

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON OIL AND GAS

April 2, 2007

8:37 a.m.

MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Kurt Olson, Vice Chair
Representative Nancy Dahlstrom
Representative Jay Ramras
Representative Ralph Samuels
Representative Mike Doogan
Representative Scott Kawasaki

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Carl Gatto

COMMITTEE CALENDAR

HOUSE BILL NO. 177

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 177

SHORT TITLE: NATURAL GAS PIPELINE PROJECT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/05/07	(H)	READ THE FIRST TIME - REFERRALS
03/05/07	(H)	O&G, RES, FIN
03/06/07	(H)	O&G AT 3:00 PM BARNES 124
03/06/07	(H)	-- MEETING CANCELED --
03/08/07	(H)	O&G AT 3:00 PM BARNES 124
03/08/07	(H)	-- MEETING CANCELED --
03/13/07	(H)	O&G AT 3:30 PM HOUSE FINANCE 519

03/13/07	(H)	Heard & Held
03/13/07	(H)	MINUTE(O&G)
03/15/07	(H)	O&G AT 3:00 PM BARNES 124
03/15/07	(H)	Heard & Held
03/15/07	(H)	MINUTE(O&G)
03/19/07	(H)	O&G AT 8:30 AM CAPITOL 106
03/19/07	(H)	Heard & Held
03/19/07	(H)	MINUTE(O&G)
03/20/07	(H)	O&G AT 3:00 PM BARNES 124
03/20/07	(H)	Heard & Held
03/20/07	(H)	MINUTE(O&G)
03/21/07	(H)	O&G AT 5:30 PM SENATE FINANCE 532
03/21/07	(H)	Heard & Held
03/21/07	(H)	MINUTE(O&G)
03/22/07	(H)	O&G AT 3:00 PM BARNES 124
03/22/07	(H)	Heard & Held
03/22/07	(H)	MINUTE(O&G)
03/23/07	(H)	O&G AT 8:30 AM CAPITOL 106
03/23/07	(H)	Heard & Held
03/23/07	(H)	MINUTE(O&G)
03/24/07	(H)	O&G AT 1:00 PM SENATE FINANCE 532
03/24/07	(H)	-- Public Testimony --
03/26/07	(H)	O&G AT 8:30 AM CAPITOL 106
03/26/07	(H)	Heard & Held
03/26/07	(H)	MINUTE(O&G)
03/27/07	(H)	O&G AT 3:00 PM BARNES 124
03/28/07	(H)	O&G AT 7:30 AM CAPITOL 106
03/28/07	(H)	Heard & Held
03/28/07	(H)	MINUTE(O&G)
03/28/07	(H)	O&G AT 8:30 AM CAPITOL 106
03/28/07	(H)	Heard & Held
03/28/07	(H)	MINUTE(O&G)
03/29/07	(H)	O&G AT 3:00 PM BARNES 124
03/29/07	(H)	Heard & Held
03/29/07	(H)	MINUTE(O&G)
03/30/07	(H)	O&G AT 8:30 AM CAPITOL 106
03/30/07	(H)	Heard & Held
03/30/07	(H)	MINUTE(O&G)
03/31/07	(H)	O&G AT 1:00 PM BARNES 124
03/31/07	(H)	-- MEETING CANCELED --
04/02/07	(H)	O&G AT 8:30 AM CAPITOL 106

WITNESS REGISTER

DON BULLOCK, Attorney
 Legislative Legal Counsel
 Legislative Legal and Research Services

Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Reviewed proposed amendments to HB 177 and responded to questions.

PATRICK GALVIN, Commissioner
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Reviewed proposed amendments to HB 177 and responded to questions.

ANTONY SCOTT, Section Chief
Commercial Section
Central Office
Division of Oil & Gas
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 177.

ACTION NARRATIVE

CHAIR VIC KOHRING called the House Special Committee on Oil and Gas meeting to order at 8:37:14 AM. Representatives Doogan, Ramras, Samuels, Kohring, Olson, Dahlstrom, and Kawasaki were present at the call to order.

