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MEMORANDUM February 15, 2013

SUBJECT: Assurances to a project licensed under the Alaska Gasline Inducement Act (Work Order No. 28-LS0457)

TO: Representative Mike Hawker
Attn: Rena Delbridge

FROM: Donald M. Bullock Jr.
Legislative Counsel

You asked for an opinion about the licensed project assurances (assurances) offered in AS 43.90.440[1] to a project licensed under the Alaska Gasline Inducement Act (AS 43.90)

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[1] **AS 43.90.440. Licensed project assurances.** (a) Except as otherwise provided in this chapter, the state grants a licensee assurances that the licensee has exclusive enjoyment of the inducements provided under this chapter before the commencement of commercial operations. If, before the commencement of commercial operations, the state extends to another person preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state, and if the licensee is in compliance with the requirements of the license and with the requirements of state and federal statutes and regulations relevant to the project, the licensee is entitled to payment from the state of an amount equal to three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in developing the licensee's project before the date that the state first extended preferential treatment to another person. The payment under this subsection is subject to appropriation. Upon payment by the state of the amount owed under this section, the licensee shall, at no additional cost to the state, assign to the state or the state's designee all engineering designs, contracts, permits, and other data related to the project that were acquired by the licensee during the term of the license. The payment under this subsection is in full satisfaction of all claims the licensee may bring in contract, tort, or other law related to the events that gave rise to the payment.

(b) The review, processing, or facilitation of a permit, right-of-way, or authorization by a state agency in connection with a competing natural gas pipeline project does not create an obligation on the part of the state under this section.

(c) In this section,

(1) "competing natural gas pipeline project" means a project designed to accommodate throughput of more than 500,000,000 cubic feet a day of North Slope gas to market;

(AGIA). You asked about the type of pipeline that is a "competing natural gas pipeline" and the type of state support to a "competing natural gas pipeline" that may create liability under the assurances provision.

As a word of caution, the language in the assurances is subject to interpretation. No court has considered the meaning of the assurances and I am not aware of an administrative determination that has interpreted the assurances.

Liability under AS 43.90.440 arises only if the licensee is in compliance with the requirements of the license and in compliance with the requirements of state and federal statutes and regulations relevant to the project. If the licensee is not in compliance, the issue of whether the state has violated the assurances is irrelevant because liability only arises if the licensee is in compliance. However, if the licensee is in compliance, the issues regarding the route and design capacity of another natural gas pipeline, the type of benefits and support by the state to that pipeline, and the time period in which the state provides support become relevant. If there is liability under the assurances, the amount of liability is based on the amount of qualified expenditures incurred and paid by the licensee.

To understand the assurances and how they work, it is helpful to break up AS 43.90.440 in segments, and interpret the meaning of each segment. The different segments involve an analysis of the definition of the project, particularly after the failed open season on the project to the Canadian border; the characteristics of a competing natural gas pipeline project; the money provided and preferential royalty and tax treatment provided by the state to a competing pipeline; the determination of the amount of payments that are the basis for determining the payment to the licensee; and the status of the license if the state makes a payment. The licensee is not entitled to any payment if not in compliance as described in the statute. The status of the project licensed under AGIA must be examined. The first open season was unsuccessful. An amended project plan has been approved by the commissioner of natural resources and the commissioner of revenue (commissioners) but the amended plan should be reviewed to see if it is truly an amendment of the original project or a different project that would be subject to different AGIA application requirements for a project that involves the transportation of liquefied natural gas.

Discussion

To be eligible for a payment from the state under AS 43.90.440, the licensee must be eligible to receive a payment and the state must have violated the assurances. The

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(2) "preferential royalty or tax treatment" does not include

(A) the state's exercise of its right to resolve disputes involving royalties and taxes; or

(B) the state's exercise of its right to modify royalties as authorized by law in effect on June 8, 2007.

licensee is eligible if in compliance with the requirements of the license and state and federal law. The state is liable to an eligible licensee after facilitating the construction of a competing natural gas pipeline by providing preferential royalty or tax treatment, or granting state money.

The licensee must be in compliance; licensed project

The first issue is whether the licensee is eligible to receive a payment from the state for the state's violation of the assurances. The licensee is only entitled to a payment for a violation, "if the licensee is in compliance with the requirements of the license and with the requirements of state and federal statutes and regulations *relevant to the project*" (emphasis added). If the licensee is not in compliance, there is no liability that arises from anything the state does to facilitate the development of another natural gas pipeline of any designed capacity.

