

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

May 4, 2005

3:36 p.m.

**MEMBERS PRESENT**

Senator Thomas Wagoner, Chair  
Senator Ralph Seekins, Vice Chair  
Senator Fred Dyson  
Senator Bert Stedman  
Senator Kim Elton  
Senator Gretchen Guess  
Senator Ben Stevens

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR HOUSE BILL NO. 26(FIN)

"An Act relating to short-term commercial fishing crewmember licenses; and providing for an effective date."

HEARD AND HELD

CS FOR HOUSE BILL NO. 71(FIN) am

"An Act providing standards for the interpretation of certain terms in state oil and gas leases and unit agreements, requiring development, production, processing, and marketing of gas that is determined to meet those standards, and setting a maximum time limit on that activity; extending and amending the requirements applicable to the credit that may be claimed for certain oil and gas exploration expenses incurred in Cook Inlet against oil and gas properties production (severance) taxes, and amending the credit against those taxes for certain exploration expenditures from leases or properties in the state; and providing for an effective date."

HEARD AND HELD

HOUSE BILL NO. 286

"An Act amending the manner of determining the royalty received by the state on gas production by directing the commissioner of natural resources to accept, under certain circumstances, the transfer price of the gas if established by transfer price order of the Regulatory Commission of Alaska; and providing for an effective date."

MOVED SCS HB 286(RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 26

SHORT TITLE: SHORT-TERM COM FISHING CREWMEMBER LICENSE

SPONSOR(S): REPRESENTATIVE(S) MOSES BY REQUEST

01/10/05 (H) PREFILE RELEASED 12/30/04  
01/10/05 (H) READ THE FIRST TIME - REFERRALS  
01/10/05 (H) FSH, RES, FIN  
02/09/05 (H) FSH AT 8:30 AM CAPITOL 124  
02/09/05 (H) Heard & Held  
02/09/05 (H) MINUTE(FSH)  
02/16/05 (H) FSH RPT CS(FSH) 4DP 1NR  
02/16/05 (H) DP: WILSON, ELKINS, LEDOUX, THOMAS  
02/16/05 (H) NR: SALMON  
02/16/05 (H) FSH AT 8:30 AM CAPITOL 124  
02/16/05 (H) Moved CSHB 26(FSH) Out of Committee  
02/16/05 (H) MINUTE(FSH)  
02/23/05 (H) RES AT 1:00 PM CAPITOL 124  
02/23/05 (H) Scheduled But Not Heard  
02/28/05 (H) RES AT 1:00 PM CAPITOL 124  
02/28/05 (H) Moved CSHB 26(RES) Out of Committee  
02/28/05 (H) MINUTE(RES)  
03/01/05 (H) RES RPT CS(RES) 7DP 2NR  
03/01/05 (H) DP: KAPSNER, LEDOUX, SEATON, ELKINS,  
CRAWFORD, SAMUELS, RAMRAS;  
03/01/05 (H) NR: OLSON, GATTO  
04/25/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/25/05 (H) Moved CSHB 26(FIN) Out of Committee  
04/25/05 (H) MINUTE(FIN)  
04/26/05 (H) FIN RPT CS(FIN) 7DP 1NR  
04/26/05 (H) DP: HAWKER, HOLM, MOSES, KELLY, FOSTER,  
MEYER, CHENAULT;  
04/26/05 (H) NR: JOULE  
04/28/05 (H) TRANSMITTED TO (S)  
04/28/05 (H) VERSION: CSHB 26(FIN)  
05/01/05 (S) READ THE FIRST TIME - REFERRALS  
05/01/05 (S) RES, FIN  
05/04/05 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 71

SHORT TITLE: OIL& GAS EXPLORATION CREDIT & LEASE TERMS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/12/05 (H) READ THE FIRST TIME - REFERRALS

01/12/05 (H) W&M, O&G, RES, FIN  
02/11/05 (H) W&M AT 8:30 AM CAPITOL 106  
02/11/05 (H) Moved CSHB 71(W&M) Out of Committee  
02/11/05 (H) MINUTE(W&M)  
02/14/05 (H) W&M RPT CS(W&M) NT 3DP 1AM  
02/14/05 (H) DP: MOSES, GRUENBERG, WEYHRAUCH;  
02/14/05 (H) AM: WILSON  
02/17/05 (H) O&G AT 5:00 PM CAPITOL 124  
02/17/05 (H) Heard & Held  
02/17/05 (H) MINUTE(O&G)  
03/15/05 (H) O&G AT 5:00 PM CAPITOL 124  
03/15/05 (H) Moved CSHB 71(O&G) Out of Committee  
03/15/05 (H) MINUTE(O&G)  
03/18/05 (H) O&G RPT CS(O&G) NT 1DP 5NR  
03/18/05 (H) DP: KOHRING;  
03/18/05 (H) NR: SAMUELS, GARDNER, KERTTULA,  
DAHLSTROM, ROKEBERG  
04/01/05 (H) RES AT 1:00 PM CAPITOL 124  
04/01/05 (H) Scheduled But Not Heard  
04/04/05 (H) RES AT 1:00 PM CAPITOL 124  
04/04/05 (H) Moved CSHB 71(RES) Out of Committee  
04/04/05 (H) MINUTE(RES)  
04/05/05 (H) RES RPT CS(RES) NT 3DP 5NR  
04/05/05 (H) DP: ELKINS, RAMRAS, SAMUELS;  
04/05/05 (H) NR: OLSON, GATTO, CRAWFORD, SEATON,  
LEDOUX  
04/11/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/11/05 (H) Heard & Held  
04/11/05 (H) MINUTE(FIN)  
04/14/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/14/05 (H) Bill Postponed To 4/15  
04/15/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/15/05 (H) Moved CSHB 71(FIN) Out of Committee  
04/15/05 (H) MINUTE(FIN)  
04/18/05 (H) FIN RPT CS(FIN) NT 5DP 2NR  
04/18/05 (H) DP: HAWKER, CROFT, FOSTER, MEYER,  
CHENAULT;  
04/18/05 (H) NR: WEYHRAUCH, KELLY  
04/27/05 (S) RES AT 3:30 PM BUTROVICH 205  
04/27/05 (S) Scheduled But Not Heard  
04/28/05 (H) TRANSMITTED TO (S)  
04/28/05 (H) VERSION: CSHB 71(FIN) AM  
04/29/05 (S) RES AT 3:30 PM BUTROVICH 205  
04/29/05 (S) <Pending Referral>  
05/01/05 (S) READ THE FIRST TIME - REFERRALS  
05/01/05 (S) RES, FIN  
05/02/05 (S) RES AT 3:30 PM BUTROVICH 205

