

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 22, 2002

1:47 p.m.

MEMBERS PRESENT

Representative Beverly Masek, Co-Chair
Representative Drew Scalzi, Co-Chair
Representative Hugh Fate, Vice Chair
Representative Joe Green
Representative Mike Chenault
Representative Lesil McGuire
Representative Gary Stevens
Representative Mary Kapsner
Representative Beth Kerttula

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 519

"An Act authorizing priority treatment under the Right-of-Way Leasing Act for an Alaska North Slope natural gas project; expanding the scope for the kinds of gas development projects that may become qualified projects under the Alaska Stranded Gas Development Act; extending the deadline for submitting applications under the Alaska Stranded Gas Development Act; exempting an Alaska North Slope natural gas project from state property tax and all municipal taxes during construction; and providing for an effective date."

- MOVED CSHB 519(RES) OUT OF COMMITTEE

HOUSE BILL NO. 232

"An Act permitting state residents to purchase remote recreational cabin sites."

- SCHEDULED BUT NOT HEARD

3d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 178

"An Act relating to the powers and duties of the commissioner of fish and game, the Department of Fish and Game, and the Board of Game, to taking and use of certain game animals, and to

consideration of the budget of the Department of Fish and Game by the legislature; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 299

"An Act providing for the naming and renaming of Alaska geographic features."

- SCHEDULED BUT NOT HEARD

PREVIOUS ACTION

BILL: HB 519

SHORT TITLE: NATURAL GAS PIPELINE: SPECIAL PROVISIONS

SPONSOR(S): RLS

Jrn-Date	Jrn-Page		Action
04/16/02	2952	(H)	READ THE FIRST TIME - REFERRALS
04/16/02	2952	(H)	O&G, RES, FIN
04/19/02		(H)	O&G AT 8:00 AM CAPITOL 124
04/19/02		(H)	Moved CSHB 519(O&G) Out of Committee
04/19/02		(H)	MINUTE(O&G)
04/22/02		(H)	RES AT 1:45 PM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE PETE KOTT
Alaska State Legislature
Capitol Building, Room 204
Juneau, Alaska 99801

POSITION STATEMENT: Presented HB 519 as chairman of the House Rules Standing Committee, sponsor of the legislation.

PAT POURCHOT, Commissioner
Department of Natural Resources
400 Willoughby Avenue, Fifth Floor
Juneau, Alaska 99801-1724

POSITION STATEMENT: Testified on HB 519, noting that he chairs the governor's Natural Gas Cabinet; said the administration opposes granting this exemption in the absence of economic information and a negotiating framework, but supports sections reactivating and expanding the Alaska Stranded Gas Development Act; answered questions.

LARRY PERSILY, Deputy Commissioner
Office of the Commissioner
Department of Revenue (DOR)
P.O. Box 110400
Juneau, Alaska 99811-0400

POSITION STATEMENT: Testified on HB 519; voiced objections to provisions relating to property tax and sales tax; conveyed concerns about the ambiguity of "and related facilities", the ability to negotiate, and other issues; answered questions.

PAMELA LaBOLLE, President
Alaska State Chamber of Commerce
217 Seward Street
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 519 and answered questions.

REPRESENTATIVE VIC KOHRING
Alaska State Legislature
Capitol Building, Room 24
Juneau, Alaska 99801

POSITION STATEMENT: Testified in concurrence with Ms. LaBolle's testimony and in support of retaining tax exemptions in HB 519.

KEN THOMPSON
(Address not provided)

POSITION STATEMENT: Testified on HB 519 as a citizen and someone familiar with the industry; agreed with extending the Alaska Stranded Gas Development Act and deferring taxes during construction; proposed changes that would result in his support of the bill, including having the tax begin when gas begins to flow, narrowing the definition of the gas project, and extending the bill only until the end of 2003 or mid-2004, at the latest.

BILL ALLEN, Chairman and Chief Executive Office (CEO)
VECO Corporation
3601 C Street

Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 519 and answered questions.

JOE MARUSHACK, Vice President
ANS Gas Commercialization
Phillips Alaska, Inc.
P.O. Box 100360
Anchorage, Alaska 99510-0360

POSITION STATEMENT: Urged passage of HB 519; stated support for reviving the Alaska Stranded Gas Development Act and the "declaration of support implied by the property tax abatement" in the bill.

RHONDA BOYLES, Mayor
Fairbanks North Star Borough (FNSB)
P.O. Box 71267
Fairbanks, Alaska 99707

POSITION STATEMENT: Testified in support of HB 519 as mayor and a business owner; said municipalities deserve a seat at the table regarding long-term tax structuring for this project, which needs to be better than the structuring for TAPS.

KEN KONRAD, Senior Vice President
BP Exploration (Alaska) Inc.
P.O. Box 196612
Anchorage, Alaska 99519-6612

POSITION STATEMENT: Testified in support of HB 519, noting that he is Vice President of Gas for his company; suggested some technical modifications may need to be considered so that there won't be a legal challenge regarding use of in-state capabilities.

DAVID MARQUEZ, Attorney
for VECO Corporation
18546 Osprey Circle
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 519, urging passage; responded to suggestions and concerns of other testifiers; answered questions.

ACTION NARRATIVE

TAPE 02-34, SIDE A
Number 0001

CO-CHAIR BEVERLY MASEK called the House Resources Standing Committee meeting to order at 1:47 p.m. Representatives Masek, Scalzi, Fate, Green, Chenault, Stevens, Kapsner, and Kerttula were present at the call to order. Representative McGuire arrived as the meeting was in progress.

HB 519-NATURAL GAS PIPELINE: SPECIAL PROVISIONS

[Contains comparison to HB 38 during Commissioner Pourchot's testimony; contains references to SB 360.]

CO-CHAIR MASEK announced that the committee would hear HOUSE BILL NO. 519, "An Act authorizing priority treatment under the Right-of-Way Leasing Act for an Alaska North Slope natural gas project; expanding the scope for the kinds of gas development projects that may become qualified projects under the Alaska Stranded Gas Development Act; extending the deadline for submitting applications under the Alaska Stranded Gas Development Act; exempting an Alaska North Slope natural gas project from state property tax and all municipal taxes during construction; and providing for an effective date." [Before the committee was CSHB 519(O&G).]

Number 0129

REPRESENTATIVE FATE moved to adopt the proposed committee substitute (CS), version 22-LS1651\0, Chenoweth, 4/22/02, as a work draft. There being no objection, Version 0 was before the committee.

Number 0178

REPRESENTATIVE PETE KOTT, Alaska State Legislature, presented HB 519 as chairman of the House Rules Standing Committee, sponsor of the legislation. He began to explain changes in Version 0.

[There was discussion by members about packet materials.]

Number 0322

CO-CHAIR MASEK called an at-ease at 2:01 p.m. She called the meeting back to order at 2:03 p.m.

Number 0369

REPRESENTATIVE KOTT pointed out that the list of changes to HB 519 in committee packets relates to earlier drafts. He then indicated Section 2 of CSHB 519(O&G) has been deleted in Version 0, as was discussed in the House Special Committee on Oil and Gas. He offered his belief, from talking to some of the producers and supporters of the bill, that Section 2 had been redundant.

REPRESENTATIVE KOTT explained further changes. On page 4, lines 5-8, Version 0 essentially adopts by reference the Alaska Stranded Gas Development Act, which gives the commissioner the opportunity to negotiate the terms with the producers. And on

page 4, line 24, after the word "facilities", the words "to be" have been added, to clarify that facilities to be exempted from a general tax are those facilities that will be built, not those currently built.

REPRESENTATIVE KOTT acknowledged that the latter is a huge change; he said it wasn't crystal clear in the earlier version, and that the intent is to make it perfectly clear that the tax relief is to be provided to those facilities that would be under construction if this bill were to pass. He suggested the chair of the House Special Committee on Oil and Gas could confirm that such an intention was discussed in that committee.

Number 0578

REPRESENTATIVE KOTT highlighted features of HB 519. He explained that it will "incentivize and bring about some hardcore discussion" regarding development of a natural gas pipeline. Noting that a pipeline has been discussed extensively for years with no results, he suggested this bill is a vehicle to "take to the table" some future discussions in earnest.

REPRESENTATIVE KOTT emphasized an important feature, that this bill is tied "somewhat directly" to federal legislation. He noted that congressional members have asked why they should pass any incentive or netback provision to the producers if the state isn't doing so. Furthermore, although a window of opportunity was wide open ten years ago, he characterized it today as having an inch left before it closes. Acknowledging some may disagree, he referenced discussions with others and pointed out that Alaska is in direct competition with some huge [gas] fields. He said it is imperative to "step onto the playing field" to get something going, which HB 519 does.

REPRESENTATIVE KOTT offered that estimates that there will be natural gas on the North Slope for 50 years are conservative; he suggested it is closer to perhaps 100 years. Proposing that it be developed [now], he said, "Otherwise, we may not see another opportunity in our lifetimes for this field to be developed."

Number 0803

REPRESENTATIVE KOTT explained that the bill grants a tax exemption from property taxes of municipalities and the state. The exemption is during the time of construction, which begins when the commissioner says the qualifications have been met, and

ends the second calendar year after the pipeline has been constructed. He told members:

It's my understanding, ... talking to some of the folks, one ... interested party directly, that were this bill to pass, they would enter into that negotiation between them and the commissioner, to bring ... clarity and certainty to the cost of this project. They're not going to wait a year or so; they're going to get right in there and start discussing the mechanics of it. And this is where your tax-exempt status would be discussed, and what eventual conditions may be levied.

REPRESENTATIVE KOTT noted that the under the state constitution, Article IX, Section 4, the legislature can exempt entities from paying taxes.

