(1) - (5), **except that "project" does not**
8 **include the project designated by the governor under AS 44.19.037.**

9 * **Sec. 8.** AS 42.06.140(a) is amended to read:

10 (a) The commission

11 (1) shall regulate pipelines and pipeline carriers in the state;

12 (2) may investigate, upon complaint or its own motion, the rates,
13 classifications, rules, regulations, prices, services, practices, and facilities of pipeline
14 carriers, and the performance of obligations under and compliance with the terms of
15 leases issued by the state;

16 (3) may make, prescribe, or require just, fair, and reasonable rates,
17 classifications, regulations, practices, services, and facilities for pipeline carriers;

18 (4) may require pipeline carriers and affiliated interests to file with the
19 commission reports and other information and data required or permitted to be
20 required by other provisions of this chapter;

21 (5) may adopt regulations that are necessary and proper to the
22 performance of its duties under this chapter, including regulations governing practices
23 and procedures of the commission; the regulations may not be inconsistent with state
24 law;

25 (6) shall, during normal business hours, have access to and may
26 designate any of its employees, agents, or consultants to inspect and examine the
27 accounts, financial and property records, books, maps, inventories, appraisals,
28 valuations, and related reports kept by a pipeline carrier, or kept for it by others, that
29 directly affect the interests of the state and directly relate to pipelines located in the
30 state;

31 (7) may initiate, intervene in, and appear personally or by counsel and

1 offer evidence in and participate in, any proceedings involving a pipeline carrier, and
2 affecting the interests of the state, before any officer, department, board, commission,
3 or court of this state;

4 (8) shall require permits for the construction, enlargement in size or
5 operating capacity, extension, connection and interconnection, operation, or
6 abandonment of any oil or gas pipeline facility or facilities, subject to necessary and
7 reasonable terms, conditions and limitations;

8 (9) may prescribe the system of accounts and regulate the service of an
9 oil or gas pipeline facility;

10 (10) shall provide all reasonable assistance to the Department of Law
11 in intervening in, offering evidence in, and participating in proceedings involving a
12 pipeline carrier or affiliated interest and affecting the interests of the state, before an
13 officer, department, board, commission, or court of another state or the United States;

14 **(11) may authorize a person to own or operate an intrastate**
15 **natural gas pipeline as a contract carrier, notwithstanding any other provision of**
16 **law.**

17 * **Sec. 9.** AS 42.06.140 is amended by adding a new subsection to read:

18 (c) In this section, "contract carrier" has the meaning given in
19 AS 38.05.810(e).

20 * **Sec. 10.** AS 42.06.240 is amended by adding a new subsection to read:

21 (g) The commission may issue a certificate of public convenience and
22 necessity to a contract carrier that proposes a project for the intrastate transportation of
23 natural gas by pipeline if the commission finds that issuing the certificate is in the best
24 interest of the state. In this subsection, "contract carrier" has the meaning given in
25 AS 38.05.810(e).

26 * **Sec. 11.** AS 42.06 is amended by adding a new section to read:

27 **Sec. 42.06.275. Conditional certificate.** (a) If an applicant for a new natural
28 gas pipeline has not obtained or committed financing or does not possess firm
29 commitments for the transportation of natural gas on the applicant's proposed pipeline,
30 the commission shall issue a conditional certificate if it finds that

31 (1) the applicant has otherwise met the requirements of AS 42.06.270;

1 and

2 (2) construction of the new natural gas pipeline would be in the public
3 interest.

4 (b) The commission may specify the conditions on which the conditional
5 certificate is issued, including a limitation on the duration of the conditional
6 certificate.

7 (c) If the commission subsequently finds, on application or on its own motion,
8 that all conditions placed on the conditional certificate have been satisfied, the
9 commission shall issue a certificate under AS 42.06.270.

10 * **Sec. 12.** AS 42.06.630(16) is amended to read:

11 (16) "pipeline" or "pipeline facility" means all the facilities of a total
12 system of pipe, whether owned or operated by a pipeline carrier under a contract,
13 agreement, or lease, in this state used by a pipeline carrier for transportation, for hire
14 and as a **contract carrier engaged in the intrastate transportation of natural gas**
15 **or** common carrier, of oil, gas, coal, or other mineral slurry for delivery, storage, or
16 further transportation, and including all pipe, pump and compressor stations, station
17 equipment, and all other facilities used or necessary for an integral line of pipe to
18 effectuate the transportation from point to point, excluding, however, gas processing
19 plants, treaters, and separators;

20 * **Sec. 13.** AS 44.19 is amended by adding a new section to article 1 to read:

21 **Sec. 44.19.037. Identification of an intrastate pipeline project.** (a) The
22 governor may designate a proposed project for the development of an intrastate gas
23 pipeline to be developed with the assistance of the Alaska Natural Gas Development
24 Authority under AS 41.41.010.

