

LEGAL SERVICES

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MEMORANDUM

March 22, 2014

SUBJECT: Sectional Summary for CSSB 138(FIN) am
(Work Order No. 28-GS2806\LA)

TO: Representative Eric Feige
Attn: Linda Hay

FROM: Donald M. Bullock
Legislative Counsel

You have requested a sectional summary of the above-described bill and a summary of the letter of intent adopted by the Senate.

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.

General

- Sections 1 - 12 and 57 relate to the Alaska Gasline Development Corporation (AGDC).
- Section 13 creates the Alaska affordable energy fund.
- Sections 14 and 15 address duties of the commissioner of natural resources.
- Sections 16 - 18 relate to oil and gas and gas only leasing.
- Sections 19 - 22 relate to the sale of royalty and include the sale of gas received in payment for the gas production tax.
- Sections 24 - 26 relate to expedited review and action by state agencies or entities.
- Sections 27 - 29 amend public disclosure statutes.
- Sections 30 and 31 amend the duties of the commissioner of revenue.
- Section 32 relates to confidentiality and records in the Department of Revenue that may be disclosed to the public.
- Section 33 amends a statute that apportions oil and gas income of a producer to the state for income tax purposes.
- Sections 34 - 54 relate to the oil and gas production tax.
- Section 55 amends a definition in the Alaska Gasline Inducement Act.
- Section 56 relates to the film production tax credit.
- Section 58 is uncodified law requesting the governor to establish an interim

advisory board.

- Section 59 is uncodified law relating to a plan for energy infrastructure needs.
- Section 60 is uncodified law relating to investment in the ownership of a North Slope natural gas pipeline.
- Section 61 is an uncodified transition section relating to regulations.
- Section 62 makes secs. 1 - 14, 16, 17, 23 - 27, 29, 30, 37, 39, and 55 - 61 take effect immediately.
- Section 63 makes sec. 38 take effect January 1, 2021.
- Section 64 makes sections not in secs. 62 or 63 take effect January 1, 2015.

Section by section summary

Bill sections relating to AS 31.25

* **Sec. 1.** Amends AS 31.25.005 by expanding the purpose of the Alaska Gasline Development Corporation (AGDC) to include an Alaska liquefied natural gas project (ALNGP). States that AGDC has primary responsibility for developing natural gas pipelines, the ALNGP, and other transportation mechanisms to deliver gas in the state. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 2.** Amends the structure of AGDC in AS 31.25.010 to state that the corporation may dissolve when the corporation is no longer engaged in the development, financing, construction, or operation of an in-state natural gas pipeline or an ALNGP. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 3.** Amends AS 31.25.040 (duties of the board) by adding two subsections. AS 31.25.040(c) requires the board to maximize efficient uses of state resources and to prevent the exchange of commercially sensitive information between the in-state natural gas pipeline project, the ALNGP, and other transportation mechanisms. AS 31.25.040(d) directs the board to hire a program director for the ALNGP that serves at the pleasure of the board and reports to the board and the executive director. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 4.** Amends AS 31.25.080(a) (powers and duties of AGDC) by adding a reference to ALNGP in (a)(1), (a)(4), (a)(5), (a)(6), and (a)(21). Authorizes the corporation to acquire an ownership or participation interest in an ALNGP, natural gas treatment facilities, natural gas pipeline facilities, liquefaction facilities, and marine terminal facilities related to the infrastructure of an ALNGP or an ownership interest in an entity or joint venture that has an ownership interest in or is engaged in the development of an ALNGP. After consultation with the commissioner of revenue and the commissioner of natural resources, the corporation may enter into contracts relating to an ALNGP, including contracts for services related to operation, marketing, transportation, gas treatment, marine terminal operation, or liquefaction. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 5.** Amends AS 31.25.080(e) by adding a reference to the in-state natural gas pipeline; the subsection requires notice to the legislature and the public if written commitments are received during an open season. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 6.** Adds a new subsection to AS 31.25.080 (powers and duties of AGDC). The new subsection -- AS 31.25.080(g) -- prohibits an entity in or subsidiary of AGDC that is working on an in-state natural gas pipeline from also acquiring an ownership or participation interest in an ALNGP or in an entity or joint venture involved in the ALNGP. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 7.** Adds a new subsection to AS 31.25.090 (confidentiality; interagency cooperation). The new subsection -- AS 31.25.090(i) -- allows AGDC to provide access to information that is related to the development of contracts under AS 38.05.020(b)(10) and d(11). Information provided to the commissioners is subject to the limitations on the disclosure of confidential information in AS 31.25.090(g). This section takes effect immediately under sec. 62 of the bill.

