

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

February 16, 2004

1:35 p.m.

**MEMBERS PRESENT**

Representative Nancy Dahlstrom, Co-Chair  
Representative Beverly Masek, Co-Chair  
Representative Cheryll Heinze, Vice Chair  
Representative Carl Gatto  
Representative Bob Lynn  
Representative Nick Stepovich  
Representative Kelly Wolf  
Representative Beth Kerttula  
Representative David Guttenberg

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 296

"An Act making an appropriation to the Alaska Natural Gas Development Authority; and providing for an effective date."

- MOVED SSHB 296 OUT OF COMMITTEE

HOUSE BILL NO. 341

"An Act relating to the dive fishery management assessment."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 296

SHORT TITLE: APPROP: NATURAL GAS DEVELOPMENT AUTHORITY

SPONSOR(S): REPRESENTATIVE(S) CROFT

05/02/03	(H)	READ THE FIRST TIME - REFERRALS
05/02/03	(H)	O&G, RES, FIN
01/20/04	(H)	SPONSOR SUBSTITUTE INTRODUCED
01/20/04	(H)	READ THE FIRST TIME - REFERRALS
01/20/04	(H)	O&G, RES, FIN
02/10/04	(H)	O&G AT 1:00 PM CAPITOL 124
02/10/04	(H)	Moved SSHB 296 Out of Committee

02/10/04 (H) MINUTE(O&G)  
02/11/04 (H) RES AT 2:00 PM CAPITOL 124  
02/11/04 (H) <Pending Referral>  
02/12/04 (H) O&G RPT 4DP 1DNP 1NR  
02/12/04 (H) DP: HEINZE, CRAWFORD, KERTTULA,  
02/12/04 (H) MCGUIRE; DNP: KOHRING; NR: HOLM  
02/16/04 (H) RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

REPRESENTATIVE ERIC CROFT

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SSHB 296.

HAROLD HEINZE, Chief Executive Officer

Alaska Natural Gas Development Authority

Anchorage, Alaska

POSITION STATEMENT: During discussion of SSHB 296, discussed ANGDA's history and participation in the gas line.

STEVEN B. PORTER, Deputy Commissioner

Office of the Commissioner

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: During discussion of SSHB 296, characterized ANGDA as a very effective tool and participant in the overall process.

ROBERT VALDATTA, Member

City Council

City of Seward

Seward, Alaska

POSITION STATEMENT: During discussion of SSHB 296, offered an opinion regarding the possible route of a proposed pipeline.

NELS ANDERSON

Dillingham, Alaska

POSITION STATEMENT: Urged the committee to approve SSHB 296.

DOROTHY ANDERSON

Dillingham, Alaska

POSITION STATEMENT: During discussion of SSHB 296, urged the committee to support the request of the funds necessary to perform the feasibility study.

PAUL FUHS, Volunteer Lobbyist

for Backbone 2  
Anchorage, Alaska  
POSITION STATEMENT: Testified in support of SSHB 296.

**ACTION NARRATIVE**

**TAPE 04-4, SIDE A**  
Number 0001

**CO-CHAIR BEVERLY MASEK** called the House Resources Standing Committee meeting to order at 1:35 p.m. Representatives Masek, Dahlstrom, Heinze, Wolf, Gatto, Lynn, Guttenberg, and Kerttula were present at the call to order. Representative Stepovich arrived as the meeting was in progress

HB 296-APPROP: NATURAL GAS DEVELOPMENT AUTHORITY

CO-CHAIR MASEK announced that the first order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 296, "An Act making an appropriation to the Alaska Natural Gas Development Authority; and providing for an effective date."