[8:37:14 AM](#)

HB 177-NATURAL GAS PIPELINE PROJECT

[8:39:39 AM](#)

CHAIR KOHRING announced that the only order of business would be HOUSE BILL NO. 177, "An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

CHAIR KOHRING reminded the committee that a motion was pending by Representative Dahlstrom to adopt as a working draft the committee substitute (CS) for HB 177, 25-GH1060\E, Bullock, 3/30/07 [Version E]. Chair Kohring and Representative Doogan had objected to the motion. Chair Kohring then asked for discussion of the motion to adopt Version E.

REPRESENTATIVE DOOGAN removed his objection. There being no further objection, Version E was before the committee as a work draft. [The prior objection by Chair Kohring was treated as withdrawn.]

[8:40:09 AM](#)

CHAIR KOHRING asked for amendments from the committee.

[8:40:22 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 1, 25-GH1060\E.9, Bullock, 4/1/07, which read:

Page 7, lines 27 - 28:

Delete "AS 43.90.110(1) and (2)"

Insert "AS 43.90.110(a)(1)(A) and (B)"

Page 9, line 19, following "or is":

Insert "not"

Page 10, line 27:

Delete "AS 43.90.110(1)(B)"

Insert "AS 43.90.110(a)(1)(A) and (B)"

Delete "AS 43.90.140(9)"

Insert "AS 43.90.130(9)"

Page 13, line 27:

Delete "like"

Page 15, line 3:

Delete "written a"

Insert "a written"

Page 15, line 24:

Delete "required"

Insert "acquired"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN said that Amendment 1 is a series of corrections to drafting errors. He noted that these corrections are required since a committee substitute was not adopted by the committee.

[8:41:07 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

CHAIR KOHRING announced that hearing no further objection, Amendment 1 was adopted.

[8:41:27 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 2, 25-GH1060\E.5, Bullock, 4/1/07, which read:

Page 13, line 18:

Delete "licensee's net cost"

Insert "net amount of expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110"

Page 16, line 30:

Delete "licensee's net costs"

Insert "net amount of expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110"

Page 22, line 23:

Delete "reasonable costs"

Insert "expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110"

Page 22, line 26, following "no":

Insert "additional"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN explained that the purpose of Amendment 2 is to ensure that the reimbursements made under the contract or under the terms of abandonment are the qualified costs of the licensee and not all costs.

[8:42:24 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

[8:42:36 AM](#)

CHAIR KOHRING announced that hearing no further objection, Amendment 2 was adopted.

[8:42:45 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 3, 25-GH1060\E.6, Bullock, 4/1/07, which read:

Page 15, line 7, following "licensee.":

Insert "The commissioners may resume disbursement on the date that the commissioners determine that the license violation is cured."

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN explained that Amendment 3 adds a sentence indicating that the commissioners may resume disbursement when a license violation has been cured.

[8:43:09 AM](#)

REPRESENTATIVE SAMUELS asked whether an expiration date was needed. He observed that correction of the violation may be delayed by months or years. He suggested that this question should be reviewed in the next committee, and then removed his objection.

[8:44:36 AM](#)

CHAIR KOHRING announced that hearing no further objection, Amendment 3 was adopted.

[8:44:47 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 4, 25-GH1060\E.7, Bullock, 3/31/07, which read:

Page 20, line 25:

Delete "conclusion"

Insert "start"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN explained that the change in Amendment 4 provides for the tax rate to be revealed prior to open season instead of at the conclusion of open season.

[8:45:43 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

[8:45:50 AM](#)

CHAIR KOHRING announced that hearing no further objection, Amendment 4 was adopted.

[8:45:59 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 5, which read [original punctuation provided]:

Sec 43.90.220(c)

After page 14, line 10

(c) After a license has been issued and before **conclusion of operations permitted by the license** [COMMENCEMENT OF COMMERCIAL OPERATIONS] the licensee shall allow the commissioners to

[continue remainder of section as in bill]

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN informed the committee that Amendment 5 will extend the term of the state representative on the licensee's governing board to throughout the operation of the pipeline.

[8:47:07 AM](#)

DON BULLOCK, Attorney, Legislative Legal Counsel, Legislative Legal and Research Services, Legislative Affairs Agency, informed the committee that amendment 5 refers to page 14, line 11, not line 10.

[8:47:25 AM](#)

PATRICK GALVIN, Commissioner, Department of Revenue (DOR), expressed his concern about how to define "conclusion of operations permitted by the license." He asked whether that meant the entire length of operations of the pipeline.