Number 0928

REPRESENTATIVE KOTT highlighted other features. Of great importance, since it sets out conditions for negotiating, is that the bill extends the life of the Alaska Stranded Gas Development Act, which has expired, until [2005]. In addition, it asks that the department expedite the permitting process; he explained that if a project is worthy and could go forward, the permitting process should not stall it for several years. Furthermore, the bill defines a viable project, listing qualifications, to clarify that in order to qualify for this tax-exempt period, a company must meet those qualifications [as determined] by the commissioner. Finally, the bill sets out, in general provisions, that whoever is responsible for building the pipeline will use Alaskans, to the maximum extent possible, for production, development, and building of the needed facilities.

REPRESENTATIVE KOTT told members the foregoing is what the bill does in very general terms. He concluded:

Again, the big issue is to provide this tax-exempt status for this period of time. Again, it can ... and will be negotiated between the producers and the department on what those conditions may be, based on the economics of the project. It's important, I believe, that we provide some incentive to make this project viable. I think the viability of the project has certainly been on everybody's plate, and I think that's a reason why we haven't seen anything go

forward for the last ten years, even though it's been discussed. We're no closer today, in reality, than we were ten years ago.

REPRESENTATIVE KOTT indicated other testifiers could provide technical or historical information.

Number 1230

PAT POURCHOT, Commissioner, Department of Natural Resources (DNR), testified before the committee, noting that he also serves as chair of the governor's Natural Gas Cabinet. He said the administration opposes the provisions of the bill that would grant a state and local property tax exemption valued at, at least, \$500 million, in the absence of economic information on project viability and the economic need, and in the absence of a negotiating framework in which the state might bring forward other issues of concern to the state.

COMMISSIONER POURCHOT specified, however, that the administration supports the provisions that would expand and extend the Alaska Stranded Gas Development Act - passed several years ago by this legislature - which sets up a framework for looking at not just property tax, but also a number of issues with project sponsors; he offered the belief that it provides the kind of forum whereby there could be negotiated terms that would benefit and advance a project, as well as protect state interests.

Number 1343

COMMISSIONER POURCHOT offered some history. Several years ago, the state commissioned a renowned expert, Pedro van Meurs, to look at a liquefied natural gas (LNG) route. His [report] analyzed different tax incentives and what the state might do to advance the line; it pinpointed property tax as something that could have a significant [negative] impact, because of its being a regressive tax at an inopportune time - during construction and before revenues flow. At the same time, Mr. Meurs recognized that a property tax exemption might be structured to be "backloaded" so that exemptions are upfront, with some sort of repayment later.

COMMISSIONER POURCHOT told members the foregoing was very much part of the discussion when the Alaska Stranded Gas Development Act was passed. He said it was always assumed it would be the kind of topic one might negotiate, in addition to other issues,

and then bring back to the legislature. He noted that unlike HB 519, that Act also includes a provision to formally involve the input of municipalities, particularly those impacted by the property taxes. He explained, "In the stranded gas Act, it was felt that a formalized process of them being able to comment and participate ... in elements of the negotiations would be appropriate."

Number 1469

COMMISSIONER POURCHOT recalled that when the administration had brought forward so-called marginal field legislation and Northstar legislation in previous years, the legislature was very much interested in looking at economic assumptions regarding the basis on which tax or royalty structures might be changed. A lot of law was written into both those bills governing what the administration should be looking at, he said, and on what basis it should be making conclusions; a lot related to getting economic information on project viability and weighing alternative tax consequences before giving a specific kind of royalty or tax benefit. He concluded:

That would be the same type of arena that we would be looking for in this regard, and probably a better way of structuring both benefits and incentives that can advance a project, as well as protect state interests, and put forward some of the things that the state may be interested in, also, in bringing forth in such negotiations.

Number 1532

CO-CHAIR SCALZI asked whether Commissioner Pourchot was discussing Version O.

COMMISSIONER POURCHOT noted that he'd just now seen it and had listened to Representative Kott describe the changes. He said, "I believe my testimony would still be appropriate for the CS in front of you."

Number 1550

CO-CHAIR SCALZI characterized Representative Kott's description as a deferment of taxes, rather than an exemption, which Co-Chair Scalzi indicated is his own understanding as well. He asked, "If that's the case, does the administration support the deferment?"

COMMISSIONER POURCHOT offered his understanding from Representative Kott's testimony that there would be an opportunity to negotiate some sort of recoupment, payback, or deferral. He said, however:

I think that's in theory true, but it certainly defies any type of negotiation that I've been involved in, in the sense that there are two separate things in this bill. ... On the one hand, the bill asks that ... during construction and the following two years of operation, all of that activity would be exempt from both ... state and local property taxes. On the other hand, in the other provisions, the stranded gas Act is extended and expanded to include ... all types of gas projects, not just LNG. This is very similar, by the way, to House Bill 38 before the committee that the governor introduced last year.

It is not inconceivable, but it is a stretch that if you are legislatively given a benefit of no property taxation, then to turn and do a negotiation, to ask the administration to then negotiate back for something that you've already given away in statute -- ... if they're even interested in negotiating on something they already have, you're going to have to give something. So, you're already at a ... lot of a disadvantage in that type of negotiation, because there are other things that project sponsors would like to see, that they've testified [about] before: the valuation of gas, how the state treats its royalty[-in-kind] gas versus in-value gas, ... severance tax, royalty rates. So, you have opened a lot of new fronts, if you think you're going to go back and then negotiate recoupment or repayment of ... a benefit that you've already legislated.

Number 1696

CO-CHAIR SCALZI said he also interprets Version 0 to say the commissioner, rather than the legislature, will do the negotiations on any deferred taxes. "I haven't picked up on the part where we're at, in this," he added. He asked, "Do you have any qualms about the legislative body being the one that has the final say on this?"

COMMISSIONER POURCHOT answered that it was a "very large issue" several years ago, relating to the bills he'd referenced earlier; at that time the administration, like prior administrations, felt that kind of activity was the province of the executive branch. It was an act of comity, "according to our lawyers," he said, of bringing the negotiated deal back to the legislature for final approval, as happened with Northstar. He said that is still anticipated in the Alaska Stranded Gas Development Act. Commissioner Pourchot added, "By the way, the commissioner in that regard, I believe, is the commissioner of revenue. ... We would want to assist him ... if he got to royalties." He concluded, "So, I guess the difference is final approval versus actual negotiation."

Number 1792

REPRESENTATIVE FATE followed up on Co-Chair Scalzi's questions. He said the three references to the Alaska Stranded Gas Development Act make quite clear the commissioner's role in that negotiation. He also offered his belief that in this legislation the interests of the affected municipalities are to be taken into consideration during the negotiation period. He said he'd felt certain in the hearing in the House Special Committee on Oil and Gas [which he'd chaired] "that we had met those objectives, both for the municipality and for the ability of the commissioner of revenue to make those negotiations meaningful for both the state and the municipality, but with the ... assent, of course, of the ... people involved in the project." He concluded that it is "somewhat a reopening of that stranded gas Act" in regard to the tax regime.

CO-CHAIR MASEK asked whether there were further questions and then thanked Commissioner Pourchot for his testimony.

Number 1888

LARRY PERSILY, Deputy Commissioner, Office of the Commissioner, Department of Revenue (DOR), testified on HB 519, indicating his testimony would be similar to Commissioner Pourchot's. He advised members that the DOR has objections to the bill as it relates to not only state and municipal property tax, but also to sales tax. He said the bill "gives it away for six or seven years, and then tells the Department of Revenue, under the stranded gas Act, to go negotiate the best deal we can."

MR. PERSILY informed members he has been a negotiator before, and there must be something to negotiate with. By giving a

total waiver of property and sales tax during construction and for the first two full years of production, the bill would - to his belief - make it impossible to negotiate property and sales tax. "We could, under the stranded gas Act, continue to negotiate a contract for payments in lieu of taxes for production tax," he noted. "None of that would involve the municipalities. The municipalities would see their revenues affected by property tax and sales tax."

MR. PERSILY referred to the definition of what would be covered under the tax waiver. He expressed concern that it is still ambiguous and that the phrase "and related facilities" could present problems. For example, would it include the need to expand a saltwater treatment plant at Prudhoe Bay as part of a project, well conversions from oil to gas, or separation facilities? Would they be eligible for the property tax waiver or not? He explained:

Oil companies are like everyone else. You look at your tax form and you try to find as many ways as you can - within the law, within reason - to minimize your taxes. It's American. I guess it's good business. And it's probably the way it should be. We feel that the "and related facilities" would present problems that would end up in disputes between the state and whoever is doing the developing of those new facilities that would need to be constructed for a natural gas project.

Number 2039

MR. PERSILY informed members that he'd provided an updated spreadsheet [dated April 22, 2002] showing estimated property tax losses. He brought attention to the assumptions on the top of the first page, which read:

4.5 bcf/d
\$21.3 billion project to Chicago
\$3.0 billion conditioning
\$17 billion pipeline

30% of pipeline in Alaska
All of conditioning plant on North Slope
22% of Alaska pipeline on North Slope
12% of Alaska pipeline in Fairbanks North Star Borough
18.5 mill rate on North Slope
15.5 mill rate in Fairbanks

Production starts in Year 6

MR. PERSILY explained that Year 1 would be when the decision would be made to go ahead and start applying; in Year 2, there would be mobilization, so there would be property tax due on equipment arriving in Alaska. Production would start in Year 6, and property tax would be waived for two full years of production. "You'd be looking at waiving three-quarters of a billion dollars or so in property tax revenues to the state, to the Fairbanks North Star Borough, and to the North Slope Borough," he pointed out.

