

CS FOR HOUSE BILL NO. 16(O&G)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered: 2/28/03

Referred: Resources, Finance

Sponsor(s): REPRESENTATIVES FATE, Whitaker, Chenault, Holm, Kohring

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending, for purposes of the Alaska Stranded Gas Development Act, the**
2 **standards applicable to determining whether a proposed new investment constitutes a**
3 **qualified project, the standards used to determine whether a person or group qualifies**
4 **as a project sponsor or project sponsor group, and the deadline for applications relating**
5 **to the development of contracts for payments in lieu of taxes and for royalty**
6 **adjustments that may be submitted for consideration, and modifying the conditions**
7 **bearing on the use of independent contractors to evaluate applications or to develop**
8 **contract terms; and providing for an effective date."**

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

10 * **Section 1.** AS 43.82.100 is amended to read:

11 **Sec. 43.82.100. Qualified project.** Based on information available to the
12 commissioner, the commissioner may determine that a proposal for new investment is

1 a qualified project under this chapter [ONLY] if the project

2 **(1) principally involves**

3 **(A) the transportation of natural gas by pipeline to one or**
 4 **more markets, together with any associated processing or treatment;**

5 **(B) [IS A PROJECT FOR] the export of liquefied natural gas**
 6 **from the state to one or more other states or countries; or**

7 **(C) any other technology that commercializes the shipment**
 8 **of natural gas within the state or from the state to one or more other states**
 9 **or countries;**

10 (2) would produce at least 500,000,000,000 cubic feet of stranded gas
 11 within 20 years from the commencement of commercial operations; and

12 (3) is capable, subject to applicable commercial regulation and
 13 technical and economic considerations, of making gas available to meet the reasonably
 14 foreseeable demand in this state for gas within the economic proximity of the project.

15 * **Sec. 2.** AS 43.82.110 is amended to read:

16 **Sec. 43.82.110. Qualified sponsor or qualified sponsor group.** The
 17 commissioner may determine that a person or group is a qualified sponsor or qualified
 18 sponsor group if the person or a member of the group

19 (1) intends to own an equity interest in a qualified project, intends to
 20 commit gas that it owns to a qualified project, or holds the permits that the department
 21 determines are essential to construct and operate a qualified project; and

22 (2) meets one or more of the following criteria:

23 (A) owns a working interest in at least 10 percent of the
 24 stranded gas proposed to be developed by a qualified project;

25 (B) has the right to purchase at least 10 percent of the stranded
 26 gas proposed to be developed by a qualified project;

27 (C) has the right to acquire, control, or market at least 10
 28 percent of the stranded gas proposed to be developed by a qualified project;

29 (D) has a net worth equal to at least **15** [33] percent of the
 30 estimated cost of constructing a qualified project;

31 (E) has an unused line of credit equal to at least 25 percent of

1 the estimated cost of constructing a qualified project.

2 * **Sec. 3.** AS 43.82.170 is amended to read:

3 **Sec. 43.82.170. Application deadline.** The commissioner of revenue or the
4 commissioner of natural resources may not act on an application for a contract
5 submitted under AS 43.82.120 unless the application is received by the Department of
6 Revenue no later than June 30, **2004** [2001].

7 * **Sec. 4.** AS 43.82.240(a) is amended to read:

8 (a) The commissioner may use **independent contractors** [AN
9 INDEPENDENT CONTRACTOR] to assist in the evaluation of an application or in
10 the development of contract terms under AS 43.82.200. The commissioner may
11 condition the development of a contract under AS 43.82.020 on an agreement by the
12 applicant to reimburse the state for the **reasonable, nonredundant** expenses of
13 **independent contractors** [AN INDEPENDENT CONTRACTOR] under this section.
14 **A reimbursement of expenses that is required in an agreement authorized by this**
15 **subsection may not exceed \$1,500,000 for each application.**

16 * **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).