Number 0198

REPRESENTATIVE ERIC CROFT, Alaska State Legislature, speaking as sponsor of SSHB 296, explained that SSHB 296 is a funding bill for the Alaska Natural Gas Development Authority (ANGDA), which was formed by a voter initiative that received an overwhelmingly favorable vote. He said he believes it reflects an Alaskan interest in inquiring into whether the state should have any ownership interest in the [gas pipeline]. He said there's a lot that the state can bring. This bill doesn't mandate state participation, rather it is the funding mechanism for the state to explore, develop, and know whether a [gas pipeline] would make sense, he said. Representative Croft said ANGDA was given \$150,000 of start-up money six months after its formation and was given an additional \$250,000 about a year after its formation. He said ANGDA is coming up on its statutory deadline to issue a report to the legislature and to the people regarding the benefits it can bring.

REPRESENTATIVE CROFT said he thought the benefits of ANGDA's participation could be extraordinary. He said ANGDA is focused on bringing benefits in terms of profit as well as access to natural gas. He explained that access to natural gas would help with exploration for companies that explore in Alaska to get their gas into the pipeline. Furthermore, access for Alaskans

to have natural gas to heat their homes and to fuel industry. One of the key components of any state's long-term economic future is a stable supply of affordable energy and is what runs economies. He said it would be a great shame and an irony if Alaska, with its great energy wealth, held back its economic development, particularly in Southcentral, because of a lack of cheap natural gas. He remarked, "It also can help lower the cost of service for the producer-owned or the MidAmerica[n] owned or any real combination of ... owners by applying the federal tax benefits." He said [ANGDA's participation] can lower the amount of the tariff and the cost of service, and significantly lower the cost of the entire project. Representative Croft said, with this bill, it isn't too late to give ANGDA the appropriate amount of funding to carry forward its voter-approved mission and make an informed decision with regard to the role Alaska should take in this. He highlighted the bipartisan support SSHB 296 has. Representative Croft remarked, "It's probably the most significant economic decision this state will face in the next 20 years, and we should make an informed one."

Number 0521

REPRESENTATIVE STEPOVICH asked what exactly the money would go toward.

REPRESENTATIVE CROFT explained that this discussion pertains to a \$15 billion project and whether [the state] should, and to what extent, have participation in it. The question is whether [the state] should invest in this project itself or whether [the state] should simply have [ANGDA] extend tax-free benefits and other benefits. Those are major economic choices, he said. As Harold Heinze [Chief Executive Officer, Alaska Natural Gas Development Authority] testified [at a prior hearing], any business entity would spend much more than [\$2.15 million] analyzing the risks and benefits of such a project. Representative Croft explained that [\$2.15] million would go towards market studies and legal analysis with regard to how far that tax benefit extends, so the [state] is very sure of it. Various studies, some preliminary engineering, marketing, and legal analysis is key to the state determining what role [ANGDA] should play, he said.

REPRESENTATIVE CROFT said [the state] does not want to make a \$15 billion decision without being sure that it's conferring some benefits, "so this would prevent us from making, possibly, a great mistake." Furthermore, he said this money would allow

[the state] to reap a tremendous benefit if it does make sense. He said he believes this is money well spent whether it prevents the state from making the wrong decision or allows it to make the right decision on a \$15 billion project that has the possibility of [earning] billions for the state.

Number 0684

CO-CHAIR MASEK said the House Finance Committee is the appropriate committee to deal with the [financial] impact [of the bill] and with the appropriations being requested. Therefore, she asked members to abstain from asking any fiscal questions.

Number 0709

REPRESENTATIVE GATTO pointed out that there are a few other issues. For example, the tankers for this [project] have not been built, which involves The Jones Act and thus makes it more difficult. Furthermore, [the state] does not have the pipe, which he understands has to be designed because [it is necessary] to "develop a certain strength [of pipe] that currently is not developed yet." He said there are certain things in the future that the state would have to do, and this [legislation] directs [the state] to "a place where we arrive" and decide it is time to build tankers and design, develop, and build pipe, and "design to get a workforce." He asked if this is what the \$2.15 million will do.