05/02/05 (S) Heard & Held  
05/02/05 (S) MINUTE(RES)  
05/04/05 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HB 286

SHORT TITLE: VALUE OF ROYALTY ON GAS PROD./ TAX CREDIT  
SPONSOR(S): REPRESENTATIVE(S) SAMUELS

04/26/05 (H) READ THE FIRST TIME - REFERRALS  
04/26/05 (H) O&G, L&C  
04/28/05 (H) O&G AT 5:00 PM CAPITOL 124  
04/28/05 (H) Moved Out of Committee  
04/28/05 (H) MINUTE(O&G)  
04/29/05 (H) O&G RPT 5DP  
04/29/05 (H) DP: KERTTULA, SAMUELS, MCGUIRE,  
ROKEBERG, KOHRING  
04/30/05 (H) L&C AT 1:00 PM CAPITOL 17  
04/30/05 (H) Moved Out of Committee  
04/30/05 (H) MINUTE(L&C)  
05/02/05 (H) L&C RPT 5DP 2NR  
05/02/05 (H) DP: CRAWFORD, LYNN, KOTT, ROKEBERG,  
ANDERSON;  
05/02/05 (H) NR: LEDOUX, GUTTENBERG  
05/02/05 (H) TRANSMITTED TO (S)  
05/02/05 (H) VERSION: HB 286  
05/03/05 (S) READ THE FIRST TIME - REFERRALS  
05/03/05 (S) RES, FIN  
05/04/05 (S) RES AT 3:30 PM BUTROVICH 205  
05/04/05 (S) Moved SCS HB 286(RES) Out of Committee  
05/04/05 (S) MINUTE(RES)

**WITNESS REGISTER**

ADAM BERG

Staff to Representative Carl Moses  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 26 for the sponsor.

PAUL SHADURA, President  
Kenai Fishermen's Association  
Kenai AK

**POSITION STATEMENT:** Supported HB 26.

CHRIS CONDOR, Board Member  
Juneau Charter Boat Association  
Juneau AK

**POSITION STATEMENT:** Opposed HB 26.

JACK CADIGAN, Captain  
M/V CADIGAN  
Juneau AK

**POSITION STATEMENT:** Opposed HB 26.

RICK BIERMAN, Owner  
Whaleside Lodge, Shelter Island  
Juneau AK

**POSITION STATEMENT:** Commented on HB 26.

JERRY MCCUNE  
United Fishermen of Alaska  
Juneau AK

**POSITION STATEMENT:** Supported HB 26.

BONNIE ROBSON, Oil and Gas Attorney  
Legislative Budget and Audit Committee  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 71.

REPRESENTATIVE RALPH SAMUELS  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 71.

SARAH NEILSON  
Staff to Representative Samuels  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Introduced HB 286 for sponsor.

JIM POSEY  
Municipal Light and Power (ML&P)  
Anchorage AK

**POSITION STATEMENT:** Supported HB 286.

KATHY GIARD, Chairman  
Regulatory Commission of Alaska (RCA)  
701 W Eighth Ave Ste 300  
Anchorage, AK 99501

**POSITION STATEMENT:** Supported HB 286.

MARY JACKSON  
Staff to Senator Wagoner

Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Introduced SCS HB 286(RES).

**ACTION NARRATIVE**

**CHAIR THOMAS WAGONER** called the Senate Resources Standing Committee meeting to order at [3:36:33 PM](#). Present were Senators Dyson, Seekins and Chair Wagoner.

**CSHB 26(FIN)-SHORT-TERM COM FISHING CREWMEMBER LICENSE**

CHAIR WAGONER announced CSHB 26(FIN) to be up for consideration.

[3:37:06 PM](#)

ADAM BERG, staff to Representative Carl Moses, sponsor, explained that CSHB 26(FIN) allows the purchase of a seven-day commercial fishing crew member license for \$30. The only option available now for crew members is an annual license, which is \$60 for residents and \$180 for non-residents.

The reason for introducing the bill is to try to give commercial fishermen more opportunities to earn a living by charging tourists to participate hands-on in the commercial fishery. Right now they can only observe. Secondly, it would allow commercial fishermen temporary short-term help, such as relatives and friends, at a lower cost.

[3:38:46 PM](#)

SENATOR ELTON joined the committee.

[3:39:40 PM](#)

SENATOR GUESS joined the committee.

SENATOR DYSON said the Coast Guard Auxiliary asked him if conformity with the Code of Federal Regulations (CFR) 46 had been discussed.

MR. BERG replied that the Juneau Charter Boat Operators Association asked that question of Sue Jorgenson with the Coast Guard, and she responded if an individual pays for the opportunity to go out fishing on a commercial vessel, that vessel is then considered a vessel for hire and would have to follow the same Coast Guard rules that charter boat operators follow now.

SENATOR DYSON asked if this isn't a backdoor way around Coast Guard licensing procedure.

MR. BERG replied that is correct.

[3:41:36 PM](#)

SENATOR ELTON asked if this bill would have any implications on the Fishermen's Fund.

SENATOR STEDMAN joined the committee.

MR. BERG replied that an amendment was offered saying that short-term crewmembers aren't allowed any type of compensation. Currently, 39 percent of the first \$60 of any license goes to the Fishermen's Fund. That doesn't change under this bill, which has an indeterminate fiscal note from the Department of Labor and Workforce Development.

[3:43:35 PM](#)

SENATOR STEDMAN asked if the commercial fishermen would fall into the category of six-pack license requirements.

MR. BERG replied that they would have to have a six-pack license, be enrolled in the random drug testing program and the vessel would have to be documented for coastwise as well as fishery type 1 personal floatation devices - in addition to the survival suits that are required on commercial boats.

[3:44:38 PM](#)

PAUL SHADURA, President, Kenai Fishermen's Association, supported HB 26. Its approach is reasonable and adds a lot of dynamics to the commercial fishing industry. It offers a survivalist type of experience for those who are interested and would probably not affect any other users in any way. A lot of people have family members come up and visit them and currently hiring them for a couple of days is prohibitively expensive.