* **Sec. 8.** Amends AS 31.25.100 (in-state natural gas pipeline fund) to prohibit the use of money in that fund for a purpose other than the purpose of the corporation in AS 31.25.005(4), which is to develop in-state natural gas pipeline as described in the July 1, 2011 project plan prepared under former AS 38.34.040 (original project). This section takes effect immediately under sec. 62 of the bill.

* **Sec. 9.** Adds a new section -- AS 31.25.110 -- that establishes Alaska liquefied natural gas project fund. Establishes the fund in AGDC. Requires the AGDC to create an account in the fund for money appropriated for the ALNGP. Allows AGDC to use money in the fund without further appropriation for purposes related to the ALNGP and for managing the fund. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 10.** Amends AS 31.25.120 (creation of subsidiaries) to authorize AGDC to transfer money from the in-state natural gas pipeline fund and the Alaska liquefied natural gas project fund to a subsidiary, subject to the limitations for the use of money in each fund. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 11.** Amends AS 31.25.140(c) (exemption from the State Procurement Code; application of the Executive Budget Act; corporation finances) to require the board to also review the assets of the Alaska liquefied natural gas project fund (AS 31.25.110 in sec. 9 of the bill) as part of the board's annual review and report to the legislature. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 12.** Adds a definition for "Alaska liquefied natural gas project," and describes components of the project: "gas pipeline," "gas treatment plant," "liquefied natural gas plant," "marine terminal," "Point Thomson unit gas transmission line," and "Prudhoe Bay

unit gas transmission line." This section takes effect immediately under sec. 62 of the bill.

* **Sec. 13.** Creates the Alaska affordable energy fund in AS 37.05.610. The fund is a special account in the general fund and consists of 10 percent of the revenue received from the state's royalty gas transported in the ALNGP. Money in the fund may be appropriated for the development of energy infrastructure in areas of the state that do not have direct access to a North Slope natural gas pipeline. The fund is not a dedicated fund. This section takes effect immediately under sec. 62 of the bill, but would not have money in the fund until royalty gas flows through the ALNGP.

Bill sections relating to the Alaska Land Act (AS 38.05)

* **Sec. 14.** Amends AS 38.05.020(b) to grant the commissioner of natural resources additional authority (1) to enter into commercial agreements for project services related to a North Slope natural gas project; (2) in consultation with the commissioner of revenue, negotiate agreements that include balancing, marketing, disposition of natural gas, and offtake agreements and contracts associated with the ALNGP; and (3) to enter into confidentiality agreements to protect information related to contract negotiations and contract implementation associated with a North Slope natural gas project. Agreements and contracts negotiated under AS 38.05.020(b)(11) to which the state is a party are not effective unless the legislature authorizes the governor to sign the agreements and contracts. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 15.** Amends AS 38.05.020(b), as amended in the previous bill section, to authorize the commissioner of natural resources (in consultation with the commissioner of revenue) to take custody of gas received in kind as payment of the production tax on gas under AS 43.55.014(b) (a new provision in sec. 36 of the bill). Authorizes the commissioner of natural resources to manage the project services and disposition and sale of the gas received in kind for tax. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 16.** Amends AS 38.05.180(i) (in the oil and gas leasing provision) to refer to AS 43.55.011 rather than AS 43.55 as a reference to the oil and gas production tax. Limits the application of the exploration incentive credit to only taxes under AS 43.55.011 and not to the new tax applicable to gas for which an election is made to pay in kind under AS 43.55.014. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 17.** Amends AS 38.05.180 (oil and gas and gas only leasing) by adding new subsections -- (hh) and (ii) -- to authorize the commissioner of natural resources to propose modifications to a lease on the North Slope relating to switching between taking the state's royalty gas in value and in kind, to establish a method for establishing the fair market value for each component of the state's royalty gas, and establishing fixed royalty rates and modification of net profit shares. Requires the commissioner to make a written

determination supporting the modification that is based on a clear and convincing showing by the lessee of findings the commissioner must make in new subsection (ii). This section takes effect immediately under sec. 62 of the bill.