Number 0786

REPRESENTATIVE CROFT said Representative Gatto is quite right with regard to the availability of the necessary pipe. He related his understanding that the pipe that doesn't exist is for the "6 bcf high capacity line". He said answering those questions is very important, as is answering The Jones Act question of whether [the state] can ship to Mexico, where it's technically not going "U.S. to U.S." Representative Croft remarked, "If we have the hull, my understanding is [The] Jones Act just requires that the hull, not the entire (indisc.) [tanker be constructed in the U.S.]." Although Mr. Heinze gave an excellent presentation before the House Finance Committee regarding some of the ways [The Jones Act] would be accommodated, questions remain regarding the tax benefit, The Jones Act restrictions, preliminary engineering, and some of the market confirmations. Representative Croft said [SSHB 296]

allows [the state] to make a very important decision on an informed basis.

Number 0903

REPRESENTATIVE GATTO asked how long gas would flow given the pipe diameter, the size of the gas field, and the internal pressures.

REPRESENTATIVE CROFT replied that there is 35 trillion in known reserves and there are estimates that there is another like amount. However, it's a difficult question to answer because natural gas has only recently been searched for on the North Slope. All of the natural gas that has been found has been accidentally found while looking for oil, he mentioned. He said [the state] has never had the opportunity [to search for natural gas] because it has never had a "ready place" to commercialize it. With regard to the known reserves at 2 bcf "we're talking about 20 years". However, most oil industry observers think there is a tremendous amount more out there.

Number 0978

REPRESENTATIVE LYNN asked how the passage of this bill would impact negotiations on the potential highway route for which negotiations are now occurring. He asked if it would be "a plus or a minus."

REPRESENTATIVE CROFT replied that he thought it would be a plus in that ANGDA has evolved its thinking to some extent, in that ANGDA views itself more as an adjunct, an assistant to any of these projects. For example, he said "doing one portion of it for them; doing a spur line for them; having a way for their tax exempt status to lower the cost of service for any participants." He remarked, "More and more I think the administration and the authority are seeing their primary value as ways to help whatever project goes forward."

Number 1052

REPRESENTATIVE STEPOVICH said his understanding is ANGDA is taking on a different role than previously planned with the other inclusions of MidAmerican and the producers, and that there will be an "incentive almost for these guys creating the incentive."

REPRESENTATIVE CROFT said he didn't want to imply that ANGDA had abandoned its original role, a stand-alone model, because ANGDA will still be investigating whether it makes sense to do it alone. However, in light of the two major applications the state has, ANGDA is seriously considering how it can help those other applications as well. Representative Croft explained that it is thought that ANGDA could significantly lower the cost for a private entity or a collection of private entities wanting to do this because ANGDA's tax exempt status and its ability to do things that private industry is unable to do. The applications haven't taken away the need for ANGDA, but have forced it to re-evaluate its role, which is a significant role that needs to be investigated.

Number 1143

REPRESENTATIVE STEPOVICH asked if there is support from [the producers and from MidAmerican] for ANGDA to obtain this money.

REPRESENTATIVE CROFT said that he didn't know. However, he pointed out that to date there hasn't been opposition or support from them, which he interpreted to mean that they have considered it the legislature's decision. Representative Croft informed the committee that MidAmerican has expressed interest in the ways in which the state might assist.

REPRESENTATIVE HEINZE remarked that she viewed this as a vote from the people rather than whether the producers sanctioned it or not. She referred to the Petroleum News article [in Volume 9, Number 7] which discusses the shift in ANGDA. The article specifies that the administration has recommended that it's time to stop planning stand-alone LNG and rather [ANGDA] should review spur lines from the Interior bringing gas to Southcentral Alaska, which would supplement declining Cook Inlet supplies, as well as a smaller line to tide water at Valdez. Representative Heinze suggested that [the committee] needs to review [this legislation] with regard to what is being redefined.