MR. PERSILY turned attention to the second page of the spreadsheet, which shows property tax waivers if HB 519 were interpreted to include Point Thomson. He explained:

The reason we raised that is, Point Thomson is very heavy in gas - 9 tcf [trillion cubic feet]. So if I were a producer, and if I wanted to argue, for example, that I'm developing Point Thomson because of the gas line - and without a gas line, I'm not developing Point Thomson - would I try to put that under the waiver of [HB] 519? It's just something we wanted to raise.

MR. PERSILY offered to answer questions.

Number 2114

REPRESENTATIVE FATE surmised that Mr. Persily hadn't considered the words "to be" inserted in Version O, but instead had used "and related facilities constructed". He also asked what scenario Mr. Persily had used for the computations, and whether it involved negotiation or having all the taxes be exempt.

MR. PERSILY answered, "Under the legislation, the way we read it, property taxes on the project and related facilities are exempt, period. And then we can negotiate."

REPRESENTATIVE FATE asked whether the computations were made, then, on the basis that there would be no negotiations for mitigating impacts to the municipalities.

MR. PERSILY affirmed that.

Number 2183

CO-CHAIR SCALZI said he hadn't seen Version 0 until just a few minutes ago, either, and had prepared amendments similar to what the proposed CS does, "in that it defers payments." He added, "The amendments were to defer them to a time certain, and then specifically say how the paybacks would come forth." He asked Mr. Persily whether conceptually it would give the Department of Revenue more comfort - and "more of a leg to stand on" because there would be a deferral to a time certain - if it were specified that there would be a payback but also that negotiations would take place in the future.

MR. PERSILY said that was the original intent of the Alaska Stranded Gas Development Act in 1998, to sit down and see what is needed to help make the project economical, to see how the state can contribute to that, and to defer payments until later. During construction and the early years of a project this size, property tax is a heavy burden because there is no positive cash flow but a lot of taxes. He added:

But perhaps the state could negotiate a contract for payment in lieu of taxes, to bring back to the legislature for approval; ... maybe it would waive some of them, but it would defer some of the rest of the payments to a time where there's positive cash flow. Particularly in times of high prices, the state could increase its take.

Number 2271

CO-CHAIR SCALZI asked whether, if it were specifically spelled out in the proposed CS, Mr. Persily would feel there is that negotiating leverage which he believes is lacking now.

MR. PERSILY replied:

Without seeing the exact language, ... that is the intent. If it ... gave us the ability to negotiate deferral, waiver, reduction - some structure, rather than giving away the tax and then telling us to negotiate with nothing - sure. I think we could get a good deal for the state and for the developers of this project.

Number 2309

REPRESENTATIVE GREEN asked:

If we deferred this half billion or six hundred million dollars of taxes until later and then recouped most or all of that in a later portion of the project, when there was a positive cash flow, they would act as a deterrent or negative as far as the netback for the wellhead value that the state would base its royalty on?

MR. PERSILY answered, "If I understand the question, when they pay tax, that reduces the netback."

REPRESENTATIVE GREEN said, "So, when they pay this tax on top of the other, then that has a further dampening effect on the netback during those years of payback."

MR. PERSILY replied, "I believe it would, but that might be something we could negotiate."

CO-CHAIR MASEK asked whether there were further questions and then thanked Mr. Persily for his testimony.

Number 2406

PAMELA LaBOLLE, President, Alaska State Chamber of Commerce, came forward to urge passage of HB 519. She said Alaska absolutely needs a gas pipeline. She expressed concern that sometimes people outside Alaska seem to have a large say over what happens in the state. With the defeat [in the U.S. Senate of the opening of the Arctic National Wildlife Refuge to development] last week, and with no other large development on the horizon to spur economic growth, she said, members are concerned about the state's economic future.

MS. LaBOLLE told the committee that while the final results of the producers' study haven't been released yet, it should be apparent this is a project of enormous cost and risk. She suggested the state and local governments would benefit greatly, for years to come, if the producers were encouraged to take the inherent risks and develop the North Slope gas resources. She continued:

The temporary tax exemption provided by this bill should be looked upon as an investment by the state and municipalities to encourage the producers to go forward with a project that will create jobs, benefit municipalities, spur economic opportunity for

business, and start a whole new industry, a gas industry for Alaska.

By revitalizing the Alaska Stranded Gas Development Act and having it apply to this project, the state and producers can create a contract that will assure tax clarity and certainty, and protect vital interests of the state and affected municipalities.

How often does the state have an opportunity to take such a bold step to encourage large-scale economic growth? Several states and cities around our nation have offered, to businesses, tax incentives to encourage them to invest. The state should be less concerned with perhaps giving away too much, and more concerned with not missing a significant opportunity for economic growth, perhaps the only one in the next few decades. Thank you.

Number 2527

REPRESENTATIVE VIC KOHRING, Alaska State Legislature, concurred with Ms. LaBolle's testimony. He said on one hand, Alaska would be giving up potential state and municipal revenues, but there would be a substantial benefit from construction and operation of the gas pipeline, in terms of investment in communities, jobs, and so forth. He offered his opinion that the tax exemptions in the bill should be retained for that reason.

Number 2575

REPRESENTATIVE GREEN asked Ms. LaBolle whether she had any idea what the returns to the state would be.

MS. LaBOLLE said no, but that she imagines them to be very significant - billions of dollars.

REPRESENTATIVE GREEN asked, "What would you say if it were significantly less than that?"

MS. LaBOLLE answered, "We need income resources. You're ... looking for every million dollars you can find in the budget right now. Why would we quibble whether it be millions or billions, when, in fact, anything is going to be a great advantage for the state?"

REPRESENTATIVE GREEN asked whether it wouldn't be to her advantage, however, as a citizen and member of the state chamber, to have the state be able to negotiate from a stronger position, to get a higher amount.

MS. LaBOLLE said she believed it would be.

Number 2655

REPRESENTATIVE McGUIRE suggested Ms. LaBolle probably isn't in a position to know all the "numbers" for the bills she supports, but that her position is more to support economic development in general. She stated her understanding, from talking to Ms. LaBolle and members of the state chamber, that they see this as an opportunity for growth in Alaska, including economic development and jobs.

CO-CHAIR MASEK thanked Ms. LaBolle for her testimony.

Number 2696

KEN THOMPSON testified via teleconference, saying he would comment as a citizen and share some natural gas industry experience on some elements of this bill. He told members he believes the elements of [HB 519] that extend the Alaska Stranded Gas Development Act are positive; that [Act] is helpful for resources like this, he said, and those particular provisions should be extended.

MR. THOMPSON commented with regard to the exemption of ad valorem or property taxes. He recalled that several years ago, as an oil-and-gas industry executive, he'd personally felt that to some degree the ad valorem tax during the period of construction of the pipeline was unfair; at that point, a company has billions of dollars at stake that it has laid out and financed, and yet has an asset it cannot use until completion. Then and now, therefore, he favors some deferral of ad valorem taxes until cash flow starts on the gas pipeline. He said he believes that aspect of the bill is positive.

Number 2777

MR. THOMPSON suggested changes to consider. First, the ad valorem tax should start again when gas is shipped. He said he simply doesn't understand why there should be an exemption for a couple of years after the startup of cash flow. He remarked, "As an Alaskan, I can understand some unfairness in receiving

taxes on an asset that's not in use. But once it goes into use and gas starts flowing, there should be a tax." He noted that the provision he was talking about was on page 6, lines 20-22, in the bill version he had.

MR. THOMPSON offered a second change: narrowing the definition of the gas project. He suggested the exemption should apply specifically to the gas pipeline and select components of the natural gas processing plant that is getting the gas ready to ship. For example, there should be some deferral or waiver when removing the carbon dioxide to get the gas ready to ship down the pipeline.

MR. THOMPSON pointed out, however, that some of that plant will be used, for example, to return carbon dioxide to the field for enhanced oil recovery. He added, "That should make a lot of money, so I don't think it should have a property tax exemption." He therefore suggested [the exemption] should be "downstream of the natural gas processing plant." He explained that the current language could be interpreted by certain producers as even trying to exempt part of the Point Thomson project, a stand-alone development project that he said is not the gas pipeline or processing plant.

Number 2887

MR. THOMPSON offered a third suggestion: taking this great benefit off the table if the companies do not commit to a pipeline project by either December 31, 2003, or June 30, 2004. He noted the 2005 extension date at the end of the bill. He explained that it has been 25 years since the startup of Prudhoe Bay [oil] production, and yet still there is no gas marketing from there. "I think the time has already passed," he remarked. He suggested executives and managers should be going to their chief executive officers and boards with a clear message that the State of Alaska has run out of patience. "It's time to commit to a project now," he said. "These companies are doing projects overseas, where they're running into lease terms, penalty payments, other circumstances and consequences." He further said:

I like the positives of this, of giving something that makes the economics better, but pull it off the table quickly. Make them show economics, that unless they commit to a project by the end of 2003, ... these economic benefits are removed; they're off the table.

If you extend it 'til June 2005, you won't get an answer 'til June 2005 - and you'll probably in that legislative session in 2005 be asked for an extension. I would, ... in the negotiations, make it very firm. I guess I could live with June 30, 2004, but I would not extend it. These pipeline companies and the producing companies have completed study after study. It's been 25 years. It's time to get on with it.

[Not on tape because of the tape change, but recorded in the committee secretary's log notes, is Mr. Thompson's comment that he interprets this bill as an exemption, not a deferral.]

