

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON OIL AND GAS

February 19, 2004

3:20 p.m.

MEMBERS PRESENT

Representative Cheryll Heinze
Representative Jim Holm
Representative Lesil McGuire
Representative Norman Rokeberg
Representative Harry Crawford
Representative Beth Kerttula

MEMBERS ABSENT

Representative Vic Kohring, Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 417

"An Act amending the definition of 'project' in the Act establishing the Alaska Natural Gas Development Authority; and providing for an effective date."

- MOVED HB 417 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 417

SHORT TITLE: AK NATURAL GAS DEV. AUTHORITY INITIATIVE

SPONSOR(S): REPRESENTATIVE(S) CHENAULT

02/02/04	(H)	READ THE FIRST TIME - REFERRALS
02/02/04	(H)	O&G, RES
02/17/04	(H)	O&G AT 3:15 PM CAPITOL 124
02/17/04	(H)	-- Meeting Canceled --
02/19/04	(H)	O&G AT 3:15 PM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE MIKE CHENAULT

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 417 as sponsor.

STEVEN PORTER, Deputy Commissioner

Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: During hearing on HB 417, presented information and answered questions.

JERRY McCUTCHEON
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 417; disagreed with the proposed natural gas pipeline route to Glennallen and suggested an alternative route to Kenai.

HAROLD HEINZE, Chief Executive Officer
Alaska Natural Gas Development Authority (ANGDA)
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 417; provided information and answered questions.

BOB FAVRETTO, Board Member
Alaska Natural Gas Development Authority
Kenai, Alaska

POSITION STATEMENT: Testified on HB 417.

ACTION NARRATIVE

TAPE 04-4, SIDE A

Number 0001

[Representative Holm announced that he was adjourning the recessed 2/10/04 meeting.]

REPRESENTATIVE JIM HOLM called the House Special Committee on Oil and Gas meeting to order at 3:20 p.m. Representatives Holm, Rokeberg, Heinze, McGuire, Crawford, and Kerttula were present at the call to order. Representative Holm noted that Chair Kohring was ill and extended members' hopes that he would get well soon.

HB 417-AK NATURAL GAS DEV. AUTHORITY INITIATIVE

[Contains discussion of SB 247 and SB 241]

REPRESENTATIVE HOLM announced that the only order of business would be HOUSE BILL NO. 417, "An Act amending the definition of 'project' in the Act establishing the Alaska Natural Gas Development Authority; and providing for an effective date."

Number 0101

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, sponsor, explained that HB 417 amends the definition of "project" to include other options for a terminus of the Alaska natural gas pipeline; it specifically identifies Cook Inlet as a possibility. He noted that the City of Kenai had passed a resolution in support of the Senate companion bill, SB 247, which was introduced by Senator Thomas Wagoner.

Number 0296

REPRESENTATIVE HOLM offered his understanding that the purpose of the bill is to ensure that Cook Inlet is considered as an outlet for natural gas from the North Slope.

REPRESENTATIVE CHENAULT said he thought all the options should be looked at.

REPRESENTATIVE HOLM asked if it could be used in Fairbanks.

REPRESENTATIVE CHENAULT said he didn't believe so. He added that he thought there were myriad reasons for the belief that Cook Inlet tidewater should be considered.

REPRESENTATIVE HOLM said it's nice to do this [in statute], but is probably also in the plan.

Number 0356

REPRESENTATIVE CRAWFORD said he is in favor of the concept and wants gas to go to Cook Inlet, but the initiative that was done had a time limit; there is also trouble with the funding. He asked if this is going to add to the difficulty for the Alaska Natural Gas Development Authority (ANGDA) to do its work by the deadline, and if it would cost more money. He said he didn't want to jeopardize the project.

REPRESENTATIVE CHENAULT said he didn't believe it would extend [ANGDA's] timeline. He said he thought a lot of this information was available and that [ANGDA] may need to "pull it together." He noted that he hadn't specifically talked to ANGDA's chief executive officer, Harold Heinze, or any board members about whether they agreed this may be something they'd like to see. Representative Chenault said if the pipeline is in Alaska's future, all available options should be looked at, rather than settling for the only option available.