[3:46:37 PM](#)

CHRIS CONDOR, Board Member, Juneau Charter Boat Association, opposed HB 26, because it has all kinds of holes and dangers in it for tourists, especially.

You're going to put people who have never been on a boat out in these type of seas. Despite all the safety precautions a charter boat has, they're [commercial boats] in much more dangerous situations.... In those seas something is going to happen.... In these

disclaimers when they talk about these releases, they're not worth the paper they're written on when you talk to a lawyer about them....

If someone gets into a problem out there, we're going to have a real bad PR problem about that. You can see it any time...we lose a tourist. It's real bad PR for Alaska.

Furthermore, he said the charter boat license and insurance requirements would be prohibitive. Another consideration was how enforcement would be conducted and he surmised that a Coast Guard person would have to board each vessel to check out the people on it. He also thought it was an unfair bill for the charter fleet saying:

If you want to be a commercial fisherman, be a commercial fisherman. If you want to be a charter fisherman, be a charter boat fisherman. If you want to do both, that's fine too, but you have to do it separately, not combined. I can't sell my catch. The commercial fleet would never allow me to do something like that. It's just not fair.

3:50:41 PM

JACK CADIGAN, Captain, M/V CADIGAN, suggested amending the bill to address licensing short-term people who would not be compensated on commercial boats. Because of the unusual activity of taking tourists out, commercial boats should be required to display an appropriate decal, which would be similar or identical to that of charter boat operators, so that enforcement doesn't necessarily have to board the vessels.

MR. CADIGAN pointed out a the further issue of whether the fish would be counted as sport or commercial fish allocations and whether the tourist passengers would be allowed to keep any fish caught without having to purchase them via a fish ticket. In any case, he asked how the catch would be identified and allocated under current regulations.

He suggested requiring vessels operating under the authority of this legislation to comply with all applicable regulations under CFR and with all Alaska licensing requirements apropos to sportfishing guides and sportfishing business licenses unless non of the personnel who are acting as crewmembers are in any sort of a paid status.

[3:55:05 PM](#)

RICK BIERMAN, Whaleside Lodge, Shelter Island, said last year the Legislature passed comprehensive regulations on the guided sport fishing industry regarding vessel safety and operator responsibility. Now it is proposing to put his clients on commercial fishing boats without the same safeguards contained in those regulations. He said a commercial fishing boat is a far more dangerous environment than a charter boat. The Coast Guard also stated that enforcement isn't practical unless vessels somehow indicate they have passengers for hire and he suggested requiring vessels to carry a prominent sticker that identifies them as carrying tourists.

[3:57:36 PM](#)

He was also concerned that since this bill creates a whole new fishing experience in Alaska, his clients will now have a choice to come to his lodge and be restricted to three king salmon a year, bag, possession and gear limits or they could rent a commercial vessel and catch as many fish as they want. "There is nothing in this bill that says the operator of the vessels can include those fish in the price of the adventure." He insisted that the tourists should have to buy the fish they catch; otherwise they would be circumventing sport regulations that happen to be good regulations.

[3:59:11 PM](#)

Further, he said the people who use this license should be required to prove they have liability insurance.

[3:59:43 PM](#)

SENATOR DYSON asked who from the marine insurance industry could comment on lines of liability protection for the short-term people.

MR. BIERMAN replied that he didn't know of anyone locally, but Charter Lakes Insurance Company in St. Paul writes 50 percent of the liability for charter boats.

CHAIR WAGONER commented that he looked at this bill from the commercial point of view and ran away from it because of the liability and insurance he would be required to have.

[4:01:21 PM](#)

JERRY MCCUNE, United Fishermen of Alaska, supported HB 26. However there were some misconceptions he wanted to clarify. Commercial fishermen already need to have most things on board already and are required to carry liability between \$300,000 and

\$1 million for crew. Some of his members have gillnetters and they come to town, take their net off, take two or three clients out and already have the same equipment a charter boat does. He did agree that commercial vessels being used for charter should be readily identifiable as such.

[4:04:40 PM](#)

SENATOR ELTON asked how he would address the allocation issue for guests.

MR. MCCUNE answered:

If you were a commercial vessel and you were taking people out for the commercial experience, which I haven't a whole lot of this going on - myself, I haven't had any requests for this. You're commercial fishing; you've got to have all the commercial permits, all the other charter stuff to go along with it. You've got to have your card; they gotta have their crew licenses and that would go on a fish ticket.... You deliver, you've gotta have a fish ticket. It's just like a commercial fishing boat.

Now if you take some of the fish and give them to your clients, which is perfectly legal also, you could do that. But any fish delivered to a tender has to have a fish ticket and it's going to go down as commercial, not sport.

CHAIR WAGONER related that in his fishery halibut has to be marked as "retained catch" and must come off your IFQ.

SENATOR ELTON remarked that tourists are limited to three king salmon per year, but a person on a commercial boat could take 10 kings, for instance, have them smoked and take them home.

MR. MCCUNE replied that as a commercial fisherman, he has to report all the kings he catches, even the ones he's taking home, so ADF&G has an accurate count of fish.

SENATOR ELTON repeated that his point is that a person hiring a charter boat is limited to taking three kings for the season, but if he goes out on a commercial troller he could and take 10 kings.

[4:10:22 PM](#)

CHAIR WAGONER said he understands this is to give people the experience of being on a commercial boat and he, personally, doesn't give his crew king salmon or halibut. If this goes through, that is an allocation issue and should be taken up by the Board of Fisheries.

[4:11:11 PM](#)

SENATOR ELTON responded that a person may expect to get some fish out of the commercial experience. It could even be used as a marketing tool.

CHAIR WAGONER acknowledged that would be an issue, but the Board of Fisheries was the proper forum to set policy.

I think if we do anything, if this bill goes forward, I think we want to make the intent of the Legislature - this is not a meat fishery. We are not creating a meat fishery. It's real dangerous when we do that.

[4:12:43 PM](#)

CHAIR WAGONER said he would hold the bill and get input from the insurance industry and the Board of Fisheries.

**CSHB 71(FIN)am-OIL& GAS EXPLORATION CREDIT & LEASE TERMS**

CHAIR WAGONER announced CSHB 71 (FIN) am to be up for consideration and that he had asked Ms. Robson in the last meeting to provide more information for the record.