* **Sec. 18.** Amends AS 38.05.180(hh), as enacted by the previous bill section, to include the gas received by the state in payment of the gas production tax as a factor in determining whether a lessee or other person bears a disproportionate transportation cost with respect to the state's gas. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 19.** Amends AS 38.05.183(a) to require that gas received by the state as payment of the gas production tax be sold in the same manner as royalty gas. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 20.** Amends AS 38.05.183(c) to treat gas received by the state as payment of the gas production tax be sold in the same manner as royalty gas if the commissioner of natural resources determines that gas should be disposed without using competitive bidding. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 21.** Amends AS 38.05.183(d) to treat gas received by the state as payment of the gas production tax the same as royalty gas when considering the export of the gas from the state. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 22.** Amends AS 38.05.183(e) to treat gas received by the state as payment of the gas production tax the same as royalty gas when sold without using competitive bidding. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 23.** Amends AS 38.05.965 by adding definitions for "initial project term," "North Slope natural gas project," and "project services." This section takes effect immediately under sec. 62 of the bill.

Bill sections relating to an in-state natural gas pipeline (AS 38.34)

* **Sec. 24.** Amends AS 38.34.020(a) to require a state agency to expedite a review or take action that relates to a project under AS 31.25 (Alaska Gasline Development Corporation). This section takes effect immediately under sec. 62 of the bill.

* **Sec. 25.** Amends AS 38.34.020(b) to include a reference to a project under AS 31.25 (Alaska Gasline Development Corporation). This section takes effect immediately under sec. 62 of the bill.

* **Sec. 26.** Amends AS 38.34.020(c) to include a reference to a project under AS 31.25 (Alaska Gasline Development Corporation). This section takes effect immediately under sec. 62 of the bill.

Bill sections relating to public record disclosures

* **Sec. 27.** Amends AS 42.25.100(a) to state that confidential information relating to contract negotiations for a North Slope natural gas project under AS 38.05.020(b)(11) and (12), in sec. 14 of the bill, is not a matter of public record, with limited exception. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 28.** Amends AS 42.25.100(a), as amended by the previous bill section, to incorporate the exception to protection from disclosure under new subsection AS 43.05.230(k) in sec. 32 of the bill. The new AS 43.05.230(k) allows the names of taxpayers and the volumes of production from leases paying gas production tax in kind under AS 43.55.014 in sec. 36 of the bill to be disclosed. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 29.** Amends AS 40.25.120(a) to protect information relating to contract negotiations for a North Slope natural gas project under AS 38.05.020(b)(11) and (12), in sec. 14 of the bill, from public disclosure as a public record. This section takes effect immediately under sec. 62 of the bill.

Sections relating to the administrative provisions for the Department of Revenue (AS 43.05)

* **Sec. 30.** Amends AS 43.05.010 (duties of the commissioner of revenue) to require the commissioner of revenue to consult with the commissioner of natural resources to negotiate contracts and development of terms in proposed contracts associated with a North Slope natural gas project. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 31.** Amends AS 43.05.010, as amended by the previous bill section, to require the commissioner of revenue to enter into agreements with the commissioner of natural resources regarding the disposition of gas received as payment of the gas production tax in kind and to direct the disposition of revenues received from the gas. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 32.** Amends AS 43.05.230 by adding a new subsection -- (k) -- to treat as public information the name of each person electing to pay the gas production in kind under AS 43.55.014(a) (in sec. 36 of the bill) and the amount of gas produced from each lease or property subject to the election. This section takes effect January 1, 2015, under sec. 64 of the bill.

Relating to the corporation income tax (AS 43.20)

* **Sec. 33.** Amends AS 43.20.144(f) to state that gas subject to the election in AS 43.55.014, in sec. 36 of the bill, is included in the numerator and the denominator for purposes of the extraction factor. (The extraction factor is an element used to apportion

income of an oil and gas corporation income of a producer taxpayer to the state.) This section takes effect January 1, 2015, under sec. 64 of the bill.

Relating to the oil and gas production tax (AS 43.55)