REPRESENTATIVE CRAWFORD asked if Mr. Heinze should be consulted to find out whether [ANGDA] would need [another] appropriation in order to get the work done, and whether Mr. Heinze could get it done with this addition by the [June 15] deadline.

REPRESENTATIVE CHENAULT said it would be up to the committee to decide. Legislation to fund ANGDA is moving through the legislature, and the governor's budget includes added money to try to push the complete project.

Number 0559

REPRESENTATIVE HOLM indicated Mr. Heinze had been consulted and thought his work in considering Cook Inlet or Glennallen [for a terminus] would probably take a couple of months beyond the June 30 deadline. He said he didn't think [Mr. Heinze] was going to discount that.

REPRESENTATIVE CHENAULT remarked:

I think that a project that's this important in the state, realizing we don't want to create a quagmire where we don't have the option, but we also want to make sure that we do look at the options that are the biggest benefit to the state of Alaska -- and I believe that an option to Cook Inlet is to the biggest benefit to the state of Alaska.

Number 0643

REPRESENTATIVE HEINZE noted that it appears to be an "either/or" situation: either to tidewater at Prince William Sound or to Cook Inlet. She asked, "Do we have to be one or the other, or ... could there be gas to Cook Inlet and a spur line to Valdez, or visa versa ... or both?"

REPRESENTATIVE CHENAULT replied that he believed it could be either way, but the options need to be looked at to see which is in the best interests of Alaskans; then [the better option] should be moved forward. He added that he didn't want it to be an "either/or" and that the options should be looked at to see which is most viable.

REPRESENTATIVE HEINZE asked if the bill could be amended so it isn't "either/or."

REPRESENTATIVE CHENAULT said he is agreeable to that, but reiterated the desire to have the option to have that looked into.

Number 0774

REPRESENTATIVE ROKEBERG offered his view that the bill is drafted so options include "either Prince William Sound and a spur line or a tidewater to Cook Inlet." He expressed some doubt that the current language prohibits any major amount of delivery to Cook Inlet. If the pipeline is built to Valdez, the initiative [which established ANGDA] does provide for a spur line. He asked if one objective is to create a greater amount of gas flowing to Cook Inlet to be used for value-added processing to take advantage of "green field and brown field" industrial site locations. He asked Representative Chenault if he thought the current spur language was adequate to cover that.

REPRESENTATIVE CHENAULT remarked, "The spur, maybe." He related the belief that the spur-line language is there, but the option to take the pipeline to the Southcentral gas grid is a better option for Alaskan residents. He said if that is the option, that option needs to be pursued.

Number 0958

REPRESENTATIVE ROKEBERG relayed his understanding that the current provision and language provide for the Southcentral gas distribution grid spur line. He surmised it could be interpreted to mean it could have sufficient passage.

REPRESENTATIVE CHENAULT said that's correct.

REPRESENTATIVE ROKEBERG asked if the intention of the bill is to ask ANGDA to look at a discrete, stand-alone pipeline that may not deliver to Valdez, but might deliver to Cook Inlet.

REPRESENTATIVE CHENAULT said that would be one definition of it. He added that the project needs to be looked at to see which route is the best for Alaska. He added that the current authority allows for a spur line to Southcentral Alaska.

Number 1070

REPRESENTATIVE KERTTULA asked if the initiative language allowed for a spur line to Cook Inlet. She said the grammar in the bill limits [the options] for a stand-alone pipeline to one or the

other; these aren't spur lines anymore. She questioned the wisdom of placing a limitation, rather than figuring out what is best for all of Alaska.

REPRESENTATIVE CHENAULT said it is currently limited to Valdez with the spur line.

REPRESENTATIVE KERTTULA offered her reading that there was no spur line to Cook Inlet in the initiative that was voted on.

Number 1222

STEVEN PORTER, Deputy Commissioner, Department of Revenue (DOR), said the wording of bill, without the underlined provisions [which add new language], is the initiative as written. He read AS 41.41.990(3) into the record, which states:

(3) "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

Number 1269

REPRESENTATIVE KERTTULA asked if the Southcentral gas distribution grid is Cook Inlet.