BONNIE ROBSON, oil and gas attorney and consultant to the Legislative Budget and Audit Committee on gas pipeline issues, said she wanted to cover six different points with regard to HB 71.

[4:15:05 PM](#)

First, and very importantly, I want to talk about what we didn't hear on Monday. Second, I would like to correct some incorrect statements or impressions left on Monday.

Third, I heard concern over what is the right standard for 'reasonable profitability' on Monday and I think we should discuss that as well. Fourth, there was some dispute about how the duty would be enforced, how the duty to develop and market gas when 'reasonably profitable' would be enforced. Fifth, I think strategically, we need to talk about the time for

invoking the duty and what that means for you today. And, sixth, discuss some options available to the committee at this point in time.

First, what did we not hear on Monday. If you think back a couple of weeks ago, Spencer Hosie testified before a combined committee, LB&A and this committee and he testified that there was in oil and gas leases an obligation to develop and market oil and gas when reasonably profitable to do so. He was before you on behalf of the Administration and you did not hear from lessees at that time. He was emphatic that there is, in fact, a duty or an obligation to develop and market gas when reasonably profitable to do so.

On Monday, you heard from the other side. You heard from lessees, you heard from industry representatives. And I did not hear anyone deny that the duty exists. I think I listened carefully. Nobody denied the obligation was there; nobody suggested that lessees can warehouse leases long-term without having an obligation to develop and market. They did dispute how you would go about enforcing that duty and what would be the standard for measuring 'reasonable profit,' but nobody disputed that the obligation was there.

The second thing that you did not hear on Monday is no one disputed that seven years was a reasonable time-clock for getting the gas to market once there had been a determination that it would be reasonably profitable to do so. As we mentioned on Monday, particularly for the State of Alaska and for the other project participants, time is money. It's a lot of money. At current gas prices, every year delay of this pipeline project costs the state and its municipalities on the order of \$2 billion - rough order of magnitude \$150 million per month for a year delay in this project.

This bill, HB 71, includes a seven-year time clock once there has been a determination that a project would be reasonably profitable to get that gas developed and to market and nobody disputed that on Monday - that seven years was a reasonable timeframe.

Next I'd like to move on to correct some misimpressions, I think, created on Monday and I don't

mean to suggest that these misimpressions were intentional. I think sometimes the person at the table did not have a full familiarity with some of the oil and gas leasing history of this state and that might be the source of some misimpressions. But, as I said, there was no dispute about whether the obligation, the duty to develop and market exists when reasonably profitable and that exists currently under leases and unit agreements.

It's important to know the origins of the state's leases and unit agreements. There was some suggestion that perhaps these were contracts of adhesion. I don't believe that's so. With regard to the state's oil and gas lease form, it used to be in regulations and I think all of you know that for anything to be adopted as a regulation, it must go through a public and industry comment period. So, that lease form was developed through a public process and initially put into regulations. It's no longer in regulations, but that's its origin, so there was public comment.

[4:18:43 PM](#)

SENATOR ELTON asked what a contract of adhesion is.

MS. ROBSON explained:

There are times when because of uneven bargaining power between two parties to a contract, one party might actually be relieved of its obligations under the contract - because it was a contract of adhesion, you didn't have any choice. Here, because we're talking about the State of Alaska and the largest international petroleum companies, so there isn't the disequilibrium in bargaining power. But there was some concern these were 'take it or leave it' contracts and an implication that maybe that should bear on whether the duty to develop and market should be enforced and how.

SENATOR ELTON thanked her for the clarification.

MS. ROBSON continued:

So, the lease form adopted through a public process and then if we turn and think about how the state's oil and gas leases are put out to bid, it's through a

competitive bid process. If you think about the competitive bidding process, typically there's one bid variable price, often the bonus bid. You can try for two bid variables; that complicates things. Usually any contract by competitive bid - all the terms of the contract are spelled out and there's one bid variable - something like prices. So, I don't think that this body wants to think of every competitive bid in the oil and gas industry and in the United State of America as a contract of adhesion or a 'take it or leave it' contract. That's simply the process that's used in the competitive process. That's how our state's oil and gas leases are by and large distributed.

[4:20:24 PM](#)

SENATOR SEEKINS argued that the process still fits the definition of a contract of adhesion.

MS. ROBSON disagreed and said that contracts of adhesion happen most often where you have two parties of unequal bargaining strength.

SENATOR SEEKINS said it's generally applied to situations where one party would have no meaningful chance to negotiate the terms of a contract.

MS. ROBSON responded: "Actually that's not correct. Specifically with regard to the obligation we're talking about here in the oil and gas lease forms there's some language and we didn't cover it Monday and I think it's important that we talk about it today. In paragraph 20 entitled "Diligence" it reads:

[4:22:11 PM](#)

'Diligence - Lessees shall exercise reasonable diligence in producing and shall abide by and conform to regulations of lessor related to the matters covered by this paragraph in effect on the effective date hereof or herein after in effect if not inconsistent with any specific provision of this lease.'

There is elsewhere in the lease a provision that generally only the regulations in effect at the date the lease was issued governed the operations under the lease, but this specific paragraph with regard to diligence and the obligation to diligently produce oil

and gas allows the lessor to proceed to adopt regulations thereafter covering this subject matter - regulations such as how you define 'reasonable profitability.'

4:23:06 PM

SENATOR SEEKINS asked if there is an integration clause in lease.

MS. ROBSON replied that that such a clause would be conditioned by the specific language on diligence in paragraph 20.

4:23:56 PM

MS. ROBSON said with regard to unit agreements:

I think with unit agreements, particularly for Prudhoe Bay and the Pt. Thompson unit, are instrumental to the enforcement of the duty in this instance. The unit agreements were negotiated and there are reams of paper now in archives that were generated as part of negotiating the specific terms of the unit agreements for Prudhoe Bay and Pt. Thompson. So, in any case, you had the state sitting down with the lessees at Prudhoe Bay and Pt. Thompson and negotiating those terms including the language in those unit agreements that allows the Department of Natural Resource from time to time to alter or modify the quantity and rate of production from the unit area. So, you do have terms in both the leases and the unit agreements specific to this obligation that gives to the State of Alaska, as lessor, to the DNR, the ability to set obligations regarding production and to alter and modify the quantity and rate of production.

