

CS FOR HOUSE BILL NO. 132(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 3/20/15

Referred: Today's Calendar

Sponsor(s): REPRESENTATIVES CHENAULT, Hawker, Millett, Johnson, Herron, Olson, Nageak, Talerico, Tilton, Saddler

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the purpose, powers, and duties of the Alaska Gasline Development**
2 **Corporation related to the Alaska liquefied natural gas project and an in-state natural**
3 **gas pipeline; relating to the in-state natural gas pipeline fund; and providing for an**
4 **effective date."**

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

6 * **Section 1.** AS 31.25.005 is amended to read:

7 **Sec. 31.25.005. Purpose.** The corporation shall, for the benefit of the state, to
8 the fullest extent possible,

9 (1) develop and have primary responsibility for developing natural gas
10 pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms
11 to deliver natural gas in-state for the maximum benefit of the people of the state;

12 (2) when developing natural gas pipelines, an Alaska liquefied natural
13 gas project, and other transportation mechanisms to deliver natural gas in-state,
14 provide economic benefits in the state and revenue to the state;

(3) assist the Department of Natural Resources and the Department of Revenue to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state;

(4) **subject to (b)(1) of this section,** advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under former AS 38.34.040 by the corporation while a subsidiary of the Alaska Housing Finance Corporation, with modifications determined by the corporation to be appropriate to develop, finance, construct, and operate an in-state natural gas pipeline in a safe, prudent, economical, and efficient manner, for the purpose of making natural gas, including propane and other hydrocarbons associated with natural gas other than oil, available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rates possible;

(5) **subject to (b)(2) of this section,** advance an Alaska liquefied natural gas project by developing infrastructure and providing related services, including services related to transportation, liquefaction, a marine terminal, marketing, and commercial support; if the corporation provides a service under this paragraph to the state, a public corporation or instrumentality of the state, a political subdivision of the state, or another entity of the state, the corporation may not charge a fee for the service in an amount greater than the amount necessary to reimburse the corporation for the cost of the service;

(6) endeavor to develop natural gas pipelines and other transportation mechanisms to deliver natural gas, including propane and other hydrocarbons associated with natural gas other than oil, to public utility and industrial customers in areas of the state to which the natural gas, including propane and other hydrocarbons associated with natural gas other than oil, may be delivered at commercially reasonable rates; and

(7) endeavor to develop natural gas pipelines and other transportation mechanisms that offer commercially reasonable rates for shippers and access for shippers who produce natural gas, including propane and other hydrocarbons associated with natural gas other than oil, in the state.

* **Sec. 2.** AS 31.25.005 is amended by adding a new subsection to read:

(b) The corporation may not plan or take any step to develop

(1) an in-state natural gas pipeline through which over 50 percent of gas is intended for export by the corporation or another party as gas or liquefied natural gas and that is described in (a)(4) of this section before the earliest of

(A) the date that the state or another party that holds natural gas leases in the state withdraws from an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015;

(B) the date that the state and other parties enter into contractual agreements to undertake front-end engineering and design for an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015; or

(C) July 1, 2017; or

(2) an Alaska liquefied natural gas project described in (a)(5) of this section other than a project to which the state was a party on February 1, 2015, before the earliest of

(A) the date that the state or another party that holds natural gas leases in the state withdraws from an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015;

(B) the date that the state and other parties enter into contractual agreements to undertake front-end engineering and design for an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015; or

(C) July 1, 2017.

* **Sec. 3.** AS 31.25.080 is amended by adding a new subsection to read:

(h) The corporation may not market gas owned or controlled by an entity other than itself without express written consent from that entity.

* **Sec. 4.** AS 31.25.100 is amended to read:

Sec. 31.25.100. In-state natural gas pipeline fund. The in-state natural gas pipeline fund is established in the corporation and consists of money appropriated to