MR. PORTER answered affirmatively.

REPRESENTATIVE KERTTULA said she was unsure because "Cook Inlet" wasn't specified. She asked whether it is wise to say "either/or" because she doesn't know whether it is needed. She said it's sort of all-encompassing. Representative Kerttula asked if the stand-alone pipeline is needed and whether that is the distinction.

REPRESENTATIVE ROKEBERG offered his understanding that HB 417 will allow ANGDA to look at an alternate route in addition to the route specified in the initiative.

REPRESENTATIVE CHENAULT concurred.

REPRESENTATIVE ROKEBERG offered his understanding:

In other words, you could come down the Parks Highway to Cook Inlet and not go to Prince William Sound with your language, but you couldn't otherwise. The only route you can look at in the initiative is the Richardson-Highway-to-Valdez route. ... The spur is provided for in the initiative, but only as a spur, not as ... a direct route to Cook Inlet, and this just actually, by giving it the "either/or," expands the options to the authority to look at it.

REPRESENTATIVE CHENAULT said that was correct.

Number 1383

REPRESENTATIVE HEINZE suggested the possibility of the following conceptual [amendments on page 1, lines 6-7]: after "on", delete "the North Slope of Alaska to tidewater at a point on Prince William Sound" and insert "and/or a spur line"; and on [page 1, line 8] following "grid", insert "and/or to tidewater".

REPRESENTATIVE ROKEBERG said the drafting manual doesn't provide for "and/or".

Number 1434

REPRESENTATIVE ROKEBERG requested verification about the legislature's right to revise an initiative. He said he thought [the legislature] had the right to make some amendments, but couldn't change the substance. He expressed concern about the legal ability, within a two-year window, of the legislature to take this action, and suggested it should be addressed on the record.

REPRESENTATIVE CHENAULT said the question has come up, but he didn't have anybody from Legislative Legal and Research Services to speak to it. He offered his understanding that as long as [the revision] is adding to the initiative and not taking away from it or restricting the rights that were provided in it, then it is legal for the legislature to [make modifications].

REPRESENTATIVE ROKEBERG suggested it would be appropriate to clarify it. He recalled his experience that the legislature has acted to modify initiatives, but normally with the consent of the initiative's writers. He said there is a certain statutory basis on which [the legislature] can and cannot act, so it is important to ensure that this is within that purview.

Number 1564

JERRY McCUTCHEON, Anchorage, related his view that unless any gas line from the North Slope serves Anchorage and Kenai, no gas line should be constructed. He remarked, "It's not a matter of would be allowed; I'm talking about being mandated." He said no doubt an all-Alaska liquid natural gas (LNG) line could deliver gas to Los Angeles more cheaply than a 2500-mile gas line to Alberta and the Lower 48. However, can Alaskan LNG compete with world LNG? "After going through ... 800 miles of gas line, the answer is no," he answered. He continued:

I think you people are thinking of a gas line or gas in a reservoir as water in a tank. It doesn't work that way. If that were true, the south 48 states would not be needing gas from Alaska. It's pressure-dependent, and you're going to lose a lot of pressure real quick at four and a half billion cubic feet per day for the Alcan, and another couple of billion cubic feet per day for an LNG line, so I think you're going to find yourselves limited to about 2 billion cubic feet a day.

MR. McCUTCHEON mentioned perhaps providing some old reports he had relating to gas-withdrawal rates and past oil-production "crashes."

Number 1696

MR. McCUTCHEON suggested amending page 1, line 8, following "Glennallen", by adding "Livengood, to Nenana down the Alaska Railroad to about Willow to Kenai". He said [the suggested amendment] was BP's choice for an all-Alaska gas line; furthermore, it is easier, cheaper, and does more for Alaska. Mr. McCutcheon said an independent engineering firm did a study for somebody, but wouldn't tell him who it was, and he suggested that the economic studies could be bought.