The first step in determining whether the licensee is in compliance is to determine what the project is that is licensed under AGIA.[2] This issue is not as simple as you may expect, because in May 2012 the licensee reported to the Federal Energy Regulatory Commission that,

> Although producers expressed significant interest in the Alberta Project, the open season ultimately was not successful in securing transportation agreements. Therefore, by notice filed in May 3, 2012, TC Alaska formally terminated the open season and withdrew the transportation service offerings in its Open Season Notice.[3]

The "Alberta Project" referred to above is the project from the North Slope to the Canadian border to link with a pipeline system in Canada. With the "Alberta Project" no longer being actively pursued, the commissioners approved an in-state project to tidewater as a project plan amendment. Although the project plan has been amended and approved by the commissioners, there is a question as to whether the approved amendment is truly an amendment to the "Alberta Project" or authorizes a project that is different than that applied for and approved by the state in 2008.[4]

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[2] "Project" is defined in AS 43.90.900(19) to mean "a natural gas pipeline project authorized under a license issued under [AS 43.90]."

[3] Letter from Eugene R. Elrod, Counsel for TransCanada Alaska Company, LLC, and Alaska Pipeline Project, to Kimberly D. Bose, Secretary, Federal Energy Regulatory Commission (May 11, 2012).

[4] Ch. 3, 4SSLA 2008.

On May 2, 2012, the commissioner of natural resources and the commissioner of revenue approved project plan amendments that allowed the licensee to engage in a "concept selection assessment of a liquefied natural gas ("LNG") alternative specifically relating to a gas pipeline and related midstream facilities to deliver natural gas from the Alaska North Slope to tidewater of south-central Alaska."[5] The commissioners referred to the Alaska Pipeline Project ("APP") in the May 2, 2012, letter and described it as the project "being developed under an agreement entered into in 2009 between affiliates of TransCanada and ExxonMobil ("APP Parties") to jointly develop the project set forth in the Licensees' AGIA project plan."[6] Finally, in the *Request for Commission Approval of Detailed Plan for Conducting an Open Season*,[7] filed by TransCanada Alaska Company, LLC, with FERC, the project is described as follows:

> The Alaska Pipeline Project will consist of:
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> - A FERC jurisdictional gas treatment plant ("GTP") near Prudhoe Bay, Alaska, which will treat North Slope gas for pipeline transportation;
> - A FERC jurisdictional gas transmission pipeline from the outlet of the Point Thomson plant in Alaska to the GTP and from there, subject to shipper confirmation during the Open Season process, to either:
>   - The Alaska/Canada border (the "Alaska-Canada Pipeline"), where it will interconnect to a new pipeline in Canada that APP plans to design, permit and construct (the "Canadian Pipeline"); or
>   - Valdez, Alaska (the "Valdez Pipeline").

AGIA required an applicant for a license to select a route and provide information related to the route proposed. The two alternatives were for a project to the Canadian border and through Canada, or a route to tidewater and LNG transport by water. The two alternative routes and the information required to be submitted by the licensee for each route are described in AS 43.90.130(2).[8] The project route submitted by TransCanada and the commissioners to the legislature was the route through Canada.

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[5] Letter from Daniel S. Butcher, commissioner of the department of natural resources, and Bryan Butcher, commissioner of revenue, to Tony Palmer, Vice President, Major Projects Development, TransCanada Pipelines Limited (May 2, 2012), p. 2.

[6] *Id.*

[7] TransCanada Alaska Company, LLC, *Request for Commission Approval of Detailed Plan for Conducting an Open Season*, Federal Energy Regulatory Commission Docket No. PF09-11-001 (Jan. 29, 2010) pp. 2 - 3.