TAPE 02-34, SIDE B
Number 2984

MR. THOMPSON asked the committee to think about whether an "economic test" should be done. Pointing out that the bill grants \$500 million to \$750 million in benefits, he said these companies keep issuing press releases that this [proposed pipeline] isn't economically feasible. He remarked:

I don't see where they'd object at all to showing testimony that, indeed, it is not economic. I don't think that any of them would be opposed to showing their economic data ... if they're making these press statements. And then the state could rest assured that the giving of a gift of \$500 million to \$750 million truly was justifiable. ...

Having said that, I do believe this is the kind of incentive that is necessary to move this forward, and certainly would support this bill if these changes that I've suggested were made. And I think it could be helpful to the state, and would give a good, economic benefit that's justifiable to pipeline companies and to the producers. In fact, that's another reason I like this bill, is this could benefit pipeline companies as well, and those types of investors, and not just producers.

Number 2902

REPRESENTATIVE GREEN, noting that June 30, 2004, would be after the legislative session, asked whether perhaps April 1 would be a better date for an extension to 2004.

MR. THOMPSON said that is a great point. He added:

I actually believe in December 31, 2003; I'm pretty firm on that. But ... different people have told me that's not fair, so I don't mind a few more months. But to extend it two or three more years -- I mean, it's been 25 years. Enough is enough, as far as I'm concerned. And so that April would be a timeframe, certainly, with the legislature still in session ... for further debate on this.

Number 2854

REPRESENTATIVE KERTTULA asked Mr. Thompson to elaborate about his proposed change from "related activities" to "the select components of the plant". She requested that he describe exactly what he would allow. She noted that the committee had just received [Version 0] and therefore she didn't know exactly where it would go.

MR. THOMPSON answered:

This is an example of what Commissioner Pourchot was describing, that there needs to be a negotiation. And I think that that would be something between the commissioners and the pipeline investors to clarify.

But let me give you an example. In the natural gas policy council hearing last September, in the producer testimony, as far as a project ... they showed an 11 percent rate of return after taxes, assuming a \$3-per-mcf [million cubic feet] gas price in the cost estimates at that time. And their definition of a project ... included some capital investment at Point Thomson as well as a pipeline from Point Thomson. And I disagree with that. That is a stand-alone development project. I believe it is one Exxon should move forward with. If they choose not to, perhaps take the leases back and I'll certainly consider forming a company to develop that field. ... I think it'd make some good money. It should not be included.

I think what should be included is the gas project itself, which is the gas processing ... and then downstream, meaning the pipeline. The gas processing plant is very complex. There are many components of that gas processing plant that truly [are]

conditioning the gas to be acceptable in quality for the pipeline. And I think those types [of] components should have this waiver of the ad valorem tax for that length of time.

There are other pieces, in module components that will be plugged in, that are not associated directly with the conditioning of gas down the pipeline, but some ancillary businesses. In fact, some components may help the enhanced oil recovery; those should be ... excluded from the exemption of the property tax. And if, for some reason, these companies feel they need help on that, that's a separate subject that should be a separate bill or separate hearings or what-have-you.

But be very careful what this covers. ... I think it should cover, traditionally, getting the gas conditioned for market, into the pipeline, and the pipeline only - and nothing earlier than that.

CO-CHAIR MASEK thanked Mr. Thompson for his testimony.

Number 2689

BILL ALLEN, Chairman and Chief Executive Office (CEO), VECO Corporation, came forward to testify in support of HB 519. The following testimony was read on Mr. Allen's behalf by Rick Smith, Vice President of VECO Corporation:

Madam Chairman and members of the committee, it is a pleasure to be here with you today, and I appreciate the opportunity to speak with you on an issue of utmost importance to Alaska. In fact, I cannot think of a single more important issue at this time in Alaska's history. As Alaskans, we have truly been blessed with a rich and vibrant heritage. Our land is rich in natural resources and unmatched in natural beauty. Our modern history [was] shaped by the sacrifice and vision of courageous pioneers who saw Alaska's potential and worked hard to make it a reality.

Alaska achieved statehood only after a prolonged fight where Alaskans put aside their differences and worked together toward that single goal. We got the trans-Alaska pipeline, but only by a single vote. And the recognition of the rights of Native Alaskans barely

made it through Congress - and again, only after a determined and difficult fight. In each case, Alaskans had to stand united against outside interests and fight tooth-and-nail for the right to control our own destiny.

Number 2532

What's relevant here is that the outcome of each of those monumental efforts dramatically shaped the Alaska we all enjoy today. Without the oil pipeline, there would be no permanent fund, and our current budget dilemma would be much worse. Without ANILCA [Alaska National Interest Lands Conservation Act], Native Alaskans would have less ability to shape their own destinies.

My point is that we have all reaped benefits from those visionary acts by Alaska's pioneers. I came here in 1968 and started VECO in 1969. I worked hard and watched VECO grow from a small company servicing the Kenai oil patch to an international corporation employing more than 4,000 people. We grew with Alaska and benefited tremendously from Alaska's vibrant, oil-driven economy.

Number 2488

MR. ALLEN'S testimony continued:

I would love to say that VECO's success was merely of my own doing. But the truth is, I was in the right place, at the right time, with the right product. And I often wonder where I would be today if I had not taken that chance and started VECO way back then. I had a good-paying job welding pipe, a secure income - at least for that time. But I knew that with the discoveries at Prudhoe Bay, ... Alaska was going to change and [was] on the verge of something big. So I took that calculated risk, gave up my job, and invested in my future. The rest, as they say, is history.

Today, I'm here before you because I can't help but see some important parallels. Change is once again on Alaska's horizon. But unlike 1969, this time it's unclear what direction ... that change will take.

Alaska is truly at a crossroads. Many of our traditional industries are struggling - often through no fault of their own. And as those traditional, mainstay ... Alaskan industries struggle, Alaska struggles, and Alaskans find themselves out of work and unable to provide for their families.

Number 2415

In addition, as our state's economy shrinks, so does your ability to ensure better schools, better communities, and a better quality of life for all Alaskans. Alaska desperately needs the gas pipeline and the jobs, revenues, and economic growth it will bring. Nothing else holds such great potential for Alaska's future.

The North Slope has enough proven reserves of natural gas to fill a pipeline for the next 50 years, and that's just the known reserves. Estimates suggest there may be enough gas to keep the pipeline - and the jobs and revenues it will create - operating for the next 100 years. Unfortunately, before Alaska can realize any of those benefits, we must build a pipeline.

Number 2363

MR. ALLEN'S testimony continued:

A few years ago, like most Alaskans, I was enthusiastic about the prospects for the gas line. With prices soaring, construction seemed imminent. Well, just as quickly, prices dropped and the economics changed. It's now clear that without some incentives, private industry is not going to be willing to risk the billions of dollars necessary to construct the gas line at this time. The project simply does not "math out" unless some of the construction and startup risks are offset.

To that end, for the past several months members of our congressional delegation have worked hard to enact federal incentives to help make the gas line a reality. But as with any Alaska resource development issue, they are fighting a difficult, uphill fight, and they need our help. Opponents of the gas line are

now pointing out the absence ... of state action on the issue - and using that point to try to defeat our delegation's effort in D.C. "If Alaska does not care enough to offered incentives," they say, "why should we?"

Our delegation has indicated that passage of HB 519 will send a clear signal to Washington and the producing companies that Alaska is ready to step up to the plate and invest, along with them, in Alaska's future. Senior officials from the production companies have indicated a willingness to proceed, if federal and state legislation is passed to help offset some of the project's tremendous risk. They also seek reasonable assurances of stability in Alaska's tax and economic [climate].

If you think about it, such requests are not unreasonable when you consider the producers would be risking up to \$20 billion at a time when prices are unstable. But please, make no mistake - I'm not here to speak for the producers; they didn't ask me to do this.

Number 2254

MR. ALLEN'S testimony continued:

I'm here as an Alaskan, an Alaskan with some expertise, but first and foremost, an Alaskan who has fought alongside you for local hire, jobs, and a brighter future. This project clearly offers that potential.

Some have asked what this legislation will cost. My answer is simple: absolutely nothing, because without this legislation, the gas line will likely never be built. And you can't tax something that doesn't exist, so any taxes potentially deferred by this legislation would never have been realized anyway.

On the other hand, the true cost lies in doing nothing. If this legislation doesn't pass and the gas line isn't built, what will that cost Alaska? The gas line would create thousands of new jobs and billions in new revenue and economic activity. It would foster a whole new gas industry, an industry we currently do

not have, and help provide Alaska with economic stability for at least the next 60 years.

Number 2181

But we know that Alaska isn't the only place in the world where natural gas exists. And as with our other resource industries, international competition increases every year. So the choice is really up to us. We can reach out and seize this opportunity while it still exists, or hold out and hope for something better. But I've never been much for waiting and hoping.

I believe Alaska is at the right place, at the right time, with the right product. And our state's destiny truly hangs in the balance. A window of opportunity is still open - if we act now to help make this project a reality. But I strongly suspect that if that window shuts, it may never open again.

Like the great Alaskan leaders before you, I encourage you now to stand united and act quickly on behalf of all Alaskans and future generations to make this dream a reality.

Number 2104

CO-CHAIR SCALZI mentioned testimony by the Department of Natural Resources and the Department of Revenue that the state would be in a stronger position to negotiate if the taxes were deferred to a time certain and then were under consideration for an exemption for a later date. He asked Mr. Allen whether he would have any problem with using that methodology, rather than what is in Version O.

MR. ALLEN answered that if there is to be an incentive, it should be given now. He referred to HB 393 [which had become the Alaska Stranded Gas Development Act] and said, "You've got all you need to ... negotiate." He suggested the municipalities would need some help with workers, for example, and said, "They tell me ... the bill will do that, help those guys." He concluded, "If we're going to give them an incentive, ... let's do it; if we're not, let's don't."