REPRESENTATIVE CROFT pointed out that one of the ways to maintain tax exempt status and add value to the project is to take a portion of it, an element of cost of it, with the reduced cost of service. The aforementioned reduces the overall cost of the entire project. Representative Croft informed the committee that the administration has expressed interest in raising [the appropriation] to \$3 million and have it go through the Department of Revenue. In response to the aforementioned notion, Representative Croft said that he didn't know.

Number 1372

HAROLD HEINZE, Chief Executive Officer, Alaska Natural Gas Development Authority (ANGDA), began by noting that the committee packet should include written testimony from him. Mr. Heinze said that he would like to focus on the legislature's role as the policy maker with regard to resources. He reminded the committee that ANGDA was created by initiative and given a mission to play a role in bringing North Slope gas to market, particularly in LNG projects out of Prince Williams Sound with a spur line into the Cook Inlet area. The initiative merely mandated that ANGDA study the aforementioned project and make some determination with regard to its feasibility. Mr. Heinze said that the initiative [forming ANGDA] was formulated and passed fairly overwhelming because Alaskans were frustrated and wanted something to happen. Furthermore, there was a feeling that the benefits to Alaska and Alaskans wasn't being fully understood. The aforementioned led to the formation of ANGDA, the board of which has focused on benefits to Alaska.

MR. HEINZE informed the committee that ANGDA has been working in three major areas, which are consistent with the mandate of the initiative. First, ANGDA has to understand the basic business structure. Although ANGDA was created as a public corporation of the state, no one specified how it would be put together. He characterized [ANGDA] as an expression of the owner-state notion. Second, ANGDA has spent much energy identifying and understanding all the benefits that such a project could bring to Alaska and Alaskans. In the past many have made decisions on resource development based on the rate of return or the number of dollars that flow to the state treasury. However, [this legislation] proposes a much broader look with regard to what this holds for Alaska, which is what ANGDA hopes will occur as a matter of policy. Third, numbers, schedules, and project designs and cost have been worked on. Mr. Heinze highlighted that "market" has been a key question. However, he recognized that there are some competitive issues.

Number 1714

MR. HEINZE said that the requested funding does satisfy the 11 elements listed in the ballot measure. Although ANGDA hopes to receive the stranded gas applications, absent those ANGDA has to proceed on its own. Since those applications have been received, ANGDA's board met and decided that for the next few months it would be willing to change its priority in order to



make its work fit with the state's total effort to work with the stranded gas applications. Mr. Heinze noted that the committee packet should include copies of the letters he wrote to the two different applicant groups. He characterized the letters as open-ended with regard to how the authority might work to enhance the project. He specified that ANGDA believes it can help with the work and possibly lower the cost of service, which is ANGDA's business model. He highlighted that ANGDA is in the business of lowering the cost of service rather than making a profit. Furthermore, ANGDA believes it has ideas with regard to making the sponsors' projects even better.

MR. HEINZE returned to the policy matter and pointed out that the committee will ultimately be the focal point with regard to decisions that have to be made. He mentioned that there need to be some comparison points. Mr. Heinze announced that ANGDA is happy to work with the administration with regard to getting the North Slope gas to market.

Number 1844

MR. HEINZE said that he was comfortable that the \$2.5 million will be wisely spent to provide information the committee will need when making decisions on proceeding. From a policy standpoint, ANGDA doesn't visualize the state investing or determining in a financial sense whether this project goes forward. The private markets, he opined, will provide the investment funds for this project. The aforementioned is important because in the past the state has had difficulty making good economic decisions. Mr. Heinze specified that [ANGDA] is going to look to the market place to determine whether the project is appropriate in an economic sense. Still, the state shouldn't only accept an economic view by the resource leasers. If ANGDA can define a project or a way in which to make the project work, the [legislature] needs to understand that in order to determine how the state wants to proceed and the role it may want to play. The aforementioned decision at the state level will involve the legislature, the governor, the ANGDA board, and the people of Alaska. Mr. Heinze said that ANGDA feels that it's important to provide a good piece of work from which everyone can make judgment.