* **Sec. 34.** Amends AS 43.55.011(e) to identify the period in which oil and gas is subject to the law in effect on January 1, 2014, and after December 31, 2021, when oil and gas is taxed separately. Excludes gas for which a tax is levied under AS 43.55.014, in sec. 36 of the bill. Provides that the taxable value of oil produced after December 31, 2021 is determined under AS 43.55.160(h), a new subsection added in sec. 50 of the bill. Provides that the tax on gas production is 13 percent of the gross value at the point of production after December 31, 2021. Provides that the gross value at the point of production for gas may not be negative for the purpose of determining the tax. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 35.** Amends AS 43.55.011(f) to provide for a minimum tax on oil produced north of 68 degrees North latitude after December 31, 2021. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 36.** Adds a new section to AS 43.55 -- AS 43.55.014 -- that provides for the production tax on gas produced from oil and gas leases that have been modified under AS 38.05.180(hh) in sec. 17 of the bill. Provides that the tax is 13 percent of the taxable gas produced and is to be paid in kind. Provides that the Department of Natural Resources shall manage the custody and disposal of the gas received as a payment in kind for the tax. Excludes certain gas from the tax under the section depending on the use of the gas or where it is flared, released, or allowed to escape. (The gas subject to this section must be produced from a lease that has been modified under AS 38.05.180(hh), so leases that are not state leases would not be included in this section. AS 43.55.014(b) refers to the gas produced from "each lease or property." Gas produced from state leases that have not been modified by AS 38.05.180(hh) and produced from land that is not subject to a state lease would pay the tax under AS 43.55.011(e)(3)(B) that is 13 percent of the gross value at the point of production.) This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 37.** Amends AS 43.55.019(a) to limit the application of the education tax credit to the tax paid under AS 43.55.011(e) and not the tax paid in kind under AS 43.55.014 in sec. 36 of the bill. Allows for a contribution for vocational education equipment to be eligible for the education credit, and allows contributions under (a)(3) to be received by a nonprofit regional training center recognized by the Department of Labor and Workforce Development, and an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship Act). This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 38.** Amends AS 43.55.019(a), as amended in the previous bill section, and as amended by session laws enacted in 2010, 2011, and 2012 so that the amendment to

AS 43.55.019 in sec. 37 will continue after 2020. This section takes effect January 1, 2021, under sec. 63 of the bill.

* **Sec. 39.** Amends AS 43.55.019(e) to conform to the amendment to AS 43.55.019(a), in the previous section of the bill, and to state that the education tax credit may not reduce a person's tax liability under AS 43.55.011(e) to below zero. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 40.** Amends the tax payment provisions in AS 43.55.020(a) to conform to the amendments to AS 43.55.011(e), in sec. 34 of the bill, and to AS 43.55.011(f), in sec. 35 of the bill. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 41.** Amends AS 43.55.020(g) to conform to the amendment to AS 43.55.020(a), in sec. 40 of the bill, that added an additional paragraph providing for an installment payment -- AS 43.55.020(a)(7) -- to the list of installment payments required to be paid and subject to interest when unpaid. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 42.** Amends AS 43.55.020(h) to conform to the amendment to AS 43.55.020(a), in sec. 40 of the bill, that added an additional paragraph providing for an installment payment -- AS 43.55.020(a)(7) -- to the list of installment payments required to be paid and subject to interest when overpaid. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 43.** Amends AS 43.55.020(l) to conform to the amendment to AS 43.55.011(e), in sec. 34 of the bill, to limit the application of the subsection relating to settlement with the royalty owner to oil and gas produced after December 31, 2013, and before January 1, 2022. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 44.** Amends AS 43.55.020 by adding a new subsection -- (m) -- that relates to the settlement with the royalty owner for oil and gas taxable under AS 43.55.011. Allows for the producer to deduct the amount of gas paid as tax under AS 43.55.014 or the value of the gas paid as tax under that section. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 45.** Amends AS 43.55.030(a) to require a producer to report the gross amount of gas produced and the amount of gas delivered to the state from each lease or property subject to an election made under AS 43.55.014. Requires a producer to report the production values of oil and gas under AS 43.55.160(a) and of oil under AS 43.55.160(h), as applicable; the new reporting is required because of amendments to AS 43.55.160. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 46.** Amends AS 43.55.160(a) to limit the application of the subsection to oil and gas produced before January 1, 2022. Amends the reference to AS 43.55.011(e) to