Another area, I think on Monday, where there was some incorrect impressions left is what are the consequences of this obligation, the duty to develop and market gas when reasonably profitable to do so. There was a picture painted that this legislation was intended to force lessees to pay \$20 billion for new investment or lose their interest at Prudhoe Bay. And that's a dramatic statement. I believe it's an overstatement. If we look at the consequences of the obligation, there at least three different ways that you can comply with the obligation to develop and market Prudhoe Bay and Pt. Thompson gas when reasonably profitable to do so.

First of all, you can sell the gas in the field and you can leave it to somebody else to spend their capital to build the new gas treatment plant at Prudhoe Bay for gas processing and to build a pipeline. So, if there is an offer to purchase gas at Prudhoe Bay and Pt. Thompson, that offer includes a reasonable profit to the lessees of those units. Then they can comply with their obligations under the leases and the unit agreements simply by selling the gas. That's a low risk operation, particularly at Prudhoe Bay where they're producing over 8 bcf per day right now and they are paying to put in back in the ground. If somebody is there offering to pay to take that gas and put it through their own new gas treatment plant and their own pipeline and the price offered includes a reasonable profit, then that is one method of compliance.

The second method of compliance is if somebody else is willing to spend their capital to build this pipeline, the lessees could ship their gas on the pipeline and then they would be in the position to capture the high side. When gas prices go high, they would be there - of course having the obligation to pay for the pipeline transportation. That's a second method of compliance.

A third method - they could choose to build a new gas treatment plant and the pipeline themselves. So three different ways to comply with the obligation after there's been a determination that there's a reasonable profit to be made from developing and marketing North Slope gas.

[4:27:59 PM](#)

If the lessees decide not to purchase gas when a reasonable offer is made and decide not to ship their gas on somebody else's pipeline when another party offers to build that pipeline and decide not to build a pipeline, all when there's been a determination that it would be reasonably profitable to do so, so they will not be in compliance with their lease. They will be in breach. And the remedy - I think it's an overstatement to say they're at serious risk for losing all of their interest at Prudhoe Bay. More probably, what I see happening is certainly under HB

71 with the seven-year time clock, if there was a determination that there was a reasonable profit to be made, seven years came and went and they were not marketing their gas, they may be liable to the State of Alaska for royalties as if they had developed and marketed their gas.

Other possible remedies - at Prudhoe Bay potentially severing the oil interests from the gas interests leaving the oil interests with the current lessees, possibly leaving some of the gas interest because some of that gas is marketed as NGLs blended in with crude and for local use. But having some of the gas interests severed and returned to the state.

4:29:02 PM

Also, at Pt. Thompson is a particular case. You have to realize some of those leases are more than 40 years old and Pt. Thompson is a world-class field. It has not been developed. There's not even the first development well there now and if the lessees have the opportunity after a determination that it would be reasonably profitable to market that gas, they have the opportunity to sell it to a third party or ship it on somebody else's pipeline or build the pipeline themselves and they don't take it, it may be appropriate for the state to seek the remedy of return of those leases so that the state could relet those leases to a party who would make it a priority to get that gas to market.

4:29:52 PM

There was concern expressed from several different sides on Monday about whether the language written into HB 71 provided the right standard for reasonable profitability and if you'll recall there was a dual part standard for the pipeline piece of it, for the regulated piece. Built into the statute was a rate of return equal to or higher than FERC would allow. For the unregulated production operations, the rate of return talked about was a 10-year simple average of the return on capital employed for oil and gas companies, discretioned with DNR as to what would be the group of oil and gas companies used, but our example used the four largest international petroleum companies and the three largest Alaska companies. And right now if you look at the previous 10-year average,

you get to a 14 percent return on capital employed that is return on all forms of capital - debt and equity. So that if this pipeline project is financed 80 percent debt and 20 percent equity as is envisioned with the federal loan guarantee, that the return on equity could be as high as 46 percent under the language in this bill. And there was some question about whether that's a reasonable standard. I tell you quite frankly I would have some concerns about that, but for some information that unfortunately I'm not in a position to share with you today, because of the confidentiality requirements.

But the important point today is that there is not a single standard or only one standard for what could be reasonable. There are a number of possibilities of what could be used as a standard for reasonable profit. There have been suggestions, in fact, from consultants we are using with regard to gas pipeline issues that the cost of capital - different from the rate of return on capital employed - but the cost of capital could be one measure. You could also look at the return on equity as another measure and we did hear from industry that perhaps it would be appropriate to look to venture capital. There was some discussion about venture capital earning in the low 20 percents. The thing to think about there is that venture capital is 100 percent equity. There is no borrowing; there is no cheap capital in the form of debt when you're talking about venture capital. So, actually the suggestion from AOGA or the discussion about 20s, low 20s rate of return indicative of what is appropriate for venture capital and maybe for this project, could be a lower rate than what could be allowed under this statute.

This statute, as I mentioned, could go as high as a 46 percent return on equity. Compare that to your low 20s percent return on equity return on venture capital that was discussed here on Monday. I think the important point to recognize here today is that there's not going to be agreement within this room by all parties on what the appropriate standard is for measuring reasonable profitability and that may be an issue that if you don't chose to resolve today could be looked at in the Interim; it could be looked at next session. It is an important issue not only for

this bill, but it's also an important issue as you begin to think about gas pipeline issues under the Stranded Gas Act and any proposal that may come to you.

4:33:42 PM

There was some industry suggestion on Monday that the free market should be the standard - that basically you should leave it to the lessees to decide what is the rate of return appropriate. Again, that means in effect there is no duty to develop and market when reasonably profitable. If you leave a lessees obligation to the lessee to decide and enforce, it is effectively no obligation at all.

4:34:19 PM

Another question that came up and was discussed on Monday was just how is the duty enforced - the duty to develop and market when reasonably profitable.

To think the lessees came in here and urged in the first instance it should be the court system making the determination whereas there was discussion of this bill providing for DNR to make the initial determination. And there is a reason for that difference of perspective. The lessees, I think, would see certain benefits in having the court system make the initial determination. It forces DNR or the Administration to be the one to file suit and it is not easy or undertaken lightly in this state for the Administration to sue big oil. It's an advantage if industry forces the state to be the one to take the matter to the courthouse.