Number 2002

REPRESENTATIVE KERTTULA turned attention to the February 13, 2004, memorandum from Mr. Heinze to the producers, which specifies that the "... Beaufort Sea alternative route might

become possible if North Slope gas was available to Alaskans ...." She inquired as to how that might be possible.

MR. HEINZE explained that he was trying to indicate to the producers that in one case [ANGDA's] project shares the first 530 miles with the [producer's] project down the highway. Therefore, there are some interactions that could be mutually beneficial. Mr. Heinze specified that he was trying to indicate that although one of the producers has shown a preference for the "over the top" route, he understood the application from the producers to be route neutral. Mr. Heinze related his belief that Alaska has so violently opposed that route because it doesn't "do anything" for Alaska. Therefore, he suggested that ANGDA's project or some scale of it might make Alaska feel good about its North Slope gas reserve and how Alaskans are tied into it. Once the aforementioned is accomplished, then it would seem there would be the ability to review alternatives with a different eye.

Number 2119

REPRESENTATIVE STEPOVICH asked if the lower cost of service Mr. Heinze spoke of would be passed on to the consumer.

MR. HEINZE explained that when ANGDA reviews the billions invested and the high rate of return on those by a taxable organization, the tariffs required are fairly high. For example, when the state builds a road there is no profit objective and very low interest bonding is utilized. The calculations done by ANGDA indicate that the difference between the tariff levels is very large. In the case of the broad economics of these projects, [the tariff levels] make a tremendous difference with regard to whether a project is economic or not. He informed the committee that ANGDA has made no determination with regard to what exactly will be attempted in that area. Furthermore, tax, bonding, and funding experts have been hired to review what combination would result in lower cost of service. In this case, discounting the cost of service by 25-30 percent would be extraordinarily significant. Such discounts are possible based on the business structure.

Number 2225

REPRESENTATIVE HEINZE recalled testimony Mr. Heinze gave at another committee meeting. She recalled that he said that when he was president of ARCO he would've spent \$50 million to get

answers. Therefore, she questioned whether the \$2 million for this will produce the same quality of answers.

MR. HEINZE acknowledged that \$2-\$2.5 million is a lot of money. However, in terms of the first steps toward a multi-billion dollar project, [those] in the private sector would be willing to pay far more than \$2.5 million in order to ensure that a good first decision is made. He reminded the committee that after spending \$2.5 million [the state] may choose to walk away, and therefore it's worth a lot to make sure the decision is correct. Mr. Heinze pointed out that a better decision is being obtained with the \$2.5 million because there is about three decades of work from various groups that have reviewed these projects. Furthermore, much information and input is being donated from various entities. Mr. Heinze reiterated that \$2-\$2.5 million is a lot of money, although it's a small amount compared with the magnitude of the decision.

REPRESENTATIVE STEPOVICH asked if [ANGDA's supplemental funding request] will be wasted money if these two other projects come on line.

Number 2486

STEVEN B. PORTER, Deputy Commissioner, Office of the Commissioner, Department of Revenue, posed a situation in which the state is the owner of the land on the North Slope and the state leases the land to the oil companies. After the lessee produces a product, it's [the lessee's] job to get the product to market. Getting the product to market can be accomplished in a number of different ways such as via trucks within the lessee's own system. Another alternative is to hire a major trucking firm to move the product to market. The aforementioned is the situation in which MidAmerican finds itself. Furthermore, a company can hire a lot of independents [to move the product to market]. Mr. Porter noted that ANGDA could actually build the pipeline for the majors. However, what usually happens is that the major trucking companies will [compete] for the major trunk lines and won't service any of the communities in between while the independents will service all of the communities in between. Mr. Porter said that [the department] sees the need for ANGDA to do exactly that. He agreed with Mr. Heinze that ANGDA needs to be focused on in-state gas benefits because there is not a substantial amount of interest in the spur lines from any of the major players. Therefore, the hope is that ANGDA would identify the [in-state gas] benefits, bring them to the table, and compliment the

entire process. Mr. Porter said he views ANGDA as a very effective tool and participant in the overall process.