1 it. The corporation shall determine fund management and may contract with the
 2 Department of Revenue for fund management. Unless otherwise provided by law,
 3 money appropriated to the fund lapses into the general fund on the day this section is
 4 repealed. Interest and other income received on money in the fund shall be separately
 5 accounted for and may be appropriated to the fund. The corporation may use money
 6 appropriated to the fund without further appropriation for the cost of managing the
 7 fund and for the planning, financing, development, acquisition, maintenance,
 8 construction, and operation of the in-state natural gas pipeline described in
 9 AS 31.25.005(a)(4) [AS 31.25.005(4)] and for the purposes of AS 31.25.005(a)(4),
 10 (6), and (7). The corporation may not expend money from the fund to plan or
 11 take any step to develop an in-state natural gas pipeline through which over 50
 12 percent of gas is intended for export by the corporation or another party as gas
 13 or liquefied natural gas and that is described in AS 31.25.005(a)(4) before the
 14 earliest of

15 (1) the date that the state or another party that holds natural gas
 16 leases in the state withdraws from an Alaska liquefied natural gas project
 17 described in AS 31.25.005(a)(5) to which the state was a party on February 1,
 18 2015;

19 (2) the date that the state and other parties enter into contractual
 20 agreements to undertake front-end engineering and design for an Alaska
 21 liquefied natural gas project described in AS 31.25.005(a)(5) to which the state
 22 was a party on February 1, 2015; or

23 (3) July 1, 2017 [IN AS 31.25.005(4), (6), AND (7)].

24 * **Sec. 5.** AS 31.25.390(1) is amended to read:

25 (1) "Alaska liquefied natural gas project" means a natural gas project
 26 as described in AS 31.25.005(a)(5) [AS 31.25.005(5)] that includes collectively, the
 27 Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line,
 28 a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine
 29 terminal; in this paragraph,

30 (A) "gas pipeline"

31 (i) means the main natural gas pipeline from the outlet

1 flange of the gas treatment plant on the North Slope to the inlet flange
2 of the liquefied natural gas plant located in the Southcentral region of
3 the state, which shall have offtake points along the pipeline for
4 deliveries of gas in the state;

5 (ii) does not include any gas lines downstream of any
6 offtake point between the gas treatment plant and the liquefied natural
7 gas plant;

8 (B) "gas treatment plant" means those facilities and related
9 activities required to receive natural gas from the Prudhoe Bay unit gas
10 transmission line, the Point Thomson unit gas transmission line, and other
11 facilities, treat the natural gas to pipeline specifications, dispose of or deliver
12 by-products, deliver liquid products for further transportation, and deliver
13 treated natural gas for transportation through the gas pipeline;

14 (C) "liquefied natural gas plant" means the facility for
15 liquefying natural gas and includes structures, equipment, underlying land
16 rights, other associated systems, storage, and facilities for off-loading liquefied
17 natural gas;

18 (D) "marine terminal" means the terminal and those facilities
19 required to receive liquefied natural gas from the boundary of the liquefied
20 natural gas plant for marine transportation, including auxiliary vessels used in
21 the operation of the terminal;

22 (E) "Point Thomson unit gas transmission line" means a natural
23 gas transmission line from the outlet flange of the Point Thomson unit
24 production facility to the inlet flange of the gas treatment plant; and

25 (F) "Prudhoe Bay unit gas transmission line" means a natural
26 gas transmission line from the outlet flange of the Prudhoe Bay unit central gas
27 facility to the inlet flange of the gas treatment plant;

28 * **Sec. 6.** AS 31.25.390 is amended by adding a new paragraph to read:

29 (8) "front-end engineering and design" means a study that includes

30 (A) sufficiently detailed basic engineering packages for the
31 components of the Alaska liquefied natural gas project and a contracting

1 strategy to enable contractor bidding for the engineering, procurement, and
2 construction contracts;

3 (B) a resourcing, commissioning, and start-up plan;

4 (C) the finalization of the key project agreements required to
5 implement the Alaska liquefied natural gas project;

6 (D) a technical and commercial definition of the Alaska
7 liquefied natural gas project;

8 (E) a detailed update of the Alaska liquefied natural gas project
9 economics, financing, and commercial assumptions, including an updated
10 estimate of capital costs sufficient for a final investment decision;

11 (F) a final assessment of the environmental, social, and health
12 effects of the Alaska liquefied natural gas project;

13 (G) a description of long-lead procurement activities;

14 (H) a description of other activities necessary to enable a final
15 investment decision to be taken on the Alaska liquefied natural gas project,
16 including financing, permitting, and registration information; and

17 (I) the bidding and internal selection of engineering,
18 procurement, and construction contractors, if applicable.

19 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).