The second advantage industry may see in leaving the trial court as the one to make the initial determination is that if there is no DNR decision preceding going to court, then there is no deference accorded the DNR decision. And the third thing is that it may provide an opportunity for lessees to withhold information until such time as you get into court.

4:36:32 PM

As we discussed before, we think under the status quo that, in fact, the decision is first to be made by DNR whether you're looking at the leases or the unit agreements. Earlier today we talked about the language

in the lease agreements - in the paragraph 20 specific to diligence - saying that the Administration, the Department of Natural Resources, had the ability to adopt regulations on the subject matters covered in the paragraph on diligence after the adoption of the lease and the lessees would be bound by that. So, that the Administration could, in fact, adopt standards on reasonable profitability in accordance with preexisting lease terms and make a determination as to whether those standards had been met.

Same thing with the unit agreements where after hard negotiations, the lessees gave DNR the ability to alter or modify from time to time the rate of production from the unit areas.

The advantages, of course, from the Administration and the State of Alaska's perspective of having DNR being the initial decision-maker is that if industry doesn't like the decision issued by DNR, they have to take the matter to court. Also, DNR's decision would be entitled to some level of deference in the court system as to some issues and finally, there would be the ability and, in fact, the incentive for industry to provide information to DNR when it is making its decision pre-court and so information actually gets exchanged at an earlier point in time and informs DNR's decision-making.

In any case, HB 71 did not do anything to alter the status quo as to who is the primary decision-maker, the first decision-maker on this duty. There is no language in there that is intended to shift. So, if the debate remains open, if you're unpersuaded that DNR is to be the initial decision-maker, the legislation did not intend to alter the current situation and, in fact, the trial courts are to be the initial decision-maker, that would not be changed by HB 71.

[4:38:10 PM](#)

Two more points - strategically what is the best time for invoking the duty to develop and market when reasonably profitable to do so? This is important to you today because it may frame the time period within which you want to act on this matter. And I think on Monday you heard some people say, 'Not now, because of

Stranded Gas Act negotiations. Don't upset the balance of those negotiations. Worry about this later.' And you also heard some people say, 'Now would be a good time.' People who know what's going on in those negotiations thought it would be an appropriate time, but let's look practically at how the duty would be invoked and enforced and whether it matters whether you act now or next session or at all.

Of course, Prudhoe Bay is the lynch pin for getting this gas to market. And so if we look at the annual plans of development for the main reservoir at Prudhoe Bay and what is the time frame for DNR raising any issue about whether that gas should be developed and marketed because it's reasonably profitable, the lessees at Prudhoe Bay will not be obligated to file their next proposed plan of development until March 30, 2006 and DNR will have until June 30 of next year to act on their proposed plan of development. And so whether you act on this matter today or next year, that will not necessarily change how DNR would go about enforcing the obligation that already exists in the leases and unit agreements - because a new plan of development isn't to be filed with DNR until the end of March. And as I believe was pointed out by at least one of the senators on Monday, it looks like the obligation, the duty, is already there and so maybe you never need to act on this matter. But certainly it is not time critical and I don't mean to suggest that at the end of this session.

4:40:23 PM

Pt. Thompson - a little bit different. The next proposed plan of development has to be filed July 1 of this year and DNR will have until the end of September to act on that and decide whether or not they are in compliance with that. DNR may or may not choose to raise the issue of the duty to develop and market with regard to Pt. Thompson in this year's plan of development. Again, Pt. Thompson is important to the gas pipeline, but Prudhoe gas is the number one issue there. Also, Pt. Thompson, you have a situation, as I mentioned before, where you've had leases - some held for decades - and there's been no development or production there. So, DNR may choose to take it up this year. That would certainly be their prerogative if that obligation already exists.

4:41:22 PM

In closing, I would like to talk about what options I see available to this committee today. I see one of my jobs is to provide you with different options on ways to proceed and certainly there are four that are immediately apparent.

First, you could act on the legislation as is or with some revisions to the standard on what constitutes 'reasonably profitable.' And if you think about it, what you do have then in HB 71 is a compliment of exploration incentive credits in which the state undertakes some of the risk of exploration. It agrees to effectively cover the cost of up to 40 percent of the cost of new exploratory wells. So, it makes exploration less risky and yet the new sections 1 and 2 of this bill say when that exploration is successful, when you have a reservoir that would be reasonably profitable to develop, we are affirming our belief in your obligation to go ahead and develop that gas.

A second alternative would be drop the reasonably profitable standard from the proposed legislation, keep the exploration incentive credits and keep the seven-year clock. There was no dispute raised on Monday about the seven-year clock, so that would be another alternative.

How would the seven-year clock then work without this definition of reasonably profitable included? Well, the way it would work is if DNR in the course of enforcing the preexisting obligation to develop and market gas found that there was, in fact, an obligation to do so at this point in time, you would be providing guidance that you expected to see that gas to market in a maximum of seven years.

The third alternative would be to separate the language on exploration incentive credits and the reasonably profitable legislation including the seven-year clock into separate bills with the exploration incentive credits being acted on this year and the reasonably profitable sections 1 and 2 considered next year.

A fourth alternative would be again to separate the exploration incentive credits from the reasonably profitable legislation, act on the EIC's exploration incentive credits this year and simply recognize that there already is an existing duty and obligation to develop gas when reasonably profitable to do so and leave it to the administration to enforce it under the pre-existing standards without any further definition and no time clock, but as DNR or the Administration saw appropriate at the time they saw appropriate. With that, I'll conclude my remarks.

[4:44:23 PM](#)

SENATOR SEEKINS asked if data from an exploratory well is made freely available to the state to be able to consider the commercial applicability of that field.

MS. ROBSON replied that it depends on whether or not the well is on state acreage.

There are some requirements with regard to oil and gas wells drilled on state acreage about data that must be provided to the state. There are different rules that apply when it is not on state acreage - subject to state oil and gas lease.

SENATOR SEEKINS said he heard there may be some Security Commission regulations on what kind of data can be released and when.

[4:45:44 PM](#)

MS. ROBSON replied:

There are rules with regard to the requirement that well data be provided to the Department of Natural Resources when the well is on state leased lands and some of that data, I believe, is released after two years, but, again, I am not the best person to answer that question.

She offered to follow up on this question.

[4:47:08 PM](#)

SENATOR ELTON reflected that Spencer Hosie asserted a right that was reaffirmed through the adoption of the amendment on the floor. He asked if the amendment were taken out and HB 71 passes

without it, has the Legislature clouded the state's assertion of that right.