Number 2603

REPRESENTATIVE GATTO inquired as to what would happen if the entire appropriation is spent but only half of the goal is reached.

MR. PORTER noted that [the department] is recommending that [the ANGDA supplemental funding] be increased from \$2.15 million to \$3 million. Mr. Porter pointed out that the state is negotiating with two separate Stranded Gas Development Act applications and ANGDA is reviewing feasibility, which overlaps. Many of the issues the [state] needs to address, ANGDA does as well. Therefore, the desire is to make efficient use of the money so that the question is answered once, not twice.

MR. PORTER turned to Representative Gatto's question. If the [department] has underestimated [the supplemental funding] but has truly spent the money wisely, then [the department] should return [to the legislature to request additional funds]. Mr. Porter pointed out that the oil and gas industry spent close to \$100 million evaluating the pipeline going through the Alaska Highway and over \$10 million evaluating the LNG line process. Although this request for \$2.15 million scratches the surface, it provides [the state] with the opportunity to understand feasibility. In order to do the aforementioned, money needs to be available to answer the questions in the negotiations on the stranded gas side. However, those questions aren't readily apparent until the negotiations take place. Mr. Porter recalled Governor Murkowski's speech that specified that the highest priority is to protect the interest of the state. Therefore, whatever funding that requires should be funded. The [department] believes that it will require \$3 million [to protect the interest of the state].

Number 2766

REPRESENTATIVE KERTTULA asked if [the department] has, through reciprocal confidentiality agreements, been able to review any of the studies that the producers have done.

MR. PORTER pointed out that the Stranded Gas Development Act contemplated that and thus the Act states that the [state] has the right to request such information. The hope is that the producers will cooperate. The more cooperation from the

producers, the less cost for the state to participate, he highlighted. In further response to Representative Kerttula, Mr. Porter said he would keep the committee abreast of the process.

Number 2812

REPRESENTATIVE HEINZE drew attention to [Volume 9, Number 7] of the Petroleum News, which quotes Mr. Porter as follows: "We're not talking about ANGDA doing its own thing anymore. We see the authority as part of a team." The article goes on to specify that the team, which has already started negotiations with the two applicants, would include the Department of Revenue, the Department of Law, and the Department of Natural Resources.

REPRESENTATIVE HEINZE asked if there is a [contingency plan] if the two applicants don't move forward in say six months from now.

MR. PORTER explained that ANGDA has a statutory responsibility to evaluate and provide a development plan to the legislature with regard to the feasibility of taking a pipe from Prudhoe Bay to Valdez. The aforementioned obligation didn't change rather [the department] has recommended that ANGDA take the pieces of ANGDA's responsibility that can compliment the current process and place them at the forefront of the evaluation. Mr. Porter specified that [the department] would continue to perform its entire obligation per the statute and the [department] would continue to support ANGDA in that. He noted that ultimately ANGDA will provide that information to the legislature.

REPRESENTATIVE HEINZE inquired as to the next step if the applicants decide not to move forward.

MR. PORTER turned to ANGDA's process which will determine whether a LNG project is economically feasible. If the [applicants don't move forward] after the state has determined, through its research, that there [the project is] economically [feasible], then the [department] would return to the legislature and ask whether the legislature/state wants to fund a project. However, the aforementioned is several options down the road.

MR. PORTER emphasized that the funding is critical and important, as is the timeliness of it. He informed the committee that there are contracts with ANGDA that cannot be let because there aren't the funds to move the projects forward.

Therefore, the sooner the money is available, the faster the contracts can go out.

**TAPE 04-4, SIDE B**

REPRESENTATIVE GUTTENBERG inquired as to the difference in the product that will be received from a \$3 million appropriation versus a \$2.15 million appropriation.