[8] AS 43.90.130(2) described the two project options and the information an applicant must provide for each alternative route:

> [An application for the AGIA license must]

(2) provide a thorough description of a proposed natural gas pipeline project for transporting natural gas from the North Slope to market, which description may include multiple design proposals, including different design proposals for pipe diameter, wall thickness, and transportation capacity, and which description must include

(A) the route proposed for the natural gas pipeline, which may not be the route described in AS 38.35.017(b);

(B) the location of receipt and delivery points and the size and design capacity of the proposed natural gas pipeline at the proposed receipt and delivery points, except that this information is not required for in-state delivery points unless the application proposes specific in-state delivery points;

(C) an analysis of the project's economic and technical viability, including a description of all pipeline access and tariff terms the applicant plans to offer;

(D) an economically and technically viable work plan, timeline, and associated budget for developing and performing the proposed project, including field work, environmental studies, design, and engineering, implementing practices for controlling carbon emissions from natural gas systems as established by the United States Environmental Protection Agency, and complying with all applicable state, federal, and international regulatory requirements that affect the proposed project; the applicant shall address the following:

(i) ***if the proposed project involves a pipeline into or through Canada,*** a thorough description of the applicant's plan to obtain necessary rights-of-way and authorizations in Canada, a description of the transportation services to be provided and a description of rate-making methodologies the applicant will propose to the regulatory agencies, and an estimate of rates and charges for all services;

(ii) ***if the proposed project involves marine transportation of liquefied natural gas,*** a description of the marine transportation services to be provided and a description of proposed rate-making methodologies; an estimate of rates and charges for all services by third parties; a detailed description of all proposed access and tariff terms for liquefaction services or, if third parties would perform liquefaction services, identification of the third parties and the terms applicable to the liquefaction services; a complete description of the marine segment of the project, including the proposed ownership, control, and cost of liquefied natural gas tankers, the management of shipping services, liquefied natural gas export, destination, regasification facilities, and pipeline facilities needed for transport to market destinations, and the entity or entities that would be required to obtain necessary export permits and licenses or a certificate of public convenience and necessity from the Federal Energy Regulatory Commission for the transportation of liquefied natural gas in interstate

The commissioners summarized the project proposed by TransCanada in its application in the written findings and determination prepared for presentation to the legislature. The project proposed in the application was summarized by the commissioners as follows:[9]

> **1. The TC Alaska Application**
> The TC Alaska Application proposes a 1,715-mile long, 48-inch diameter, mostly buried pipeline running from a gas treatment plant at Prudhoe Bay on the North Slope to the Alberta Hub in Canada. This is the second largest natural gas trading center in North America, which interconnects with pipelines that carry more than 10 Bcf/d of gas into U.S. markets. This overland pipeline's base design is capable of carrying between 3.5 and 5.9 billion cubic feet per day (Bcf/d) of natural gas. The gas treatment plant will be constructed by a third-party or by TC Alaska. The Alaska section of the pipeline will be approximately 750 miles long with six compressor stations at startup and five gas delivery points in Alaska. The Application includes an initial expansion capability of up to 6.5 Bcf/d. Further expansions would include a combination of additional compression and pipeline looping.

TransCanada addressed the LNG Project in its application as follows:[10]

> **2.1.3 LNG Project**
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> *TransCanada has not proposed an LNG project.* However, in the event that the Project through Canada does not attract sufficient volumes in the

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> commerce if United States markets are proposed; and all rights-of-way or authorizations required from a foreign country[.]

(Emphasis added.)

[9] Summary of Projects, *Written Findings and Determination by the Commissioners of Natural Resources and Revenue for Issuance of a License under the Alaska Gasline Inducement Act (AGIA)* (May 27, 2008), p. 1-7. *See also*, Summary of Proposed Project, *Written Findings and Determination by the Commissioners of Natural Resources and Revenue for Issuance of a License under the Alaska Gasline Inducement Act (AGIA)* (May 27, 2008), p. 3-5. (The TC Alaska application proposes to construct a 4.5 Bcf/day natural gas pipeline from Prudhoe Bay to existing pipeline infrastructure near Boundary Lake in Alberta, Canada.)

[10] TransCanada Alaska, LLC, and Foothills Pipeline Ltd., Plan for Proposed Project Description, *Application for License, Alaska Gasline Inducement Act* (Nov. 30, 2007), p. 2.1-13.

> initial binding Open Season, or Shippers commit sufficient volumes for both the pipeline through Canada and an LNG project, TransCanada is willing to offer gas treatment and pipeline transportation services from Prudhoe Bay to Delta Junction or Valdez in the event a Shipper requests such services. Refer to Appendix N "Tariffs for LNG Option" for a brief discussion of these offerings.

(Emphasis added.)