MS. ROBSON replied:

There may be a variety of ways in which you could act with regard to HB 71 and I didn't mean to suggest how it is that you would go about separating the exploration credits from the sections 1 and 2 on reasonable profit.

SENATOR ELTON asked if one of those mitigators could be a letter of intent saying that removal of the amendment does not mean the state can't assert the rights.

MS. ROBSON replied that Representative Samuels would know more about that subject than she does.

[4:48:31 PM](#)

SENATOR GUESS asked if HB 71 is saying the standard will be a simple 10-year average and that's the only standard that the commissioner of DNR can apply regarding reasonability or is it just one standard of a number of standards that may be applied.

MS. ROBSON replied that the bill requires that the 10-year average be applied.

There would be discretion as to what oil and gas companies were used in the sample group of companies, but the 10-year simple average of return on capital employed is, at this stage, non discretionary. That could certainly be changed.

SENATOR GUESS asked if that is the only standard that can be used.

MS. ROBSON answered:

There is some language in section 1 on findings, subpart 13, that talks about there may be a number of comparisons that would be appropriate to make - to the cost of capital, to the cost of equity, to return on capital employed or to return on equity. And so, the findings language indicates that there may be a variety of potentially reasonable standards. The section 2 language, as it currently reads, does not

give discretion in terms of choosing a different standard.

[4:50:54 PM](#)

REPRESENTATIVE RALPH SAMUELS said he wanted to give a brief snapshot of the thinking that went into the amendment to HB 71.

I'm not an attorney and I won't apologize for that either. So, I know that you've heard from plenty of industry lawyers and I know that you've heard from Ms. Robson twice.... I was in and out of meetings on Monday and I tried to listen in to some of the testimony and I realize full well what the reaction was going to be going into this.

I did catch part of one presentation and I wholeheartedly agreed with a lot of what was said. Ken Conrad testified and he's an executive with BP and I have met him several times over the past year and I have a lot of respect for Mr. Konrad. He is articulate, he knows the oil and gas industry better than I will ever know the oil and gas industry and he has some very good points. One of the main thrusts...was who is going pay if the state's numbers are wrong and we have now forced investors to do something which they know is wrong and they're going to lose money on. Who is going to make it right? He was a little over the top on the un-American comments and this and that, but all in all, that's an extremely valid point. Who would pay if our numbers were wrong? And philosophically speaking, the point of the amendment and to get the debate going is the fact that it cuts both ways. Who is going to pay if the numbers are right and the project is not developed? The jobs that are lost for Alaskans. A lot people testified are the people that want the jobs - the jobs that are lost. The money to the state.

So, they're both extremely valid points and the point of the amendment was to make sure that both points are up for debate before we adjourn. I hope in my soul that we come back here some time this fall and we have a vote. And I think that to push something of this magnitude off, if you listen to the Hosie testimony, whether you agreed with it or you do not agree with it, if it is left hanging out there, the water will

get muddy at the end when we can least afford to have muddy water on this entire project.

I think that all of us as members, all elected people in this building right now, 61 of us, including Frank Murkowski, who's been doing this a whole lot longer than all of us combined, will never have a bigger choice to make than this gas pipeline - 30, 40 years worth of things, grandchildren - a legacy. We're fortunate to be serving at this time, but along with that honor of serving right now comes the responsibility to know everything that you can about every possible aspect of this project - duties, rights and responsibilities, both of industry and of the state. If we're scared to discuss it, then I think that come fall it's going to be problematic. And that was the point behind amendment 1 - knowing full well what the lawyers were going to say and the fact that the water was going to get muddy now and I honestly believe that it was better now and I felt it was a duty to do better now than it was going to be to do it later.

That being said, Mr. Chairman, I also wholeheartedly agree with the original concept behind HB 71. I think exploration tax credits - quite frankly they work. We look at the Nenana Basin; we look at the Alaska Peninsula where I grew up and those folks have come around to think that it is probably a good thing to try to open the door a little bit.

So, with that, as you and I have discussed previously, Mr. Chairman, I wholeheartedly agree with the [indisc.]. I've got a copy of the CS for 286 right here. To take the tax credits, the rather non-controversial part of this bill - it had - on the House side I believe 30 or 35 votes supporting it. It was pretty uncontroversial. To move those forward under a different vehicle and not move forward with HB 71, I think, was in the best interest of the Legislature and the state at this time. So, that was kind of the thinking behind it.

[4:56:08 PM](#)

And I'd like to add just a couple of remarks here that I'm pretty troubled by. Those of us in the public life, you end up getting a pretty thick skin and you

get it pretty quick or you don't last. It's as simple as that. But I am troubled by some of the personal comments that have been made about Amendment 1 towards myself. And not a lot, but I wanted to go on the record that there are very few people in this building, and most of them are probably sitting in this room right behind me, that know more about a gas line than I do as far as the process goes that are not professionals at this. And I would not have done this had I not thought it was in the best interest of moving the gas line forward. So, with that I don't know how appropriate that comment is, but I did want to get it on the record that I thought that some of the comments made were clearly inappropriate and I've got as thick a skin as any of the rest of you do. So.... I appreciate you having this hearing.

[4:57:34 PM](#)

SENATOR SEEKINS asked if he had ever been able to sneak anything through in the middle of the night in this building.

REPRESENTATIVE SAMUELS replied no and pointed out that he hearings were being held right now.

We have six or eight days left. We wanted to make sure we had some hearings on this subject so that that Hosie testimony is not just hanging out there and waiting until the fall. The sharks are circling around this project. It will get attacked no matter what deal is cut. No matter who it is cut with, it is going to get rocks thrown at it.

CHAIR WAGONER agreed that this is a work in progress. He thanked Representative Samuels for his testimony and announced an at ease.

[4:59:16 PM](#) At ease [4:59:53 PM](#)

#### **HB 286-VALUE OF ROYALTY ON GAS PRODUCTION**

CHAIR WAGONER announced HB 286 to be up for consideration.