REPRESENTATIVE ROKEBERG thanked Mr. McCutcheon for his interest in this subject, and his long interest in the activities of the legislature over the decades. He suggested that passing the bill as written would basically do what Mr. McCutcheon had suggested with his proposed amendment, and it may have a little more flexibility. He said rather than be specific about the exact route, he thought this [bill] would accomplish Mr. McCutcheon's goal. He asked Mr. McCutcheon if he agreed.

MR. McCUTCHEON replied that he disagreed. He suggested [the State of Alaska should attempt to purchase] BP's studies. He called the route from Glennallen a "Mickey Mouse" route and an afterthought, and said he didn't think it would ever come to be. He remarked, "I think you have to look at the best shot you have, and the best shot you have is to Kenai." He noted that there is a lot of money tied up in this, and he remarked, "If it takes another year, it takes another year."

Number 1857

HAROLD HEINZE, Chief Executive Officer, Alaska Natural Gas Development Authority (ANGDA), testified:

Bringing gas to Cook Inlet is extremely important for two reasons. Number one, it's specified in the law itself that the spur line be looked at. But the second thing is, even a preliminary glance at some of the benefit analysis work we're doing suggests that when you're dealing with a couple hundred thousand residents of Alaska and you're looking at heating prices and electricity prices that could double over the next five to seven years. And here's an opportunity to prevent that from happening. That's a pretty significant impact right there. ... For that reason alone, we have put a lot of priority on looking at the spur line.

Number 1915

REPRESENTATIVE HOLM asked Mr. Heinze if he was talking about a significant cost-benefit analysis.

MR. HEINZE explained that one high-priority study [for ANGDA] is a full benefit analysis of the entire project and its elements. He remarked:

Currently, people have tended to look at the decisions we're faced with here on which project or what line or how to do this on strictly sort of a rate-of-return approach, like we were an investor. ... I'm not going to say we're going to ignore economics, but there's more important things than that. For instance, some people have just used the measure of the revenues to the State of Alaska, and again, while it's important, it doesn't capture anywhere near the real impact on

most Alaskans - the availability of gas itself; jobs; the economy; the growth in property values, which represent most people's savings account. ...

So, all those kind of factors are important, and we are, right now, building at a model which integrates all those benefits. And I'm just suggesting to you that without even having done the arithmetic to all the other avenues, one of things we will find is that there is a lot of benefit ... in bringing gas to the broad Cook Inlet area.

It's a no-brainer in my mind that that will be found. What we are doing is, we've proposed when we get our additional funding, on a very high-priority basis, to study the spur line from Glennallen in, because we have no cost estimate for that at this time. We would look at a range of pipe sizes from 20-inch on, with the 30-inch.

Number 2033

MR. HEINZE continued:

That range of pipe sizes would accommodate, very broadly, volumes which are consistent with either ... the current usage or a much expanded usage of gas in the Cook Inlet area. Secondly, ... because of testimony ConocoPhillips made to us last July, we are aware that there was one study done of a major look at pipelining from the North Slope direct to the Cook Inlet area, and then turning it into LNG. ...

While ConocoPhillips was kind enough to share the conclusion of that study, there was really no information made available from it in any level of detail. BP [and] several other companies participated in it. I'm sure it was a fairly good-quality study, in that, as I recollect, the price tag was seven or eight million dollars that they told us they had to spend. ... That would buy a pretty good feasibility study of the route.

Third point is, one of my difficulties right now is keeping straight how accurate you want the answers to be. We are asking for funding; we are doing work for ... a feasibility study, and very frankly, all we're

trying to guard against is ... decisions to not proceed. ... If we decide not to proceed and it's the wrong decision, we're going to feel really bad. ... We're spending enough money to guard against that, that if we do ... at the end of the day reach a negative decision, we ... at least know we gave it a good go.

That's an entirely different level of study required than, say, choosing between two routes, especially if the two routes end up being fairly close in their cost estimates, and if there's only, ... say, a 5 percent difference in the cost estimates between these two routes, if you put us in the terrible dilemma, then, as to how you spend money and what you look at. ...