Number 1990

REPRESENTATIVE FATE noted that Russia is "coming online," has huge reserves, and isn't a member of OPEC [Organization of Petroleum Exporting Countries]. He suggested Russia may even be a competitor of OPEC, which might drive the price of gas and oil down, negating this project or any other in Alaska. He asked Mr. Allen to elaborate on why Alaska might not get a pipeline if it isn't constructed in the near future.

MR. ALLEN replied that there is a market in the Lower 48 that the producers want to go to; he indicated his belief that if the state acts now, [the producers] will also, if there is federal legislation as well. He agreed there is a lot of competition, including Russia, which has a lot of gas and oil. He said Alaska has competition all over the world, and mentioned the need for an incentive; he also mentioned the Gulf of Mexico and Africa. He suggested if the companies start putting capital in other places, they won't come back [to Alaska] for a long time.

Number 1810

REPRESENTATIVE GREEN noted that it might take six to ten years to build the line and have it operating. He pointed out areas mentioned by Mr. Allen that are on the water, as is Sakhalin Island; some may not require a pipeline and thus could be brought online within two or three years after an Alaskan project is begun. He suggested it must be a significant concern to investors in the companies now. Noting that Alaska's may be a 50- to 100-year project, he asked, "Do you think that acting this week instead of maybe next week, or even a year from now, truly will make a difference as far as this project is concerned?" He again expressed concern about the rapidity with which a tidewater project elsewhere could come online ahead of the Alaskan project.

MR. ALLEN mentioned the market in the Lower 48, "somewhere around Chicago," and indicated his belief that unless it is LNG, [other production areas] can't compete with Alaska there. He said once the producers start rolling the pipe and are really committed, they'll go ahead. He noted that there will be some time period of study, permitting, and engineering. He remarked, "They told me that ... if we get the [legislation] in D.C. and if we do this, ... they're going to start." He mentioned \$300 million or so. He said, "They're already committed when they start doing that. They will start this as quick as they can because they want that market in the Lower 48, just like we do."

Number 1615

REPRESENTATIVE KOHRING thanked VECO Corporation for its contributions to the economy; he mentioned hiring Alaskans who are qualified, as well as dollars invested. He agreed regarding the window of opportunity and said if there is an opportunity now, even if a small one, it should be seized and acted upon. He offered that HB 519 is a good vehicle.

CO-CHAIR MASEK asked whether there were further questions and then thanked Mr. Allen.

CO-CHAIR MASEK called an at-ease at 3:15 p.m. She called the meeting back to order at 3:16 p.m.

Number 1499

JOE MARUSHACK, Vice President, ANS Gas Commercialization, Phillips Alaska, Inc., testified in support of HB 519 as follows:

There are two things that this legislation does. One thing the proposed legislation does is revive the Stranded Gas Development Act process passed by the legislature in ... '98. The reason we believe you should consider this process is that it's a good one. It was a long-negotiated, well-thought-out, thoroughly debated process that provided the opportunity for the kind of fiscal clarity and certainty we believe is essential to move a gas project forward. It provides for public notice and comment; municipal involvement; and, ultimately, legislative approval of any agreement between the state and the project's sponsors.

The second thing the proposed legislation does is provide a property tax abatement during the construction period and two years of operation afterwards. The reason we recommend you consider this aspect of the bill is that it sends a signal to the U.S. Congress, currently considering national energy legislation. It signals that the State of Alaska has some skin in the game.

Number 1417

MR. MARUSHACK continued:

For the past several months, most of Phillips' gas emphasis has been directed at the federal level to achieve congressional legislation changes to advance the project. These include, first, new federal legislation that creates permitting certainty and is part of the [U.S.] Senate energy bill; second, a federal mechanism ... that would help mitigate the unacceptable market risk of [a] project of this magnitude, [and] which provides downside mitigation to the project. This piece of legislation is, in Phillips' view, a most critical element in moving the project forward. It shares the benefits the Lower 48 consumers will see from the ANS gas coming to the market, while addressing risk inherent in such a large and costly project.

While addressing those needs in D.C., we are continually asked, "What is Alaska doing to proactively progress the project?" This bill would send a positive response to D.C.

Much of the debate about the property tax portion of the bill seems to have centered around, "How do we know when it's needed?" or how we can recoup the foregone revenues if [the] project turns out to have better-than-expected economics.

Number 1350

MR. MARUSHACK continued:

Let me state clearly: There is no circumstance where the property tax abatement proposed in this bill would make the single difference in the project economics. Does it add value? Clearly. Would it lower the tariff, increasing wellhead value and increasing the state's royalty value? Yes. But in and of itself, it will not - it cannot - make the project. What it does do is let the rest of the country know that the elected representatives of this state ... are willing to do what they can to try to develop a project. This is one of a series of issues that we need to address in order to improve the project economics.

As to the uncertainty of the economics, that's where the stranded gas Act ... process provides an

opportunity to develop a fiscal system which equitably shares the risks and rewards.

We support the revival of the stranded gas Act process, and the declaration of support implied by the property tax abatement in this bill, and urge you to pass it.

CO-CHAIR MASEK asked whether there were questions and then thanked Mr. Marushack for his testimony.

Number 1251

RHONDA BOYLES, Mayor, Fairbanks North Star Borough, testified via teleconference, noting that she represents 82,000 people in the borough and is a business owner in the Interior "with a substantially large investment." She said passage of HB 519 will expedite building a gas line, which is "drastically needed in the Interior" for not only an alternative energy source, but for the possible benefits as well.

MS. BOYLES told members that for investment in a large project like this, where there are partners involved, it isn't unreasonable to request clarity and certainty. "That's really what this is all about," she remarked. Ms. Boyles said there also must be a certain level of trust among the partners - in this case, municipalities, the state and federal governments, the producers, and the gas line builders. She conveyed concern that political agendas or "pride of authorship" of certain legislation might stand in the way of expediting this project. She asked that legislators make decisions that are "good for all of us."

Number 1129

MS. BOYLES offered that this isn't about losing property taxes, but about providing economic development incentives. She said 15 mills would be the average charged in the borough, but 15 mills of zero is still zero. Without a gas line, there wouldn't be those property taxes being collected, nor would there be an ability to negotiate, whether now or later. She emphasized the desire to provide an environment that is conducive to economic development and diversification.

MS. BOYLES brought attention to possible socioeconomic impacts. She said she didn't believe impacts would be as "emphatic" as during construction of the oil pipeline "because we're much more

sophisticated now." She offered that the Alaska Stranded Gas Development Act "does provide for us to ask for some relief in the event we need it, through the commissioner of the Department of Revenue."

Number 1012

MS. BOYLES emphasized that the long-term financial structure of this gas line must be done better than it was for the TAPS [Trans-Alaska Pipeline System] line. The TAPS structure pitted municipalities, the state, and the producers against one another in determining "the assessed value of that asset going through our boroughs." She added, "That's an annual exercise, and it's been fairly traumatic in the last six to seven years." She concluded:

We want a seat at the table. If I'm asked to give up property taxes, I will do that - that's an investment. But what I'd like in return is a definite seat at the table, to have some kind of input on the long-term financial impact that a natural gas [line] will have relative to the property tax issue.

MS. BOYLES closed by encouraging the building of a gas line and specifying that she supports HB 519.

Number 0916

CO-CHAIR SCALZI alluded to paragraph (15) on page 4, line 8, of Version 0. He noted that the intent language, rather than the heart of the bill itself, is where it says "including accommodating the interests of affected municipalities." He then referred to page 5 [lines 7-9], which read in part:

(7) an interest in taxable property that is part of an Alaska North Slope natural gas project, whether or not, under AS 43.82, the project has been determined by the commissioner of revenue to meet the requirements of AS 43.82.100

CO-CHAIR SCALZI said AS 43.82 is "a qualification of a project." He then remarked, "I guess that's where, as a municipal official, I would be a little concerned over whether or not you had a negotiating stature, at that point. But it didn't sound like, from your testimony, that you were too worried about that." He asked whether that was correct.

MS. BOYLES responded:

The real point here is that ... we don't have a negotiation point right now, sir, with all due respect. We don't have a gas line, and I don't think we're going to have unless we all give something - the federal government, the state, the North Slope Borough, and the Fairbanks North Star Borough.

CO-CHAIR MASEK thanked Ms. Boyles.

Number 0737

KEN KONRAD, Senior Vice President, BP Exploration (Alaska) Inc., testified via teleconference in support of HB 519, noting that he is Vice President of Gas for his company. He told members:

Creating a supportive government framework is an essential ingredient towards developing a successful ANS [Alaska North Slope] gas project. An international project of this magnitude brings many inherent risks, which several of the prior folks have alluded to. Governments, working constructively with industry, can play a major role in reducing these risks by setting clear and predictable rules under which a project would be undertaken.

BP has previously laid out key government actions that would facilitate future investment on this massive undertaking - specifically, a clear and efficient U.S. federal regulatory process, and indeed, progress is being made with Alaska gas provisions currently part of this pending U.S. Senate energy bill; an efficient and predictable Canadian/First Nations regulatory process - and BP here remains very active working in Canada to establish such a process, and progress there is being made also; and [a] simple, clear, and predictable fiscal framework in Alaska such that the massive, long-payout investments being contemplated can be undertaken with the knowledge that the rules won't change later.