Other projects described included "LNG Project Options," "Producer Project," "Bullet Line," and "LNG and an Overland Pipeline." The "LNG Project Options" were all based on a large-volume pipeline running from the North Slope to a new liquefaction facility on Prince William Sound.[11] The "Producer Project" was a project proposed by BP Alaska and Conoco Phillips that was similar to the TransCanada proposal in that it exported gas from Alaska at the Canadian border.[12] The "Bullet Line" was a "smaller volume (500,000,000 cubic feet of gas per day or less), small-diameter, in-state energy-oriented pipeline."[13] The "LNG and Overland Pipeline" project left open the possibility of participation by TransCanada, but was distinguished from the overland pipeline project in TransCanada's application. The commissioners described this option as follows:

> **5. LNG and an Overland Pipeline**
> An overland pipeline to Alberta does not preclude an LNG project. TC Alaska has stated a willingness to offer gas treatment and pipeline transportation services to Delta Junction or Valdez in support of an LNG project, if a shipper requests such services. An overland pipeline and a pipeline delivering gas to an LNG facility are not mutually exclusive undertakings; there are economies of scale to be realized from a large-diameter overland pipeline that can make the economics of an LNG Y Line project more attractive. An overland pipeline project may facilitate the development of an LNG Y Line project within Alaska.

The commissioners specifically rejected an LNG option in their recommendation to the legislature. Therefore, under the terms of AGIA, the project licensed under AGIA is the project from the North Slope through Canada. If the route through Canada is the licensed project, changing the project to an LNG project is not a modification to the licensed project, but is a rejection of the AGIA project.

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[11] Summary of Projects, *supra*, p. 1-7.

[12] *Id.*, pp. 1-7 - 1-8.

[13] *Id.*, p. 1-8.

Thus, while TransCanada was open to soliciting interest in shipping gas to Valdez and expressed that possibility in its application to FERC, the project pitched under AGIA to the commissioners and the legislature was the highway project, that is, the project to the Canadian border. It appears that the licensees and the commissioners, in the context of the PPA, are pursuing a mixed project: pursuing the original AGIA project through Canada (but delaying the FERC filing for two years) while exploring the tidewater option.

In other words, if the project licensed under AGIA is the natural gas pipeline into or through Canada as described in AS 43.90.130(2)(D)(i) and is no longer being actively pursued, then the licensee may not be in compliance with the requirements in AGIA. On the other hand, if the commissioners have properly modified the original project plan in the May 2, 2012 letter to allow the licensee to engage in a concept selection assessment of an LNG alternative involving a natural gas pipeline to tidewater in south-central Alaska, then the project is both the route through Canada and an LNG project. A strong argument may be made that the licensee's assessment of an in-state natural gas pipeline is a different project and not a modification of the project licensed under AGIA. In its application, the licensee described the project under AS 43.90.130(2)(D)(i) -- the Canadian route -- and did not comply with the requirements for a route to market in (D)(ii), which was the LNG option. The licensee never described, so far as it is publicly known, the information required in an application for the LNG option:

> [An] economically and technically viable work plan, timeline, and associated budget for developing and performing the proposed project, including field work, environmental studies, design, and engineering, implementing practices for controlling carbon emissions from natural gas systems as established by the United States Environmental Protection Agency, and complying with all applicable state, federal, and international regulatory requirements that affect the proposed project; the applicant shall address the following:
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> . . .
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> (ii) if the proposed project involves marine transportation of liquefied natural gas, a description of the marine transportation services to be provided and a description of proposed rate-making methodologies; an estimate of rates and charges for all services by third parties; a detailed description of all proposed access and tariff terms for liquefaction services or, if third parties would perform liquefaction services, identification of the third parties and the terms applicable to the liquefaction services; a complete description of the marine segment of the project, including the proposed ownership, control, and cost of liquefied natural gas tankers, the management of shipping services, liquefied natural gas export, destination, regasification facilities, and pipeline facilities needed for transport to market destinations, and the entity or entities that would be required to obtain necessary export permits and licenses or a certificate of public convenience and necessity from the Federal Energy Regulatory

> Commission for the transportation of liquefied natural gas in interstate commerce if United States markets are proposed; and all rights-of-way or authorizations required from a foreign country;

However, if the commissioners properly amended the project plan for the licensee under AGIA, then, if the licensee is in compliance with the new requirements of the license and with state and federal statutes and regulations relevant to the project, the licensee is entitled to payment if the state violates the assurances.