SARAH NEILSON, staff to Representative Samuels, explained that HB 286 is a housekeeping bill that was brought forward by Municipal Light and Power (ML&P) that used to contract with Shell and then bought Shell's interest in the field. The Department of Natural Resources (DNR) agreed to let ML&P

continue to receive the current statute treatment based on the ML&P Shell contract even after ML&P bought Shell's interest. That contract expires at the end of this year and this bill simply amends current statute by adding language that allows DNR to use the gas transfer price set by the Regulatory Commission of Alaska (RCA), much like DNR uses the contract price for gas. The transfer price is the rate the ML&P is required to charge itself for the gas that it uses. The proposed change is consistent with the purpose of the original law and will help insure that Anchorage electric consumers have certainty in their electric rates.

[5:01:38 PM](#)

JIM POSEY, Municipal Light and Power, supported HB 286. It will make sure there is a process for the RCA to determine price and it's a simple change.

[5:02:31 PM](#)

KATHY GIARD, Chair, Regulatory Commission of Alaska, explained:

I have looked at this bill and also have looked at our recent orders that we issued regarding the setting and the establishment of the transfer price. And the process that I wanted to talk to you about, which normally occurs annually - ML&P will come before the RCA and will provide their proposed transfer price to us; we will evaluate it; we will put it out for public notice. If the public advocate, which is represented in the Attorney General's office, has any questions, they will come in and look at it. We'll hold a hearing. So, there's a pretty good public process for this transfer price to be set. I wanted to come and tell you that and give you the confidence that I don't believe the DNR will have a challenge with the results of the transfer price being too low. I think that it's calculated; it's well laid out in an order that we issued - U 97.35, which I can make available to you.

[5:04:59 PM](#)

SENATOR GUESS moved to adopt SCS HB 286(RES), version F. There were no objections and it was so ordered.

MARY JACKSON, staff to Senator Wagoner, explained that the SCS to HB 286 now contains the oil and gas exploration credits. Most of the incentives have already been before the committee in the form of SB 53, but there are some changes. It extends the exploration credits adopted in 2003 to every place in Alaska

south of the Brooks Range through 2010. The reason is that the Nenana Basin, Red Dog, Healy and finally Cook Inlet were added and so the issue was that as each one was added, the title got larger and there finally came a point where they said let's just make it "south of."

Cook Inlet is still in the title, however, and the reason is because there are specific standards for Cook Inlet and those were talked about before this committee in SB 163. The Cook Inlet standards were within three miles and 10 miles rather than outside of three miles and outside of 25 miles.

The credits in this bill are different than the HB 71 credits in three other areas. One clarifies a situation that arose with exploration credits that were passed in. A regulation was adopted and there was some confusion about where and when those credits applied.

This bill says exploration credits from the original piece of legislation are effective through 2007, but exploration credits that will be effective in this piece of legislation are under the different standards....

The intent of the Legislature was that this was exploration incentive credits. It was not the intent of the Legislature that these credits be extended forever, a, and, b, that it only be for exploration. It was not intended that they be for, like, delineation wells, as an example....That clarification is one that has been agreed to by both the Department of Natural Resources and the Department of Revenue.

The other thing that we've done is HB 71 excluded ANWR (Arctic National Wildlife Refuge). ANWR was in the original exploration credits that are still going through to 2007. So, this bill deletes the provision that deleted ANWR. So, ANWR is still in as it was always in.

It's important to recognize that those credits expire in two years - the original credits - and that there is at least one company that has stepped to the plate, so to speak, and is undergoing some work on the slope in anticipation of ANWR and were prepared to use the credits. The credits were extended; this bill keeps them in ANWR.

[5:09:11 PM](#)

The other thing that this HB 286 does is that it does delete sections 1 and 2 of HB 71 that was in front of you. Now sections 1 and 2 are, of course, the sections that referenced the findings and determined the seven years and the rate of return that Ms. Robson spoke to previously. It's important to note [that] that House bill is still in the possession of this committee.

[5:10:21 PM](#)

SENATOR ELTON asked if this means that ANWR is eligible until 2007 or another date.

MS. JACKSON answered that ANWR is eligible until 2007 as it was eligible in the original legislation.

CHAIR WAGONER expressed that was always the purpose. The Governor has always said this is to do two things - increase exploration and fill up the pipeline with oil and create jobs. It was misunderstood, because it also applied at the time to the National Petroleum Reserve - Alaska (NPR-A) - even though those were federal lands.

[5:11:41 PM](#)

SENATOR GUESS asked Ms. Jackson to comment on credits in Healy and Red Dog.

[5:12:13 PM](#) At ease [5:15:01 PM](#)

MS. JACKSON replied that she had just passed out information on the Usibelli Coal Mine, which is in the Healy Basin, and information on the Red Dog Mine. Both entities had an interest. The discussion for these is similar to those other regions - they had an interest and let's do what we can to get these explorers going and offer them the credits as well.

SENATOR GUESS asked if the purpose is first for gas development for the Red Dog Mine or gas development for the region.

MS. JACKSON replied that she didn't want to speak for industry, but understood it to be for both.

SENATOR GUESS asked if the state would have its same portion of royalty gas in those situations so if the state wanted to use the gas it could, even if the Red Dog decided not to.

CHAIR WAGONER replied that depends on whose gas it is and whose land it's on. If it's on state land, yes; if it's on private land, no.

[5:18:50 PM](#)

SENATOR GUESS said she supported the tax credits, but was a little worried at the breadth of language on page 3, lines 22 through 23. She said she was comfortable with Nenana, Healy, Red Dog and Cook Inlet, but asked if anything else falls under this, like coalbed methane.

MS. JACKSON replied no. She has asked if there might be anything in Southeast and the answer was that there might be in some old wells that were drilled off of Yakutat. "The whole point of the legislation is to try to get things going - to develop."

[5:20:23 PM](#)

SENATOR GUESS said the current SCS has an immediate effective date and SB 53 had a contingency effective date and the other bill had a no effective date. She asked if the effective dates in the SCS CSHB 286(RES) were all correct.

MS. JACKSON replied yes. She explained that the reason it has an immediate effective date is because the original HB 286 had an immediate effective date.

SENATOR GUESS wanted to make sure a contingency effective date wasn't needed, because HB 53 had one.

MS. JACKSON reassured her that it wasn't needed in this bill.

[5:21:28 PM](#)

SENATOR SEEKINS moved to pass SCS HB 286(RES) with individual recommendations and the attached fiscal note. There were no objections and it was so ordered.

CHAIR WAGONER adjourned the meeting at [5:22:55 PM](#).