

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

April 7, 2004

8:02 a.m.

MEMBERS PRESENT

Representative Bruce Weyhrauch, Chair
Representative Jim Holm, Vice Chair
Representative Bob Lynn
Representative Paul Seaton
Representative Max Gruenberg

MEMBERS ABSENT

Representative John Coghill
Representative Ethan Berkowitz

OTHER LEGISLATORS PRESENT

Representative Hugh Fate

COMMITTEE CALENDAR

OVERVIEW OF STRANDED GAS ACT

TAPES

04-56, SIDE(S) A & B
04-57, SIDE(S) A

CHAIR BRUCE WEYHRAUCH convened the meeting of the House State Affairs Standing Committee at 8:02 a.m.

SUMMARY OF INFORMATION

CHAIR WEYHRAUCH called the overview hearing on the subject of the Stranded Gas Development Act to order at 8:02 a.m. He specified that testimony would revolve around development of the state's natural gas resource, and whether the legislature should consider any public policy changes to the Stranded Gas Act.

WILSON CONDON, Chief Assistant Attorney General - Statewide Section Supervisor, Oil, Gas & Mining Section, Civil Division (Anchorage), Department of Law, explained the intent of the Stranded Gas Act, which is to provide a framework for

modification to the state fiscal system as it might be applicable to the stranded gas resource.

MR. CONDON, in response to a question from Chair Weyhrauch, explained contractor hiring by the State of Alaska under Section 240(a) of the Stranded Gas Act. Mr. Condon referenced one such contractor, Dr. Pedro Van Muers, who is the lead person on the negotiating team. The other team members are two assistant Attorneys General, Department of Natural Resources staff, staff of the Division of Oil and Gas, and himself.

MR. CONDON responded to an opinion from Representative Holm regarding the makeup of the negotiating team. He reviewed with the committee the qualifications and aptitude of Dr. Van Muers and the suitability of the other negotiators on the team. Others, named by Mr. Condon, on the team are Bob Loeffler, a State of Alaska employee who has worked in Oil and Gas for over 25 years; and Jay Lukens of Lukens Energy, an energy consulting corporation.

MARTY RUTHERFORD, Deputy Commissioner, Department of Natural Resources, named the remaining members of the negotiating team: Larry Strause and Bonnie Harris from the Department of Law; Steve Porter, Roger Marx, Dan Dickinson and some of his staff from the Department of Revenue; Marty Rutherford and Dr. Mark Myers, Director of Oil and gas from the Department of Natural Resources; Sean Parnell and Dr. Anthony Scott also from the Division of Oil and Gas.

CHAIR WEYHRAUCH commented about a "blue ribbon commission" to look at these issues and assess Stranded Gas Projects.

MR. CONDON replied that the state would be happy to add depth to the team once resources are available.

Mr. CONDON responded to Chair Weyhrauch's comments on the reimbursement agreement portion of the Stranded Gas Act by saying that, no applicant had said [he or she] wouldn't pay for reimbursement, prior to MidAmerican, and that the state had no experts on staff at that time to address that portion of the application.

MR. CONDON responded to Representative Berkowitz' comments regarding exclusivity by saying he has not looked into the precise legal boundaries of the exclusivity clause of the Act. He went on say he is not exactly sure of the definition as it relates to the Stranded Gas Act. He agreed with Representative

Berkowitz that it would be helpful to have a written opinion as to the meaning of exclusivity. Mr. Condon, in response to Representative Berkowitz' question as to whether the economic analysis in the Alaska North Slope Gas Commercialization team report to the governor in 1998 was still accurate, said that some of it would still be accurate today. There is not a current study on the subject. Dr. Van Muers is prepared to share a different analysis than the one he did in 1996. With respect to Representative Berkowitz' statement regarding the economic limit factor (ELF), Mr. Condon responded that the conclusion regarding the tax-free treatment afforded by the ELF being prorated between oil and gas based on relative volumes produced is still true and impacts negotiations with the producers.

MR. CONDON answered a question from Representative Fate regarding exclusivity, by saying that he believes Representative Fate is correct in terms of final, exclusive arrangements.

CHAIR WEYHRAUCH asked the audience to submit any written comments with regard to the issue of stranded gas, to the committee for distribution to other legislators. (none was received).

MR. CONDON responded to Representative Seaton's questions regarding whether Attorney General Renkes and the Governor's Chief of Staff, Jim Clark, are part of the negotiating team by saying that they are part of the "Gas Cabinet", which meets periodically to review the negotiating team's work. He said the negotiating team reports to the Gas Cabinet.

MR. CONDON confirmed he was the commissioner of the Department of Revenue at the time the department completed a report entitled, "State Financial Participation in an Alaska Natural Gas Pipeline." He also confirmed the cost of the report was between \$100,000 and \$200,000.

MR. CONDON, in response to Representative Holm, said he was sure Dr. Van Muers had negotiated a gas contract, but he could not say that anyone else on the team had ever done so. Mr. Condon went on to respond to Representative Holm's comments regarding the lack of negotiating expertise on the current team by saying he believes the current team is well prepared, but that he would like to see more members added.

Committee members and Representative Fate offered their final comments on the subject of the Stranded Gas Act.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

CHAIR WEYHRAUCH adjourned the hearing at 9:15 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.