conform to the amendment to AS 43.55.011(e) in sec. 34 of the bill. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 47.** Amends AS 43.55.160(e) to refer to AS 43.55.160(h) as added by sec. 50 of the bill. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 48.** Amends AS 43.55.160(f) to conform to the addition of AS 43.55.160(h) in sec. 50 of the bill. Provides that the subsection does not apply to gas produced after December 31, 2021. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 49.** Amends AS 43.55.160(g) to conform to the addition of AS 43.55.160(h) in sec. 50 of the bill. Amends a reference to a lease or property to apply only to a lease or property "north of 68 degrees North latitude." Provides that the subsection does not apply to gas produced after December 31, 2021. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 50.** Adds a new subsection to AS 43.55.160 -- (h) -- for determining the production tax value of oil produced after December 31, 2021. Provides that the producer's lease expenditures incurred for exploration, development, or production of oil or gas deposits are deducted from the gross value at the point of production for the oil. (Note that gas produced after December 31, 2021, is taxed on the gross value at the point of production, but the lease expenditures associated with gas are deducted in determining the production tax value of oil for the lease or property.) This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 51.** Amends AS 43.55.165(e) to provide that a tax levied under AS 43.55.014 is not a deductible lease expenditure. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 52.** Amends the definition of "gas processing plant" in AS 43.55.900(10) to clarify that a "gross processing plant" is upstream "of the inlet of any pipeline transporting gas to gas treatment plant." This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 53.** Amends the definition of "point of production" in AS 43.55.900(20) by amending subparagraph (B). Amends subparagraph (B) to more specifically define that the point of production of gas is the point farthest upstream of the first point where the gas is accurately metered, the inlet of any pipeline transporting gas to a gas treatment plant, or the inlet of any gas pipeline system transporting gas to market. Deletes subparagraph (C), that relates to gas run through certain gas processing plants and gas treatment facilities that did not accurately meter gas after processing and before treatment. This section takes effect January 1, 2015, under sec. 64 of the bill.

* **Sec. 54.** Amends AS 43.55.900 by adding a definition for "gas treatment plant." Provides that a gas treatment plant may also perform gas processing and still be treated as a gas treatment plant. This section takes effect January 1, 2015, under sec. 64 of the bill.

Relating to the Alaska Gasline Inducement Act

* **Sec. 55.** Amends AS 43.55.900(18) so that the definition of "point of production" in AS 43.55.900 as it read on June 8, 2007 (the effective date of the Alaska Gasline Inducement Act (AS 43.90)). The amendment avoids changing the definition in AGIA after license applications were submitted, a license was awarded, and the first binding open season ended. This section takes effect immediately under sec. 62 of the bill.

Provision relating to the film production tax credit (AS 43.98.030)

* **Sec. 56.** Amends AS 43.98.030(c) to provide that the film production tax credit may only be used against the tax imposed under AS 43.55.011, and not against any other tax levied under AS 43.55. This section takes effect immediately under sec. 62 of the bill.

Repeal

* **Sec. 57.** Repeals AS 31.25.080(f) in the powers and duties of AGDC that related to the duty to coordinate and accommodate the developers of a large-diameter in-state natural gas pipeline. The repealed section is unnecessary after the amendments to AS 31.25 in secs. 1 - 12 of the bill. This section takes effect immediately under sec. 62 of the bill.

Uncodified law provisions

* **Sec. 58.** Adds a new section to uncodified law requesting the governor to establish an interim advisory board to advise the governor on municipal involvement in a North Slope natural gas project. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 59.** Adds a new section to uncodified law requiring the Alaska Energy Authority to develop and deliver to the legislature a plan for developing infrastructure to deliver more affordable energy to areas of the state that are not expected to have direct access to a North Slope natural gas pipeline. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 60.** Adds a new section to uncodified law that requires the commissioner of revenue to present a plan to the legislature that would allow a municipality, regional corporation, or a resident to participate as a co-owner of a North Slope natural gas pipeline. This section takes effect immediately under sec. 62 of the bill.

* **Sec. 61.** Adds a new section to uncodified law authorizing the Department of Revenue and the Department of Natural Resources to adopt regulations to implement the

Act. States that the regulations take effect under the Administrative Procedure Act, but may not take effect before the effective date of the provisions of the Act that are being implemented. This section takes effect immediately under sec. 62 of the bill.

Effective dates

* **Sec. 62.** Provides that the following sections take effect immediately: 1 - 14, 16, 17, 23 - 27, 29, 30, 37, 39, and 55 - 61.

* **Sec. 63.** Provides that sec. 38 takes effect January 1, 2021

* **Sec. 64.** Provides that the following sections take effect January 1, 2015: 15, 18 - 22, 28, 31 - 36, and 40 - 54.

Letter of intent

The letter of intent states the intent of the legislature that the parties involved in the Alaska Liquefied Natural Gas Project, "within the constraints of law" and some qualifications, will employ Alaska residents and contract with Alaska businesses, use job centers operated by the Department of Labor and Workforce Development, participate with the Department of Labor and Workforce Development to update the training plan for the ALNGP, advertise locally and use job service organizations to fill positions, provide training, and commit to negotiate labor agreements before the start of construction.

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