Number 0591

MR. KONRAD continued:

House Bill 519 would be a positive step toward achieving the necessary fiscal framework in Alaska. The bill is modeled after House Bill 393, which was passed in 1998. As we did in 1998, BP continues to support the content and approach inherent in the stranded gas Act, which this legislation refreshes, updates, and makes available for a gas pipeline project.

Specifically, House Bill 519 and the reenactment of the stranded gas Act would, first and foremost, demonstrate leadership and intent by this legislature to provide stable fiscal terms that encourage development of ANS gas while fully and fairly compensating the people of the state. It would also establish a protocol, beginning with a formal application and followed by a process to exchange information between investors and the state. It would empower the state to enter into a contract negotiation to achieve clear and simple tax and royalty terms; these terms would need to be subsequently approved by both the executive branch and the legislature.

Number 0528

MR. KONRAD continued:

It would provide a process with the state and investors while providing for municipal input. And it would provide for contract review, approval, [and] termination provisions, inclusive of municipal input; legislative authorization; and judicial review. And finally, but also importantly, it would provide for prioritization of state agency support for a qualifying project. In aggregate, it would set out a thoughtful and workable framework through which important fiscal issues could be dealt with, subject to subsequent approval by ... the legislature.

The bill also encourages Alaska hire, training, and purchasing. BP has been and continues to support the use of in-state capability. However, some technical modifications should be considered to ensure the bill's language does not draw legal challenge.

Passage of House Bill 519 would send a positive message to investors and provide a framework to

achieve fiscal clarity and predictability. BP is fully supportive.

CO-CHAIR MASEK asked whether there were questions, then thanked Mr. Konrad and called upon Mr. Marquez.

Number 0410

DAVID MARQUEZ, Attorney for VECO Corporation, testified via teleconference in support of HB 519, noting that VECO Corporation is an Alaskan engineering, construction, and oil and gas service company headquartered in Anchorage. In the interests of time, he informed members that he would not read the written testimony he had provided to the committee. As "a proud citizen of this state" since 1973, Mr. Marquez told members that he hopes his three children, who were born in Anchorage, will be able to get good jobs in their home state. Returning attention to the bill, he offered the following testimony:

This incentive that helps reduce construction costs - through the grant of a temporary exemption to the project from state property taxation and all municipal taxes, for a period from commencement of the project's construction through the first two years of operation of the pipeline - is very important.

Keep in mind, it's temporary - maybe four to six or seven years. It does not apply to any taxes currently being collected, so present revenues will not be affected by this bill. The amount of money saved through the temporary tax exemption reduces the cost of construction, plus reduces the tariff and increases the royalty and severance tax.

When the tax "holiday" is over and a pipeline is built, the state and local governments will have a pipeline on which to levy taxes for many decades; a new industry, a gas industry, will have been created; gas for in-state use will be available; Alaskans will be employed. If it is not built, there won't be any of that.

I urge the committee to think about the timing inherent in this bill. If it is passed, the temporary tax exemption is available, but, of course, not yet in effect. It isn't in effect until construction on our

pipeline starts. There's no exemption until there's property to tax.

Between now and then, the state continues to get all the taxes it currently gets. Between now and then, we've sent a signal to Washington and the producers that Alaska wants this pipeline and will take action. Between now and then, the state and the producers sit down. The state gets lots of information, under Article 04 of the Stranded Gas Development Act, and they negotiate about the complete fiscal regime that will apply to the project, that will be in the best long-term fiscal interest of the state. In the meantime, the producers continue to work on a project, hiring Alaskans and Alaska contractors.

Number 0123

MR. MARQUEZ continued:

There has been testimony that reflects important agreement on certain issues about this bill. First, ... it is recognized that some incentive is necessary for this project. Second, a property tax exemption is the most leveraging of the available incentives.

Where there is disagreement is at what point the incentive should be granted. There seems to be some concern that this will be seen as a giveaway and that, instead, the state should negotiate with the gas owners before any incentives are given. VECO feels a great sense of urgency and feels strongly that the incentive should be granted now.

The Stranded Gas Development Act will protect the long-term interest of the state and municipalities. If action is not taken this year, the only opportunity for a significant boost to the state economy may be lost. If we take a year or two or three to negotiate any incentives, the opportunity may be lost as the producers move on to other projects. There will be time, under the Alaska Stranded Gas Development Act, to negotiate a total fiscal regime. But VECO believes concrete action must be taken this year to keep the project going, or it may be decades before the opportunity arises again.

Finally, as Bill Allen pointed out, this is not a "producer bill." [Not on tape because of the tape change, but in Mr. Marquez's written testimony, is the conclusion that this is "an Alaska bill that provides for a short-term investment by Alaska that will pay off in a project that could be shipping gas for a hundred years."]

TAPE 02-35, SIDE A
Number 0001

MR. MARQUEZ addressed issues raised in previous testimony:

Yes, there are going to be tough negotiations under the Stranded Gas Development Act. But Alaska has always had tough negotiations between the state and the producers, and we shouldn't fear those negotiations. We should look upon them as an opportunity. ...

You've heard suggestions about how the Act might be changed, and you've also heard testimony about some uncertainties. I would submit that, for example, the phrase "and related facilities", if the bill were to pass as it now stands, that could be a point of negotiation between the state and the producers - what is the scope of the exemption.

Also, you should note that everything is on the table under the Stranded Gas Development Act. And you'll notice, when you review those terms, that there are many terms that the producers will want. I suggest that the state - as it often has, perhaps always has - is in a very strong negotiating position, because there are many things the producers will want, and there's many things that the state will be able to bargain for.

Number 0116

MR. MARQUEZ continued addressing previous testimony:

There's been the suggestion that perhaps the exemption should stop at the end of construction, and not go into production. I would ask you to seriously consider not adopting that suggestion. My point is that Mr. Marushack has noted that this exemption, in

itself, isn't enough to make the project go. During the first two years of operation, there still may be construction activities, and there may be market fluctuations as our gas enters the market. I would urge you to keep the two years after the start of production in the bill, because that ensures that this is [an] incentive that is worth going after, and one that ... can make a difference for the producers.

Number 2005

With regard to the 2005 cutoff date for the submission of an application for a contract with the state, I think that Mr. Thompson is right - we've had 25 years, and we need to take action. I think the committee just needs to understand whether ... changing that provision would help the state in its negotiating position or not. And I think that if there's concern about negotiating positions, that's what you have to think about.

Today, I've heard lots of words of caution. I would urge you to take action. Look at the benefits to the state, beyond taxes and royalty, to the economic development that could happen with this bill.

CO-CHAIR MASEK thanked Mr. Marquez for his testimony.

Number 0302

REPRESENTATIVE FATE referred to Mr. Marquez's mention of the importance of incentives. He noted that in the House Special Committee on Oil and Gas, there was a fairly comprehensive discussion about the producer's workgroup, which has spent close to \$125 million on developing an economic model that has not yet been seen. He asked, "How do we really know an incentive is necessary?"

MR. MARQUEZ replied:

You've heard the testimony of Joe Marushack today that this incentive, in and of itself, is not enough to make a difference; it's just one brick in the wall, if you will.

Further, under the Alaska Stranded Gas Development Act, Article 04, which I earlier referred to - and

those negotiations, we've been told by the producers, will start right after this bill has been enacted - under the provisions of Article 04, the state can get all the information that it wants, and there are great confidentiality provisions that will encourage the producers to be forthright.

You have to remember that this tax exemption isn't going to come into effect for a few years, until construction actually starts. And during that time, the state will have plenty of time to study data and to propose an overall tax regime, perhaps getting additional revenue from the total sources that are available. And there'll be plenty of time for those negotiations, and plenty of time to analyze the data. I think the time is now ... to act.

Number 0497

REPRESENTATIVE GREEN noted that Mr. Marquez, Mr. Marushack, and others had indicated the effective date is the date when the pipeline starts [to be built]. He pointed out the definition on page 8 [beginning on line 1], which read in part:

(2) "construction commencement date" means, for property subject to tax under this chapter used in the exploration for, production of, or pipeline transportation of unrefined oil through a facility the construction of which was begun before April 1, 1974, the earlier of April 1, 1974, or the date the following occur

REPRESENTATIVE GREEN explained that he was concerned about wells that might be used to reinject gas, for example, or water to replace gas "voidage." He asked how one can be certain, reading that language, that the state won't be embroiled in varying interpretations of the starting date.

MR. MARQUEZ answered by referring to earlier mention [by Representative Kott] of a change in Version 0 that says "to be" constructed. He said the purpose is to capture property that will be constructed for the pipeline, not facilities previously constructed. He added:

My understanding of that provision that you've cited - and you might want to check with attorney Chenoweth [drafter of the legislation] - is to make sure that

... the oil production facilities are described and that ... the second part of that provision goes to the new facilities. Certainly, it is the intent that this is about the gas pipeline, and not facilities that were previously constructed.

Number 0644

REPRESENTATIVE GREEN inquired about other facilities constructed afterward such as an "alternative production well" relating to gas sales, or an injection well subject to this. He asked, "How far asunder from the treating facilities and the gas line would you envision this project going?"

MR. MARQUEZ responded that he believes the line should be drawn more or less along the lines Mr. Thompson was talking about. Clearly, he said, some facilities will be pipeline-related, whereas others will be partially so; he suggested it "would be the subject of a great negotiation under the Alaska Stranded Gas Development Act, and could be one of those items that gives the state quite a bit of leverage." He questioned the legislature's ability to define and describe every single piece of equipment and every facility, at this point, that might be related to the gas pipeline.

Number 0758

REPRESENTATIVE GREEN suggested potential ambiguity could be eliminated by ensuring the CS is clear about not starting at an earlier date, and not utilizing facilities that either may have been built beforehand, or would be ancillary and perhaps construed as somehow associated [with the pipeline]. He asked whether Mr. Marquez would have any problem with that.