<u>A competing natural gas pipeline</u>

In AS 43.90.440(a), the state agreed to pay to the licensee "three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in developing the licensee's project before the date that the state first extended preferential treatment to another person" for the purpose of facilitating the construction of a competing natural gas pipeline project in the state. "Competing natural gas pipeline project" is defined in AS 43.90.440(c)(1):

> (1) "competing natural gas pipeline project" means a project designed to accommodate throughput of more than 500,000,000 cubic feet a day of North Slope gas to market;

The definition includes both a description of the route, commodity being transported, and the designed capacity of the pipeline. Identifying a pipeline that transports North Slope natural gas to market is relatively simple, just look at both ends of the pipe and what is inside. However, "designed to accommodate throughput of more than 500,000,000 cubic feet a day" is more difficult to determine because of the physical nature of natural gas.

A natural gas pipeline may initially be designed to accommodate a certain throughput, but after construction the capacity may be increased by adding compressor stations or more pipe. This option for expanding the AGIA pipeline and the effect on the tariff were extensively discussed during the legislature's consideration of the AGIA bill.[14] The first means for expansion is increased compression, which enables increased throughput in the original pipeline. Tony Palmer of TransCanada addressed expansion of the project proposed in the company's AGIA license application:

> MR. PALMER provided highlights. He said the design is best suited for 4.5 Bcfd of initial capacity, but final volumes will be determined in the open season. If TransCanada is successful in attracting that much gas, it

[14] *See, e.g.*, *Minutes*, House Special Committee on Oil and Gas (March 28 and 30, 2007); *Minutes*, House Finance Committee (May 3, 2007); *Minutes*, Senate Resources Committee (February 6, 2008).

> will be an inexpensive pipeline to expand by one-third of the volume, using compression only; he alluded to wording on slide 7 that says the initial design is expandable to 5.9 Bcfd with compression only.[15]

If "designed to accommodate throughput of more than 500,000,000 cubic feet a day" means "*initially* designed" with the limited throughput, then a proposed project could be designed for a certain pressure within pipe of a certain diameter. The proponents of the project could also put not more than the allowable capacity before potential shippers.

However, if the limitation is read to be a project designed to accommodate throughput of *not more* than 500,000,000 cubic feet a day *including expansion*, then the limitation is that the only "safe" pipeline that the state could incentivize would be a pipeline that could never exceed the limited capacity.

Natural gas is compressible. A fixed physical space can contain more or fewer molecules, or BTU equivalent barrels, depending on pressure and the limitations of the container to withstand pressure. The phrase "designed to accommodate throughput of more than 500,000,000 cubic feet" could be interpreted if challenged in court, but could also be interpreted by an agreement with the licensee.

One other factor to be considered is the period in which the assurances to the licensee are in place. The potential liability for the state is only present "before the commencement of commercial operations"[16] of the licensed project. "Commencement of commercial operations" is defined in AS 43.90.900 to mean "the first flow of gas in the project that generates revenue to the owners." It may be that the time limit "before the commencement of commercial operations" when read in conjunction with the throughput limit for a competing natural gas pipeline means that the competing pipeline could not exceed the throughput limit until the AGIA pipeline is generating revenue. By that time, the AGIA project is likely to have the transportation commitments to ensure the viability of its pipeline.

<u>Preferential royalty or tax treatment or grant of state money</u>

The state is liable for violating the assurances if it "extends to another person preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state." AS 43.90.440(b) identifies some actions taken by the state that do not violate the assurances:

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[15] *Minutes*, Senate Resources Committee (February 6, 2008). "Bcfd" stands for billions of cubic feet a day and is a measure of the amount of natural gas transported by the pipeline.

[16] AS 43.90.440(a).

> (b) The review, processing, or facilitation of a permit, right-of-way, or authorization by a state agency in connection with a competing natural gas pipeline project does not create an obligation on the part of the state under this section.

Preferential royalty and tax treatment under in AGIA was offered to

> a lessee or other person that demonstrates to the satisfaction of the commissioners that the person has committed to acquire firm transportation capacity in the first binding open season of the project[.][17]

The tax and royalty incentives were intended to entice shippers to commit to the AGIA project sooner rather than later, during the first open season. The first open season has terminated and the licensee failed to secure transportation agreements during that open season.[18]

Although the production and tax credits in AGIA are no longer available, similar incentives offered to potential shippers of a competing pipeline could violate the assurances. Other incentives that could be offered would be special tax treatment for the competing pipeline itself, such as unique tax credits or property tax exemptions. Even if such special treatment survived constitutional muster, the unique incentives could violate the assurances.