Also, I would point out ... that we are looking at other legislation which would broaden ... the consideration of the business structure of ANGDA. ... For instance, it may be that we could ... go back to the companies that looked at a more direct route or some other route other than the spur line in from Glennallen, and say to them, ... "If we had enough information, maybe we could look at how our business structure might enhance the economics of that project and how it might work better as an authority project than when you looked at it."

Number 2184

MR. HEINZE continued:

[In] all of our discussions so far, we've looked at all these amendments from the point of view [of] ... if they added to the direction that ANGDA was given, that was fine; as long as you didn't tell us to not do something that we had, by the public, been instructed to do, we had really no objections. We consider it as a friendly amendment. I have also ... tried to say, "Please, no unfunded mandates." ... Gladly, the authority will do whatever you wish, but if you tell us to do something that is very detailed and challenging, I will tell you that the funding we've requested doesn't provide the room to do that.

Number 2225

REPRESENTATIVE HOLM asked if [the bill] would add more work that could not be done with [ANGDA's] present amount of funding.

MR. PORTER said he thought Mr. Heinze offered a good perspective. He explained that feasibility is being looked at. For example, if \$9 million to \$10 million is spent on an industry study and if it shows that there is a relatively close cost range between a pipeline to Cook Inlet and a pipeline to Valdez, the issue really isn't the cost of the pipeline either way; rather, the issue is feasibility and whether it can be determined that this can be an [economically viable] project. He said choosing one route over the other is not a significant factor because they are so close in price at the level of the analysis being done. He suggested [Mr. Heinze] should consider it. Moreover, in terms of the state's position, ANGDA should be looking at all in-state gas benefits because [the state's] responsibility is to the residents of Alaska. Mr. Porter remarked:

We don't believe that ... whether or not you spend additional incremental money researching a specific line from Fairbanks to Cook Inlet is incrementally important right now. Should that be a part of their overall responsibility in terms of ... the longer term? Yes, in terms of the next five or six months. ... In terms of the developmental plan, I think that ... it doesn't add ... a significant amount of increase to responsibility or work to come up with those answers, because the two routes, from a historical standpoint [as] we look at the data ... and the research that's been done, they're fairly close in economics between the two of them.

Number 2342

REPRESENTATIVE HEINZE said she has been vocal about the shortage of gas, particularly as it relates to [the state's] utilities, and so she is very supportive of this. She asked Mr. Heinze to comment on the bill.

MR. HEINZE said the preliminary look [ANGDA] has taken in making some very rough estimates in costs of the spur line in Glennallen and "kind of backing up the other numbers of costs we have" would indicate gas could probably be delivered into the Cook Inlet area for about the average gas price that exists today, about \$2.25 to \$2.50. He said in looking at current studies relating to new supplies being brought on line in Cook

Inlet, the price that's suggested is probably twice that number. He remarked, "That number will translate directly into everybody's gas bills and electricity bills in the broad Cook Inlet area."

MR. HEINZE said the thought is that it's enough of an incentive to look hard at how gas is brought here. He explained that one difficulty of doing this study is [determining] the level of commercial and, in particular, industrial activities that occur. Currently, the big gas users in Cook Inlet are the Kenai LNG plant and the Agrium plant, and those volumes are key to making the economics work. He said the future of those facilities isn't known; he proposed looking at a range of pipe sizes, because that would cover the extremes of those plants' continuing their current operations as well as additional opportunities that may be found. He said on a feasibility level, that's all he has to work with right now, and if one of the companies or somebody else would like to provide a lot of information, he'd be happy to "stew it into the equation." He said he didn't believe [ANGDA] had the time or money to go out and develop, design, and do other things for all the variations on the table right now.

Number 2497

MR. HEINZE, in response to a question from Representative Rokeberg, said he'd taken no position on the bill. Rather, he was pointing out that [ANGDA] absolutely agrees with the part of the bill that says looking at Cook Inlet is very important, and [ANGDA] intends to do that. He said he'd prefer to do it in the broadest way possible. If it is really important to the legislature to look at direct routing to Cook Inlet, he'd be happy to do that, he added.