25 (b) Before designating a proposed project under (a) of this section, the
26 governor shall

27 (1) define the proposed project, including the proposed route for the
28 pipeline;

29 (2) determine the economic feasibility of the proposed project and the
30 probability of the success of the project;

31 (3) identify federal and state permits and other authorizations required

1 for the project and develop a plan for obtaining the necessary permits;

2 (4) determine whether there are or are likely to be necessary
3 commitments of gas to be transported by the proposed project to make the project
4 economically viable;

5 (5) identify the person or persons that would design, construct, and
6 operate the project;

7 (6) develop a project plan for the design and construction of the
8 project, including

9 (A) a project timeline;

10 (B) procurement of labor, materials, and necessary permits; and

11 (C) the estimated total cost of the project;

12 (7) identify major factors that affect the viability of the project, which
13 may include the availability of gas production and a market for the gas to be
14 transported, the cost of materials to develop the project, competition from gas
15 produced outside the state in the market to be served by the proposed project, an
16 estimate of the tariffs to be imposed during the life of the project, and the market price
17 for gas in the markets served by the proposed project;

18 (8) determine that the person proposing the development of the project
19 is fit, willing, and able to develop and complete the project;

20 (9) solicit public comments on the proposed project;

21 (10) determine that the proposed project is in the best interest of the
22 state; and

23 (11) make other findings and determinations the governor finds
24 necessary to determine the likelihood of success of the proposed project.

25 (c) Upon designating a proposed project for development under this section,
26 the governor shall provide written notice to the chair of the board of directors of the
27 authority. After receiving notice from the governor under this section, the authority
28 may assist in the development of the project under the authority of AS 41.41.010.

29 (d) In this section, "authority" means the Alaska Natural Gas Development
30 Authority established under AS 41.41.010.

31 * **Sec. 14.** This Act takes effect immediately under AS 01.10.070(c).

Major Phases leading to the development of a pipeline

Phase 1. Define project/establish preliminary feasibility.

- Identify pipeline routing.
- Complete +/- 25% cost estimate.
- Prepare permit acquisition submittals.
- Identify major issues that must be in place to create an economically feasible project.

Phase 2. Obtain commitments/Document feasibility

- Obtain gas supply commitments.
- Obtain gas sales commitments from key purchasers.
- Prepare engineering data needed to define tariff.
- Obtain major permits.
- Determine pipeline builder/operator.

Phase 3. Prepare for construction

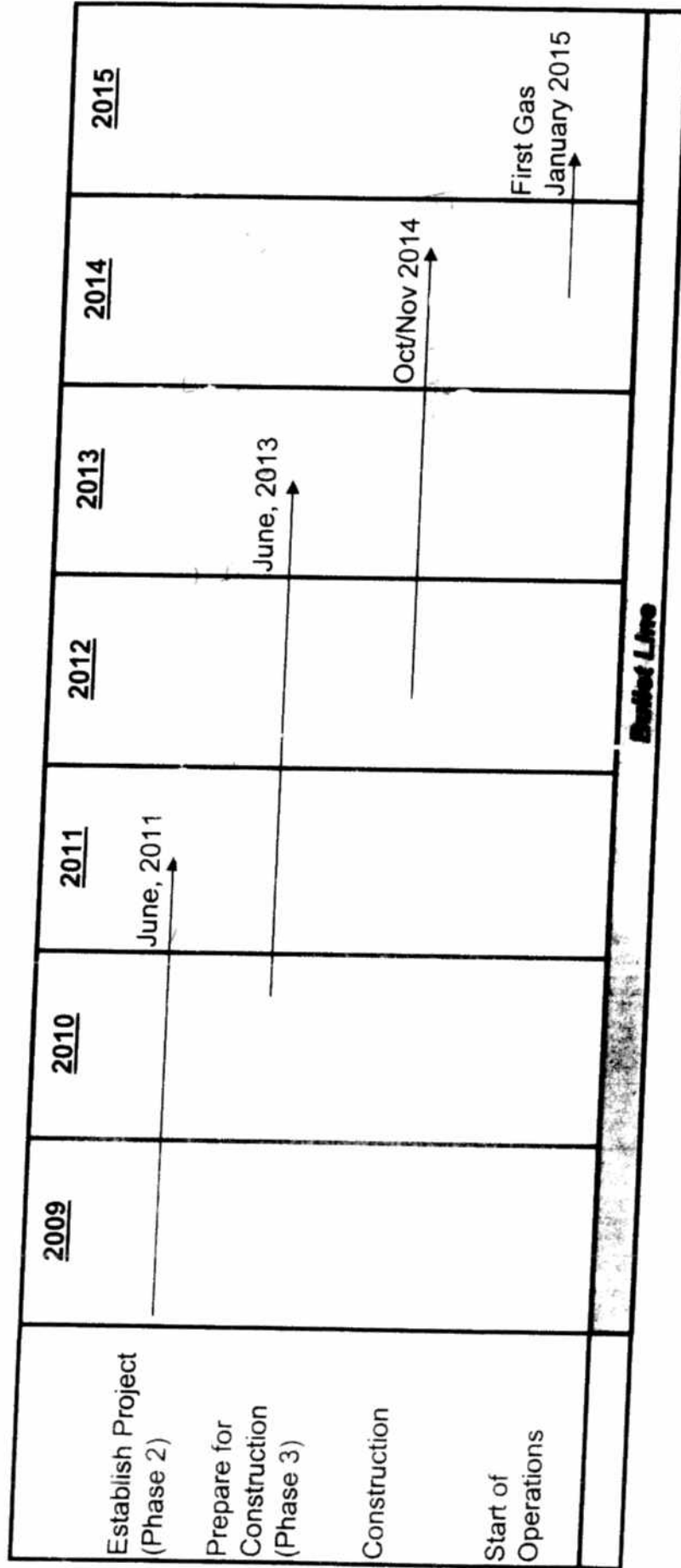
- Undertake/complete detailed engineering design.
- Purchase long lead time materials.
- Obtain “notices to proceed” for construction.
- Obtain construction financing.

Phase 4. Construction

- Construct the project

Bullet Line Project Timeline

March 3, 2009



Bullet Line Phase 2

February 26, 2009