The assurances prohibit "preferential royalty or tax treatment." A change in royalty or tax treatment that benefits the AGIA project and a competing project would not be preferential so long as both projects benefit.

Liability under the assurances also arises if there is "a grant of state money" for the purpose of facilitating the construction of a competing pipeline. The AGIA licensee is entitled to up to $500,000,000 under AS 43.90.110(a)(1) in the form of reimbursement for qualified expenditures incurred by the licensee or an affiliate of the licensee. The reimbursement of a percentage of the qualified expenditures incurred for the licensed project subsidizes the licensee's project by sharing in the cost. Financial support for a competing pipeline could result in liability under the assurances.

<u>Three times the total amount of qualified expenditures incurred and paid</u>

If the licensee is fully in compliance as described above, and the state has violated the assurances, two things will happen under AS 43.90.440(a), and the license will be

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[17] AS 43.90.300.

[18] Letter from Eugene R. Elrod, *supra*.

considered abandoned under AS 43.90.240(d). First, under AS 43.90.440(a), the licensee is entitled to

> payment from the state of an amount equal to three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110 that the licensee incurred in developing the licensee's project before the date that the state first extended preferential treatment to another person.

A qualified expenditure is described in AS 43.90.110(a)(1)(C):

> [A] qualified expenditure is a cost that is incurred after the license is issued under this chapter by the licensee or the licensee's designated affiliate, and is directly and reasonably related to pursuing firm transportation commitments in a binding open season, to securing financing for the project, or to obtaining a certificate of public convenience and necessity from the Federal Energy Regulatory Commission or the Regulatory Commission of Alaska, as appropriate, or satisfying a requirement of an agency with jurisdiction over the project; in this subparagraph, "qualified expenditures" does not include overhead costs, lobbying costs, litigation costs, the cost of an asset or work product acquired or developed by the licensee before the license is issued, or civil or criminal penalties or fines[.]

A qualified expenditure that is the basis for the payment from the states must be "incurred and paid" by the licensee. Unpaid qualified expenditures at the time the state first extends preferential treatment to another person are not included in determining the payment.

What is not clear is the expression "incurred and paid by the licensee." At first glance, it seems clear -- the licensee incurs a qualified expenditure and pays for it. However, the state reimburses the licensee for 50 percent or 90 percent of its qualified expenditures under AS 43.90.110(a)(1)(A) and (B), up to a total of $500,000,000. On the one hand, the licensee incurs qualified expenditures before being reimbursed under AS 43.90.110(a)(1)(A) and (B), but on the other hand, the licensee has only spent the amount not reimbursed by the state.

In my opinion, the better interpretation is that the payment is on the net amount paid by the licensee after reimbursement by the state. The reimbursement of expenditures, the benefit of an Alaska Gasline Inducement Act coordinator under AS 43.90.110(a)(2), and the assurances all reduce the risk of the licensee. Reimbursement by the state already removes a percentage of the risk, and the financial investment of the licensee that remains is the percentage not paid and the expenses incurred and not subsidized after the $500,000,000 has been exhausted.

The second thing that will happen if the state makes a payment under AS 43.90.440(a) is described as follows:

> Upon payment by the state of the amount owed under this section, the licensee shall, at no additional cost to the state, assign to the state or the state's designee all engineering designs, contracts, permits, and other data related to the project that were acquired by the licensee during the term of the license. The payment under this subsection is in full satisfaction of all claims the licensee may bring in contract, tort, or other law related to the events that gave rise to the payment.

The payment by the state also results in the abandonment of the project under AS 43.90.240(d). That subsection reads as follows:

> (d) If the state makes a payment to the licensee under AS 43.90.440, the license is considered abandoned, and the state and the licensee no longer have any obligations under this chapter with respect to the license, except that the licensee must comply with the
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> (1) requirements imposed on the licensee under AS 43.90.220 regarding state money received by the licensee before the license was considered abandoned; and
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> (2) requirements of AS 43.90.440.

If the state violates the assurances, the licensee is compliant with the terms of the license and state and federal law, and the state makes a payment under AS 43.90.440, then the project is abandoned, the state gets the engineering designs, contracts, permits, and other data related to the project that were acquired by the licensee during the term of the license, and the license is abandoned. No provision bars the state from using what it receives on another natural gas pipeline project.

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