MR. MARQUEZ related his belief that the bill is clear now and that negotiations could occur under the Alaska Stranded Gas Development Act. He suggested perhaps clarification from Mr. Chenoweth could be sought regarding the provision Representative Green had been discussing, however.

Number 0830

REPRESENTATIVE GREEN noted that there has been conflicting testimony about whether the bill is a "donation" or giveaway, or a deferment to be recouped later. He asked Mr. Marquez about his understanding.

MR. MARQUEZ answered that he understands it to be an investment, and neither a donation nor a giveaway. He added that for it to be an effective investment, it must be granted. Under the Alaska Stranded Gas Development Act, he said, there will be opportunities, "with all the other parts of the total fiscal regime, to ... negotiate whatever would be appropriate for the long-term fiscal interests of the state." He added, "As ... Commissioner Pourchot indicated, it is not out of the question that ... any payback would be part of the negotiation. He thinks it might be a stretch, but certainly that would be up to the negotiators under the Alaska Stranded Gas Development Act."

Number 0938

REPRESENTATIVE GREEN referred to a bill in the Senate. He remarked that there has to be some sort of access. He asked, "Do you have a problem if this is amended to include access?"

MR. MARQUEZ answered:

If you look at the Alaska Stranded Gas Development Act, you'll see that the contract terms include how the producers are going to make gas available for in-state use. There's a reference to expansion. If you look at Section [43.82.]210 of the Alaska Stranded Gas Development Act and many of the other provisions, you'll see that those issues are all things that could be negotiated under the Alaska Stranded Gas Development Act. You certainly want as much leverage as you can, I've heard some witnesses say. And, again, that's ... a subject for negotiation under the Alaska Stranded Gas Development Act.

Number 1041

REPRESENTATIVE GREEN replied that while he'd heard Mr. Marquez say "in-state use," he hadn't heard him commit to access.

MR. MARQUEZ responded, "I don't know how you get in-state use without access to the pipeline."

REPRESENTATIVE GREEN countered that he believes they are two entirely different things. He explained, "I think in-state use means that from the gas line, for example, at Fairbanks, there could be a take-off for in-state use, as opposed to some other operator leasing future leases from us and discovering gas, and not being able to get into the gas line for sales."

Number 1095

REPRESENTATIVE FATE prefaced his remarks by saying he'd like a response from "a producer who helped submit this legislation to the federal government." He then offered his understanding that in the energy bill before the U.S. Senate, amendments have been made that not only refer to an open season, but also to [pipeline] capacity.

REPRESENTATIVE GREEN commented that unless [the U.S. Senate] had done something in the last few days, it doesn't address access.

CO-CHAIR MASEK asked that Mr. Marushack of Phillips Alaska, Inc., address the issue.

Number 1154

MR. MARUSHACK said:

The federal enabling legislation had a number of provisions in it. Some of them generally talk about in-state use of gas and access to the gas. Those issues are extremely, extremely complicated. And I will be the first to admit ... those issues are quite broad within the enabling legislation. But in my view, it has to be that way.

We have got to sit across the table from the state and talk about, "How much gas do you need? Where do you need it? How do we make the long-term pipeline commitments in order to get the whole project moved forward? And if you want to take off gas at some point in time in the future, that we didn't say upfront, how do we keep everybody else whole?" These are extremely complicated issues.

Part of the Stranded Gas Development Act, in my view, ... was we would sit across the table - and this isn't going to take weeks, this is going to take months - and work these issues out. But you cannot do it in a one-week or a two-week or a two-paragraph legislative bill, if you will. ... It's just going to be very tough. And the bottom line on this thing is, until we get absolute clarity on these things, Phillips isn't going to invest \$20 billion in this project.

MR. MARUSHACK added that his company wouldn't go forward until these issues, which affect the revenue stream and profitability of this project, are well known and committed to by both sides. "But they won't be easy," he cautioned again.

Number 1270

REPRESENTATIVE GREEN asked Mr. Marushack for his views on access to the pipeline.

MR. MARUSHACK answered:

There are a number of ways that access to the pipeline will be committed to. First of all, in an open season, there is language within the enabling legislation that ... FERC [Federal Energy Regulatory Commission] will have 120 days from the promulgation of the bill in order to set the rules for the initial open season. And everybody - the state, the producers, other producers, explorers - will weigh in on that discussion. ...

If you're not ready to have access at that point in time, we are committing -- our base-case pipeline is 4.5/4.3 bcf [billion cubic feet] a day. If you just take that over a 20-year period, you're talking more gas than we have. So ... even under the base case, there's the opportunity; our base case assumes exploration will be in there. Exploration means people ... who have commitments ... to deliver gas but don't have gas - they'll be making deals, just like in the Lower 48. ...

There's actually two final legs. There is expansion built into this pipeline project. ... We will have the "Ts" and the valves in place. The compressors will not be in place for expansion. ... But there is a mechanism within the enabling legislation that a producer can go to FERC and say, "I have this gas." FERC looks at that. If the producers don't want to do it on their own - I should say, if the pipeline companies, on their own, don't want to expand that pipeline - FERC, per the enabling legislation, can force that pipeline to be expanded. Again, these are complicated issues, though.

Number 1367

REPRESENTATIVE GREEN asked whether, in the views of Mr. Marushack or Mr. Marquez, there is access beyond a very near-term open season - in 2005 or 2006, for example - that would allow companies to explore for gas and then, in essence, use the pipeline before the time when the producers no longer have gas to fill it, ten or fifteen years later. He asked, "Do you envision that this, in any way, is going to adversely affect competitors from ultimately getting in the line, say, in the next decade?"

MR. MARUSHACK replied:

Phillips is the largest exploration company up here. We are putting more money into exploring for gas, I believe, than anybody. ... Not only am I planning on making sure we have access to the pipeline, but I'm banking on it, that we will. So, no, I do not have any fear that we will have problems getting our gas into the pipeline one way or another. Will [there] be a one-, two-, three-, four-, five-year delay? There could be. It has to be economic expansion; you're right. And I'm willing to take that risk, and my company's willing to take that risk, and ... our partners - we have very few 100 percent leases; most of ours are with other companies. ...

Phillips has never required anything in the enabling legislation that guaranteed access. But in spite of that, ... we were part of the team that allowed that access language to be - expansion language - to be [in] the enabling legislation. So, ... personally, Representative Green, I'm not concerned.

Number 1578

CO-CHAIR MASEK announced that to her belief, everyone who had signed up had testified. She closed public testimony and invited Representative Kott to offer comments and address Representative Green's concerns regarding access.

Number 1609

REPRESENTATIVE KOTT acknowledged this is a learning experience for him. He offered that the terms tax "exemption" or "holiday" can be used interchangeably; at the end of the day, it will be the department's responsibility to come to the table with the

producers and negotiate to ensure certainty and clarity in the economics of the project. Furthermore, there is no viable project right now to tax, so nothing is lost. He noted that perhaps there will be short-term losses in return for extremely long-term benefits.

REPRESENTATIVE KOTT suggested this may bring [the state] perhaps \$250 million to \$300 million a year in revenue, multiplied by 50 years to 100 years - as much as \$30 billion. In the worst case, by contrast, he'd heard three-quarters of a billion dollars lost, he said, multiplied by seven years. In addition to monetary benefits, he proposed looking at the ancillary benefits of putting Alaskans to work, beefing up the economy, and providing diversification. "That's what it's all about," he added. He referred to federal legislation and called this one component of a three-legged stool. He told members he believes HB 519 does what it is supposed to do, to open up the opportunity and send a message to Washington, D.C., that the state is a stakeholder, so that Congress goes forward with its own incentive package.

Number 1822

REPRESENTATIVE KOTT noted that there'd been discussion about whether having [an exemption] for two extra years after production begins would jeopardize the incentive package itself. He remarked, "I can't tell you. But I also have become aware that even when there's gas flowing through the pipe, there's still additional construction costs. It doesn't just end right there. So maybe a couple of years is most viable to make an economic project ... that can go forward."

REPRESENTATIVE KOTT referred to discussion about changing the date for sunseting the Alaska Stranded Gas Development Act and said, "That's fine. The reason why we went to this particular date is that in the original bill, it was three years. So, we just took this and ... made it three years." Based on testimony from some of the producers, he pointed out that it might require a minimum of a year of negotiating terms back and forth; he said he probably wouldn't favor "rolling this back" to 2003 or 2004. Noting that it has been 25 years, he concluded, "I'd like to see something get off the ground. Certainly, I think all of us would like to see that."

Number 1937

REPRESENTATIVE GREEN referred to his previous experience in the oil and gas industry. He pointed out that the bottom line for a company is the stockholders. Likewise, he said, he feels a commitment to the people of Alaska. Noting the pressure to move this legislation quickly, he reminded members that the producers still haven't provided economic data requested at the beginning of the year. He expressed concern that they are starting to indicate they'll produce the economic data only after this [bill] is signed.

REPRESENTATIVE GREEN related that he'd worked for Mr. Thompson and has the utmost respect for him. Representative Green pointed out that Mr. Thompson had urged the committee to take a thorough look at this. Representative Green said he felt rushed, unfairly so, because a number of months have gone by during which this bill could have been considered, rather than trying to rush it through right at the end.

REPRESENTATIVE GREEN told members he would have to vote "no" on passing this out of committee until he could review the materials added in the last couple of hours. He explained:

That's not the way you do legislation that affects us for fifty or a hundred years, as we've heard. ... We're worried about a few days for a hundred-year process that's going to affect this state, the biggest thing since the TAPS line? Come on. ...

