



**HCS CSSB 138 (RES): Commercial Production of North Slope Gas
COMPARISION BETWEEN HCS CSSB 138 (RES) AND HCS CSSB 138 (FIN)**

This is a summary of the differences between HCS CSSB 138 (RES) am and HCS CSSB 138 (FIN). A summary should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Amendments to bill sections related to the Alaska Gasline Development Corporation (AS 31.25)

Former section 4, related to appointment of AGDC board members to allow appointment by the Governor of qualified persons from out of state *was removed* as it is not needed due to the passage of a similar provision in another bill that accomplished the same result of not requiring AGDC board members to be residents of the state.

Amendments to bill sections related to the Alaska Land Act (AS 38.05)

Sections 18 and 19 on the DNR negotiated confidentiality agreements under AS 38.05.020(b) were clarified to make clear that confidential information obtained under paragraph (12) may be shared with members of the legislature, including their respective agents and contractors on request, under confidentiality agreements either in committees held in executive session or individually.

Section 20, AS 38.05.023(a), was clarified to remove a requirement that the DNR commissioner must first determine that a North Slope natural gas project is not making adequate progress towards a final investment decision as a condition to requiring access to data in a contract negotiated by the DNR commissioner. Further clarification was made that contracts were contracts of a state or entity of the state (instead of agent.)

Subsection (b) provides that a proposed agreement or contract associated with a North Slope natural gas project may not include a provision that changes a tax on property that was previously taxable under AS 43.56 (a reference to payment in lieu of property taxes was removed).

Added were two new subsections to AS 38.05.023 terms in an agreement or contract related to a North Slope natural gas project. First, under subsection (c), an agreement or contract must require allocation of infrastructure costs between the state and other parties based on the difference between life-cycle costs if the infrastructure was only for public use; the proposed agreement or contract must limit the costs the state pays for infrastructure based on the proportion of public to private use and the state's share of participation in the project.

Also added was subsection (d), a provision that an agreement or contract under AS 38.05.020(b)(11) to which the state is a party must include principles based on commercially reasonable terms for delivering natural gas to public utilities in the state where demand for natural gas by the utilities exceeds the

amount of the state's royalty and natural gas delivered to the state as payment for tax and available in a North Slope natural gas project.

Former section 25 was deleted since the amendment to AS 38.05.182(a) to direct that it is not in the best interest for the state to take royalty on gas in money from a lessee transporting North Slope natural gas if the lessee has committed to dispose of the state's royalty gas taken in kind on the same terms and conditions as the lessee markets or disposes of the lessee's gas is no longer needed here as it is moved to AS 38.05.180(hh), section 22 of this bill.

Section 22, related to lease modifications by the DNR commissioner was amended to add a requirement that before agreeing to a lease modification, the commissioner must consider whether the lessee has offered to dispose of, sell or market the royalty gas and gas taken as tax on the same or substantially similar terms as the lessee or an affiliate sells, disposes of or markets the lessee's gas.

Clarifying amendments were made so that the reference throughout the bill was to "a North Slope natural gas project", instead of "the North Slope natural gas project."

An addition was made to AS 38.05.965, the definition of North Slope natural gas project, to refer to a project to produce *or transport* natural gas from state oil and gas leases.

Amendments to bill sections relating to oil and gas production tax (AS 43.55)

Bill section 41, on tax as gas, AS43.55.014, was amended to refer to the monthly *average* gross value at the point of production *of a producer's gas as the* basis to make up a deficiency in tax gas not covered by the balancing agreements. Subsection (e) was amended to make clear that gas subject to the tax as gas provision *would not include* gas under AS 43.55.020(e), considered as gas produced from a lease or property for the purpose of AS 43.55.011 -180.

Section 43 on the education tax credit, AS 43.55.019 was amended to add as a qualifying vocational technical education and training schools those approved by the United States Department of Veteran's Affairs and the Alaska Commission on Postsecondary Education.

Section 58, on the definition of the "point of production" for gas was further amended to make clear that the point of production for gas is, *one of three locations, depending on* where the gas was measured, separated, processed, or treated. The point of production is the farthest upstream of metering, the inlet of any gas pipeline system transporting the gas after completion of mechanical separation to a market, or the inlet of any pipeline transporting the gas to a gas treatment plant.

Amendments to uncodified law

New section 63 adds to uncodified law intent language from the enactment of legislation in 2013 establishing the Alaska Gasline Development Corporation to refer to the Corporation's involvement in an Alaska liquefied natural gas project, and to the legislative intent that, to the maximum extent permitted by law, the AGDC, in its participation, hire qualified state residents, establish hiring facilities and use, as far as practicable, state job centers

A new provision was added as section 65 to place in uncodified law a provision that the Department of Transportation and Public Facilities shall, in consultation with AGDC evaluate the design and construction of a new bridge across the Yukon River that would accommodate both vehicular traffic and

a gas pipeline from the Alaska liquefied natural gas project. Also added was a direction for the same parties to evaluate existing bridges and infrastructure to accommodate a natural gas pipeline resulting from an Alaska liquefied natural gas project to determine whether the bridge of infrastructure could be used for transportation uses, including vehicular traffic.

Amendments were made to section 67 requesting the Governor to establish an advisory planning group to consider the effect of a natural gas pipeline on municipalities. The statutory cite was changed from AS 44.19.028 to AS 44.19.145 to make clear that the intent was not to request two boards (one interim, the other not) and to conform more fully with Administrative Order 269.

In section 68, a clarifying reference *to consider AS 44.99.115 (declaration of state energy policy)* on the direction to the Alaska Energy Authority, the Alaska Industrial Development and Export Authority, and the DOR, to develop plans relating to the delivery of energy - whether fossil fuel, hydro, tidal or other - to areas of the state not expected to have direct access to commercialization of North Slope gas through a North Slope natural gas pipeline.

Letter of intent for SB 138

A Letter of Intent for SB 138 accompanies the bill. The Letter of Intent expresses the intent of the Alaska State Legislature that the parties to the Heads of Agreement honor the commitments regarding employment on the AK LNG project honor the employment and other work commitments in Article 11: Alaska Hire and Content of the Heads of Agreement.