[8:48:05 AM](#)

REPRESENTATIVE DOOGAN answered yes.

[8:48:16 AM](#)

COMMISSIONER GALVIN suggested a wording change from "permitted" so that the intent would not be the length of time under the permit, but the duration of the operation of the project.

[8:48:51 AM](#)

MR. BULLOCK said that the issue is the duration of the license itself.

[8:49:09 AM](#)

COMMISSIONER GALVIN noted that the intent in establishing the term of the license is that in order to be able to enforce the expansion provisions that deal with the operations of the pipeline, the term of the license does extend beyond the commencement of commercial operations. The language needs to make a clear reference to "operations of the project."

[8:50:07 AM](#)

MR. BULLOCK suggested that conceptually it will read, "so long as the terms of the license continue to apply."

REPRESENTATIVE DOOGAN asked Commissioner Galvin whether it was the same.

[8:50:44 AM](#)

COMMISSIONER GALVIN answered yes.

[8:50:51 AM](#)

MR. BULLOCK said:

So that the amendment would read, subject to some minor editing, "After a license has been issued and before", then new language, "and so long as the terms of the license continue to apply," and then back to the original language ...

[8:51:50 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

[8:52:01 AM](#)

CHAIR KOHRING announced that hearing no further objection, Amendment 5 was adopted, as amended.

[8:52:11 AM](#)

REPRESENTATIVE DOOGAN moved Amendment 6, which read [original punctuation provided]:

Sec 43.90.200(e)

After page 13, line 20

(e) The transfer of any certificate of public convenience and necessity or transfer under (d) of this section as the result of failure to comply with (a), [OR] (b), or (c) of this section is at no cost to the state or the state's designee. [A TRANSFER UNDER (C) OF THIS SECTION IS AT THE LICENSEE'S NET COST.]

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN said that Amendment 6 would require that if the licensee failed to go forward, the material that was produced under the terms of the license would transfer to the state at no cost to the state.

[8:53:26 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

[8:53:34 AM](#)

COMMISSIONER GALVIN advised the committee that the state wants to balance the state's interest in its investment and the interest of a commercially responsive applicant that fails to get commitments. The perception that the state will gain materials from the failed applicant without compensation may be too great a risk for potential applicants to undertake.

[8:55:01 AM](#)

The committee took an at-ease from 8:55 a.m. to 8:57 a.m.

REPRESENTATIVE DOOGAN noted that Amendment 6 should read "line 14", not "line 20."

CHAIR KOHRING announced that the amendments will be identified as conceptual amendments. Hearing no objection to the amendment, [Conceptual] Amendment 6 was adopted.

[8:58:08 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 7, which read [original punctuation provided]:

Sec 43.90.210 Amendment of or modification to the project plan. Subject to the approval of the commissioners and the coordinator, a licensee may amend or modify its project plan if the amendments or modifications are necessary as a result of changed circumstances outside the licensee's control and not reasonably foreseeable before the license was issued. An amendment or modification approved under this section must be consistent with the requirements of AS 43.90.140 and may not diminish the net present value to the state of the project.

Sec. 43.90.450 Assignments. (a) A licensee may transfer all or part of the license, including the rights and obligations arising under the license, if

- (1) the transfer is approved in writing in advance by the commissioners; and
- (2) the transfer does not increase or diminish the obligations created by the license or diminish the net present value of the license to the state.

[continue rest of Sec. 43.90.450 as in bill]

REPRESENTATIVE RAMRAS objected.

REPRESENTATIVE DOOGAN informed the committee that HB 177 establishes assessment criteria that are essentially a net present value calculation and the likelihood to succeed. This amendment will ensure that modifications, amendments, or assignments do not change the assessment under which the license was awarded.

[8:59:38 AM](#)

COMMISSIONER GALVIN told the committee that the state recognizes the substantive change in this amendment. At the point when the commissioners are making determinations on amendments or

assignments, the state will consider all the values to the state that may be affected, not just the economic effect. The state does not strongly object, but Commissioner Galvin said it would prefer have broader discretion.

[9:00:45 AM](#)

REPRESENTATIVE RAMRAS maintained his objection.