MR. HEINZE remarked, "Until you tell me that's what's really high on your list, and you tell me I can go talk to the oil companies and offer them some money to buy a multimillion-dollar study, I don't know how I can do much more than what I'm doing, which is basically a feasibility study." He said as Mr. Porter explained, [the legislature] can tell him to do this, but beyond the feasibility level he won't do any more work than he is doing right now. He said if [the legislature] wants a route comparison, that's a much more detailed question than he is prepared to take on right now at these funding levels.

Number 2571

REPRESENTATIVE ROKEBERG said he tended to agree with Mr. Heinze that this would be an unfunded mandate. He asked for a short update on the funding proposition he'd recently read about in the press about requests of the administration and [ANGDA]. He said [ANGDA] has requested \$2.15 million to complete its work "when you have recommendation to increase that slightly and then expand the scope of work that seems somewhat along these lines." He asked if the request is before the House Finance Committee.

MR. HEINZE explained that SB 241, which provided the supplemental funding, was already heard in the Senate Finance Committee, and is at the Senate "leadership's desk." He noted that he'd testified on a House bill sponsored by Representative Croft that has been through two committees. He remarked, "I think ... we're kind of wherever the leadership wants to be on both the bills and both the houses."

MR. PORTER responded that the amount is \$3 million to the Department of Revenue (DOR) on behalf of the department and the Department of Natural Resources (DNR), Department of Law (DOL), and ANGDA to deal with stranded gas and with ANGDA's responsibilities to complete its obligations under the statute [created by Proposition 3, the ballot initiative].

Number 2695

REPRESENTATIVE ROKEBERG offered his understanding that if the legislature were to pass this bill and expand the scope of the authority, \$3 million wouldn't be adequate to do the additional work.

MR. PORTER replied:

Because of the level of responsiveness, I guess you've got to understand what the authority's responsibility is underneath the development plan. It really is to cross this ... next hurdle, ... the research they're doing. And that's why I mentioned that it doesn't matter if they're looking at Valdez or at the Cook Inlet, because the economics of both are very, very close together in terms of ... 5 or 10 percent, within a range. ...

Really, what we're looking at, ANGDA's responsibility right now, is really looking at their basic business structure, financing auditing, those types of developments that will significantly impact the cost

of service. ... If they can ... cross that hurdle to basically understand if they're a basic economic venture, then ... the details of whether or not it's Valdez or Cook Inlet isn't critical, and I don't consider this bill to add incremental costs to their responsibility.

It's up to the legislature on whether or not they expand it. In terms of ... our beliefs about the Alaska Natural Gas Development Authority, we believe that they ought to be looking at all the gas opportunities that the state has to utilize in-state gas use and to benefit the state. This is one of them. ...

This is the people's authority; their responsibility is to be answerable to the people for in-state gas for everybody. That could be Yukon River; it could be the coastal communities; it could be Southeast. And all those opportunities may kind of fall out of the options if we end up with a major trunk line to Canada or if we don't do an LNG line either to Cook Inlet or to Valdez.

Number 2799

MR. HEINZE clarified that as long as it's understood that this amendment would affect the work he's doing in the feasibility study, then this is a burden [ANGDA] can stand; it's doable at the feasibility level to look at this. If the question being asked is which of these two projects or routes is better, however, that's more work than he is prepared to do right now.

REPRESENTATIVE HOLM related his understanding that the bill doesn't ask Mr. Heinze to do that.

REPRESENTATIVE ROKEBERG said he thought it would put ANGDA in the position of making a recommendation, because it's an "either/or" in a sense and begs for a comparative analysis. He said he understands Mr. Heinze to be saying he could do a feasibility study, but to judge which would be superior or to recommend a route would be a further burden.

REPRESENTATIVE ROKEBERG expressed concern about the tight timeframe. He remarked, "I think we'd be remiss if we didn't look at all the alternatives, and I think that's what Mr. Porter was saying here, so there's some nuances here that are not quite

translating out." Representative Rokeberg said he is in favor of the bill as written, but is concerned about not properly funding it and getting the answers to the public and about making valid choices.

Number 2904

REPRESENTATIVE HEINZE agreed. She said Cook Inlet has to have gas, and asked what would happen if [Cook Inlet] wasn't included in the bill.