MR. PORTER specified that the additional funds are funds that may be necessary for negotiations under the Stranded Gas Development Act. Under those negotiations, there may be a number of issues that arise for which the state would need expertise in order to participate effectively in the negotiations.

Number 2914

ROBERT VALDATTA, Member, City Council, City of Seward, suggested that the Prudhoe gas line could be built to Glennallen and from there it could be go to Wasilla. He noted that there is a line on the back of Beluga out of Wasilla and two lines in the Seward-Anchorage area. In the meantime, the infrastructure would be in and [the state] could sell the gas and make money from it while planning what to do next.

CO-CHAIR MASEK requested that Nels Anderson, a former Senator, come forward.

Number 2868

NELS ANDERSON explained that he, as a Yupik Eskimo, is interested in a gas pipeline from the North Slope to Valdez because the North Slope gas is a known resource. Furthermore, Article 8, Section 1 of the Alaska State Constitution specifies: "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." He also pointed out that Article 8, Section 2 of the Alaska State Constitution specifies: "The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people." He explained that he raised the constitutional aspect of this because it was the impetus behind proposition 2, which over 140,000 people signed and approved. Mr. Anderson said he knew, as did others, that this would be a phased process in that there would be a

political process, a funding process, and then a planning process that would review benefits and risk analysis. He mentioned that he was a sponsor of proposition 2, and therefore he said he is pleased that the committee is reviewing the financing that is necessary to move the state where it needs to be in order to decide whether this project makes fiscal sense.

MR. ANDERSON informed the committee that those in Bristol Bay see [the gas line] as a potential source of low cost energy, new jobs, and new revenue to the state treasury that could help fund local schools, the university in the area, and life and health safety programs. Most importantly, Mr. Anderson related that those in Bristol Bay view this as the start of a viable state gas industry that could be beneficial to all Alaskans well into the future. In closing, Mr. Anderson urged the committee to approve SSHB 296.

Number 2705

DOROTHY ANDERSON informed the committee that she is a 30-year resident of Dillingham who participated in and voted for the All-Alaska gas line initiative project. She urged the legislature to follow through on the process and to support the request of the funds necessary to perform the feasibility study. Ms. Anderson related that she believes this is a way for all of Alaska to benefit from the state's resources. She said she hoped that [this legislation] doesn't get "watered down" because the possibilities need to be known.

Number 2643

PAUL FUHS, Volunteer Lobbyist for Backbone 2, informed the committee that Backbone 2 is in support of SSHB 296. He said that one of the most critical elements that will be derived from this legislation is information, which is critical in making decisions. Mr. Fuhs pointed out that the committee packet should include a document from him entitled, "Alaska's Strategic Interest in North Slope Gas Development", which he urged the committee to read. Mr. Fuhs related that Backbone 2 believes that the gas line is Alaska's fiscal plan, and therefore it should be built as soon as possible. With regard to the Stranded Gas Development Act applications, he urged the committee to review those as he viewed "this" as an opportunity for Alaska to have some negotiating leverage. "If these companies want tax breaks from Alaska and they want us to give back the benefits that we would normally receive, we think Alaska ought to at least be able to negotiate a gas supply for

our project, a project that Alaskans voted for," he said. He noted that he was encouraged by MidAmerican's application. In conclusion, Mr. Fuhs encouraged the committee to move SSHB 296 from committee.

Number 2511

CO-CHAIR MASEK, upon determining no one else wished to testify, closed public testimony.

REPRESENTATIVE GUTTENBERG commented that SSHB 296 is a good bill. The product from this legislation will enhance the feasibility of moving the project along as well as the ability of the state to successfully negotiate with whomever is building a line. Representative Guttenberg indicated interest in making an amendment [to increase the supplemental funding request to \$3 million].

The committee took a brief at-ease.

CO-CHAIR DAHLSTROM remarked that this is a matter of policy and the House Finance Committee will address the many fiscal issues involved.

Number 2435

CO-CHAIR DAHLSTROM moved to report SSHB 296 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:35 p.m.