A roll call vote was taken. Representatives Samuels, Doogan, Olson, and Kohring voted in favor of [Conceptual] Amendment 7. Representatives Ramras, Kawasaki, and Dahlstrom voted against it. Therefore, [Conceptual] Amendment 7 was adopted by a vote of 4-3.

[9:01:33 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 8, which read [original punctuation provided]:

Sec 43.90.130(7)
page 6, line 24
Delete "15 percent of"
Replace with "15 percent above"

Page 6, line 30
Delete "15 percent of"
Replace with "15 percent above"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN relayed that the intent of [Conceptual] Amendment 8 is to clarify that the 15 percent rolled-in rate is 15 percent above the original rate.

[9:02:28 AM](#)

COMMISSIONER GALVIN noted that the state does not object to [Conceptual] Amendment 8; however, the administration will be submitting additional amendments to this language in another committee.

[9:02:54 AM](#)

REPRESENTATIVE SAMUELS removed his objection.

[9:03:04 AM](#)

CHAIR KOHRING announced that hearing no further objection, [Conceptual] Amendment 8 was adopted.

REPRESENTATIVE DOOGAN stated that [Conceptual] Amendment 9 is delayed at this time.

[9:03:22 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 10, 25-GH1060\E.2, Bullock, 3/31/07, which read:

Page 15, line 27, following "licensee":
Insert "(1)"

Page 15, line 29, following "revocation":
Insert "; and
(2) shall deliver to the state all project data, engineering designs, contracts, rights-of-way, and other work product of the licensee that is related to the licensed project."

Page 16, following line 30:
Insert a new subsection to read:
"(e) Notwithstanding (b)(2) of this section, if the arbitration panel makes a final determination under (b) of this section that the project is not uneconomic and the
(1) commissioners disagree with that determination, the state may terminate the license and compensate the licensee in the amount equal to three times the total of the reasonable costs that the licensee has incurred in developing the licensee's project through the date the commissioners notify the licensee of the termination; or
(2) licensee disagrees with that determination, the state may terminate the license at the request of the licensee and, if the license is terminated, the state shall pay the licensee the actual amount of qualified expenditures incurred and paid by the licensee through the date the license is terminated and the licensee shall transfer to the state all project data, engineering designs, contracts, rights-of-way, and other work product of the licensee that is related to the licensed project."

REPRESENTATIVE RAMRAS objected.

REPRESENTATIVE DOOGAN explained that [Conceptual] Amendment 10 is an attempt to clarify the sections in the bill regarding abandonment. Abandonment can be the result of an arbiter's decision or due to other factors. The language in [Conceptual] Amendment 10 gives the state the right to terminate an agreement with an unwilling partner when an arbiter has ruled in the state's favor.

[9:04:55 AM](#)

COMMISSION GALVIN further explained that [Conceptual] Amendment 10 has two parts. The first section of [Conceptual] Amendment 10 [line 1 through line 9] pertains to the violations section, and adds language requiring assignation of data. The state, he noted, feels [Conceptual] Amendment 10 is duplicative.

[9:06:19 AM](#)

MR. BULLOCK opined that the first section of [Conceptual] Amendment 10 involves a structural change and applies to a situation in which the commissioners have revoked the license. By this amendment, the licensee may not reapply for the license. In addition, if a license is revoked, the licensee is required to transfer existing property and data.

[9:07:46 AM](#)

COMMISSIONER GALVIN questioned whether the legislature wants to mandate the requirement that all of the data will be assigned to the state after a license is revoked. He noted that HB 177, as written, allows the commissioners to revoke a license without requiring the transfer of the data.

[9:08:31 AM](#)

REPRESENTATIVE DOOGAN asked why the state would not require transfer of the data.

[9:08:46 AM](#)

COMMISSION GALVIN responded that, although the state may want the data, the basis of the violation may not warrant its claim. He explained that the state and the applicant are sharing potentially 50 percent of the cost and the violation may come at a time when it is inappropriate for the state to take 100 percent of the work product. This amendment, he said, may not

be considered a commercially reasonable term by applicants. The state is trying to attract companies by considering the protection of their interests.

[9:11:24 AM](#)

REPRESENTATIVE SAMUELS expressed his belief that if a company is in default, the state would not want to pay, again, for work that has already been completed.