I'll be glad to spend nights looking through this thing and trying to make sense out of this and the other things that are happening through the legislature. But I am certainly not ready to sign this thing off and send it off to a committee that has had none of this. ... This is going to go to a finance committee that is either going to have to reinvent the wheel or hear this all again and say, "Now, you guys have the onus of making that decision in a few hours." That's not right.

REPRESENTATIVE GREEN concluded by saying the current committee should be looking at it; it's a resource issue. He pointed out that Alaska's own state agencies have cautioned that some aspects of the bill aren't a good idea.

Number 2142

CO-CHAIR MASEK asked whether perhaps Representative Green's concerns were because of the Senate bill he'd mentioned.

REPRESENTATIVE GREEN answered that he hasn't been involved with that Senate bill, although he has read it. However, he has been involved with the Joint Committee on Natural Gas Pipelines, which has been involved on the federal and state levels, and he has talked with Alaska's congressional delegation and legislators from other states. He pointed out that there is a direct issue with access in the Senate bill. He said:

I would like to see that here. I would like to see a bill that goes out of this legislature with that component. Now, it doesn't have to say, "We're going to provide access." But access needs to be spelled out. I would hate to go into a negotiation period with it excluded from here, and saying, "That wasn't part of the deal; our negotiations are going to be confined to what's in here." And we refer to the stranded gas Act as things that we would like. "Well, that will be something for negotiation; sign this bill and then we'll negotiate according to the stranded gas Act."

REPRESENTATIVE GREEN clarified that he was in favor of helping [companies] defer upfront costs, but didn't like the pressure tactics, with issues to be negotiated after signing. He said he wouldn't buy a car like that, or life insurance. He added, "I always get concerned when somebody says, 'Do it now.'"

Number 2261

REPRESENTATIVE FATE said he has a different approach, although he respects Representative Green's 37 years in the gas and oil business; he noted that he'd begun in the same business as well. He explained his view that in business, timing is everything. Noting that there still are negotiations on the U.S. Senate energy bill with regard to the tax regime, he said, "We've been asked, by our congressional delegation, to express ourselves ... and our interest in getting our pipeline through. And that's what we've been doing here."

REPRESENTATIVE FATE said he also is pressured, by Alaskans who want a pipeline, and isn't willing to gamble that a pipeline might not be built in the near future "just because some of the 'T's aren't crossed and the 'I's aren't dotted." He said he is also disappointed that the economic models haven't been provided

by the producers, but believes they wouldn't have gone to such lengths at the federal level if there weren't some problems in the economics. Speaking of the producers, he added, "They are asking both the federal government and they're asking the State of Alaska to provide some incentives to facilitate the construction of this pipeline at the earliest date."

REPRESENTATIVE FATE related his view that unless the permitting process can begin within about three years, there may not be a pipeline. "I am not willing to take that risk," he stated. He offered his own belief, "Simply, ... we need a pipeline, and we need it badly." He suggested members need to decide whether the pipeline is needed as quickly as possibly.

Number 2455

CO-CHAIR SCALZI referred to Representative Fate's comments about expediting this, but also acknowledged the rapidity with which this is moving. He said he'd received the original bill over the weekend and had prepared amendments, no longer relevant to Version O. He added, "It specifically defers taxes until a later date certain, and then it also ... talks about the recouping of those, and it also has intent language that says we can defer the whole thing if we wish, but it puts it down the road. It allows an incentive, I think, for deferral of taxes, and I think that's what we're looking for here." He told members:

The problem I have, as expressed by Representative Green, is that we will be doing this, at this particular time, sight unseen of any hard evidence that this is justifiable. Now, it certainly may be justifiable, but unless we have ... the data, the numbers to do it right now, then I feel a responsibility to the State of Alaska before I feel a responsibility of creating this project that we are talking about - conservative estimates, [a] \$500 million deferment.

CO-CHAIR SCALZI noted [Representative Kohring's] plan that does away with municipal assistance and revenue sharing, which certainly will be affected by this tax break. He said although municipalities may say they want the project to go forward, the money for infrastructure will have to come from somewhere. He said deferring it upfront with no "promissory note" for later reimbursement concerns him. Co-Chair Scalzi specified that he wasn't speaking in opposition to the bill, but wanted more time

to consider it. He said Representative Green's point about access is a new issue to him, for example. He recommended holding the bill over.

Number 2600

REPRESENTATIVE KOHRING thanked the committee for allowing him to speak. He said he feels strongly about this bill, which he believes presents a great opportunity. He concurred with Representative Fate that there is a timing issue. He requested that the bill be moved forward.

Number 2650

REPRESENTATIVE GREEN asked that members consider three items. First, the committee had heard from Mr. Marushack that this isn't a "deal killer" but is one building block. Second, U.S. Senator Stevens had discussed the possibility of a federal "floor." Representative Green said there is no assurance that the gas-market price will hold at \$3.00 or \$3.50, which is the economic point at which there is more exploration for gas; he indicated, however, that one producer had turned down the idea, although one had not. And third, there was discussion about Russian gas and missing a window of opportunity.

REPRESENTATIVE GREEN again pointed out that an influx from a tidewater location such as Sakhalin Island, by way of tankers, could flood the Midwest with gas via an existing pipeline. He cautioned that it is a huge issue that [the producers and investors] have to worry about; he suggested if they don't fear it in the future, they can't be afraid of it in the next week. He urged further consideration of the ramifications, for another week or so.

Number 2819

REPRESENTATIVE FATE responded that except for the timing, he wouldn't object to delaying this; however, to his belief, the delay may be the "deal killer." He referred to SB 360 and indicated it may be moving rapidly through the Senate. He inquired about a meeting of the House Resources Standing Committee on Friday.

CO-CHAIR MASEK said there would be a meeting, but this bill wouldn't be addressed.

REPRESENTATIVE FATE suggested if it came up two weeks later, he'd consider it "dead on arrival" because of needing to go through the Senate.

Number 2902

REPRESENTATIVE STEVENS expressed concern about the timing too. He said he'd be comfortable having it go to the House Finance Standing Committee.

Number 2917

REPRESENTATIVE CHENAULT agreed with Representative Fate regarding timing. He indicated the legislature has worked for seven years on different programs, tax schemes, and agendas.

TAPE 02-35, SIDE B

Number 2940

REPRESENTATIVE CHENAULT said it should be moved. He voiced concern that if a pipeline isn't built, it will cost Alaska considerably more money than "what we stand to lose here."

Number 2900

REPRESENTATIVE GREEN asked when the bill could be heard again.

CO-CHAIR MASEK stated her intention to move it from committee that day. She agreed there are questions, but characterized it as one more piece of a puzzle that strengthens Alaska's stakeholder position in developing a pipeline. She said it sends a message to Congress that the state is interested. She agreed with the need to offer incentives, rather than doing nothing. She offered that the bill is "pretty fair." Regarding competition, she said it costs less to develop in other countries, and this sends a message that "we are prepared and ready to do business in Alaska." She acknowledged that the bill may change along the way, but said that is up to the sponsor and those interested in following the bill.

Number 2810

REPRESENTATIVE McGUIRE suggested those who have concerns can work on it before it gets to the House Finance Standing Committee. She said many people have come to her office and talked with her about it; she said it has gone through more than one draft, and that there has been a lot of work over several

months. She expressed confidence that any serious concerns can be worked on.

Number 2762

REPRESENTATIVE KERTTULA informed members that Representative Green had covered the points of concern to her. She suggested giving some thought to the definition of "related facilities". She added, "We set the law. We define terms. We don't leave that for further negotiation. That could have such broad implications if it's not defined in the statute."

REPRESENTATIVE KERTTULA said she has great respect for the industry and wants to see this go forward, but wants it to happen in a way that will "help us all." She added, "I know that there's a commitment to that, so I'm hoping that we will take advantage, to try to make the changes that can make that happen, because if we don't, I think we could all end up suffering. So I can't support it. I understand the intentions. And I hope that we make some changes."

Number 2708

REPRESENTATIVE MCGUIRE moved to report CSHB 519, version 22-LS1651\0, Chenoweth, 4/22/02, out of committee with individual recommendations and attached "zero" fiscal notes.

Number 2701

REPRESENTATIVE GREEN objected.

A roll call vote was taken. Representatives McGuire, Stevens, Fate, Chenault, and Masek voted to move CSHB 519 out of committee. Representatives Green, Kapsner, Kerttula, and Scalzi voted against it. Therefore, CSHB 519(RES) was moved out of the House Resources Standing Committee by a vote of 5-4.

REPRESENTATIVE KAPSNER specified she was voting "no" in deference to Representative Green's concerns.

CO-CHAIR MASEK announced that the meeting was adjourned.

[End of this tape.]

TAPE 02-36, SIDE A
Number 0001

CO-CHAIR MASEK brought the meeting back to order within a minute or so.

REPRESENTATIVE McGUIRE moved to rescind the committee's action in moving CSHB 519(RES) out of committee with attached "zero" fiscal notes. There being no objection, Version 0 was back before the committee.

Number 0056

REPRESENTATIVE McGUIRE moved to report CSHB 519 [version 22-LS1651\0, Chenoweth, 4/22/02] out of committee with individual recommendations and the attached fiscal notes.

Number 0073

REPRESENTATIVE GREEN objected.

A roll call vote was taken. Representatives McGuire, Stevens, Fate, Chenault, and Masek voted to move CSHB 519 out of committee. Representatives Green, Kapsner, Kerttula, and Scalzi voted against it. Therefore, CSHB 519(RES) was moved out of the House Resources Standing Committee by a vote of 5-4.

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at an unspecified time.