REPRESENTATIVE ROKEBERG said he'd support the bill and adequate funding for [ANGDA] "in working with the Department of Revenue to make sure they have adequate funding to do the job." He remarked, "This is too important an issue to be penny wise and pound foolish." He emphasized the need, when doing a comparative analysis, to look at the alternatives and have adequate funding in order to do it in a reasonable timeframe.

Number 2999

REPRESENTATIVE CRAWFORD said he didn't want to do anything that sinks the larger project under excess weight, and wants to get gas to Cook Inlet as well. He said he thought that was being done with the spur-line concept. He expressed some concern with the "either/or" language.

TAPE 04-4, SIDE B

Number 3003

REPRESENTATIVE CRAWFORD continued, suggesting there may be enough land for a port for the gas near Valdez.

REPRESENTATIVE ROKEBERG said it is pretty limited.

REPRESENTATIVE CRAWFORD told members he wanted to see [ANGDA] move ahead and make the timeline, but was highly concerned that this bill muddied the waters. He added, "I don't have any doubts that if we get gas coming down to Southcentral ... we will get gas in Cook Inlet."

Number 2953

REPRESENTATIVE HEINZE asked Representative Rokeberg if an amendment could be added in order to move the bill and provide more comfort.

REPRESENTATIVE ROKEBERG said he thought the wording could be restructured, but he didn't have an idea without analyzing it further. He remarked that an "either/or" seems to beg for the comparative analysis leading to a recommendation as to which line is better. He mentioned perhaps adding language that merely introduced the feasibility level, which Mr. Heinze had indicated he thought was doable at this juncture.

REPRESENTATIVE HOLM asked Representative Rokeberg if he was offering a conceptual amendment.

REPRESENTATIVE ROKEBERG said he wasn't sure. He then suggested moving the bill out with a proviso that [the House Resources Standing Committee] make a decision after conferring with the sponsor. Saying he thought this was an important bill, he mentioned a backlog in the current committee.

Number 2818

BOB FAVRETTO, Board Member, Alaska Natural Gas Development Authority (ANGDA), said he understands funding mechanisms that provide [ANGDA] with the ability to give answers to the legislature and the administration by June 15. Noting that [ANGDA] hasn't received the money it asked for, he expressed concern about doing this as quickly as possible and being fiscally responsible in doing so. He explained that there isn't much time left to respond to what was sought in [Proposition 3].

MR. FAVRETTO said he thought there was agreement that [ANGDA] needed to expand what it does, but it would cost money. He indicated the issue has to be addressed, and said he didn't want this slowed down. Mr. Favretto said he didn't think it was necessary to change the language in the amendment because it is pretty clear. He noted the sense of urgency from Agrium, ConocoPhillips, the community, and [the utility companies].

Number 2687

REPRESENTATIVE ROKEBERG said the timing and scope need to be decided; [ANGDA] needs additional funding and/or the scope should be limited. He suggested that the sponsor take this up with [the co-chairs of the House Resources Standing Committee] to decide whether to resolve it.

REPRESENTATIVE HOLM proposed adding a fiscal note.

REPRESENTATIVE ROKEBERG pointed out that if the decision is not to add a fiscal note, then the scope of inquiry can be narrowed to the feasibility. He suggested the sponsor work with Mr. Heinze and DOR to ensure that everybody's "on the right page." He said if it doesn't get fixed, it won't make it to the House floor.

Number 2566

REPRESENTATIVE ROKEBERG moved to report HB 417 out of committee with individual recommendations and the accompanying zero "speculative" fiscal notes and footnotes.

REPRESENTATIVE HOLM asked if there was any objection.

REPRESENTATIVE CRAWFORD again registered reservations that moving this forward might put the project at risk, although he agreed with Representative Rokeberg that if the scope is limited or funding is provided, perhaps this could be fixed. [In response to Representative Rokeberg, he clarified immediately after the adjournment was announced that he didn't object to moving the bill out of committee.]

[There being no objection, HB 417 was reported from the House Special Committee on Oil and Gas.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Oil and Gas meeting was adjourned at 4:15 p.m.