[9:12:02 AM](#)

COMMISSIONER GALVIN pointed out that the first section of [Conceptual] Amendment 10 refers to line 1 through line 9, and pertains to a violation, not abandonment of the project. He repeated his concern that companies will interpret this amendment as giving the state the right to take data at will and not at the discretion of the commissioners.

[9:13:33 AM](#)

REPRESENTATIVE SAMUELS remarked:

So, explain to me then without it, they'll just tell you "no." You can request all you want to, and they'll just not turn anything over to you.

[9:13:52 AM](#)

COMMISSIONER GALVIN responded that the language in AGIA gives the commissioners the authority to impose remedies, including assignation to the state of all project data. The distinction is that, if the commissioners revoke the license, the licensee is automatically required to transfer the data.

[9:14:41 AM](#)

REPRESENTATIVE DAHLSTROM asked Representative Doogan to consider dividing [Conceptual] Amendment 10.

REPRESENTATIVE DOOGAN said yes.

REPRESENTATIVE DAHLSTROM suggested [Conceptual] Amendment 10 would include line 1 through line 9.

[9:15:13 AM](#)

REPRESENTATIVE SAMUELS requested that the committee hear Commissioner Galvin's comments prior to dividing the amendment.

[9:15:24 AM](#)

COMMISSIONER GALVIN deferred the question to Antony Scott.

[9:16:10 AM](#)

ANTONY SCOTT, Section Chief, Commercial Section, Central Office, Division of Oil & Gas, Department of Natural Resources, opined that generally, if a project is deemed to be uneconomic, it is not a commercially reasonable or normal procedure to require a company to release the product that it has developed.

[9:17:39 AM](#)

REPRESENTATIVE DOOGAN expressed his opinion that commercially normal does not describe a situation in which one partner pays 50 percent of the cost, yet does not have rights to the work product. This amendment attempts to make a claim to the work product for which the state has paid. Otherwise, he added, the state could be empty-handed.

[9:18:30 AM](#)

COMMISSIONER GALVIN reiterated that AGIA provides the opportunity to obtain data under different circumstances. The distinction is that events may be outside of the licensee's control. At no point, he said, does the state have to pay twice, but will pay a reasonable portion. This will balance the appearance that the state can, at any time, revoke the license and seize the work product without just payment.

[9:21:18 AM](#)

REPRESENTATIVE DOOGAN pointed out that [Conceptual] Amendment 10, line 21, states that "the state shall pay the licensee the actual amount of qualified expenditures incurred ... through the date the license is terminated." This language, he continued, is simply to encompass all possible situations.

[9:22:03 AM](#)

COMMISSIONER GALVIN clarified that the discussion is moving from the violation revocation portion of the amendment to the abandonment portion. The first part, under subsection (e)

applies to the situation in which the state determines the project to be uneconomic, the licensee disagrees, and the arbitration panel agrees with the licensee. This amendment would obligate the state to pay three times the damages and would establish a demand price. The state, Commissioner Galvin explained, would prefer a negotiated withdrawal from the arrangement. Subsection (e)(2), would be enforced when the licensee requests termination of its license, the state disagrees and the state is upheld by arbitration. In that circumstance, the licensee is obligated to continue with the project or will be in violation of its lease, and thereby, subject to remedies. He stressed that the state is better protected without the amendment.

[9:25:20 AM](#)

REPRESENTATIVE RAMRAS compared HB 177 to a request for proposal (RFP). Ultimately, he said, we want to attract applicants and [Conceptual] Amendment 10 may be too rigid to attract the best applicant. He maintained his objection to [Conceptual] Amendment 10 and asked for further clarification of the division of the amendment.

[9:28:21 AM](#)

MR. BULLOCK added that two things are happening in the amendment. The AGIA, he explained, was created to induce a builder to build the pipeline project. The state's interest is expressed through the license and even if the pipeline is deemed uneconomic by the state, the pipeline developer may continue the project unburdened by the requirements of the license. Therefore, the gas pipeline may continue even when the license is abandoned. In this case, the work product is still of value to the licensee and the requirement of [Conceptual] Amendment 10 may impair an ongoing pipeline project.

[9:30:26 AM](#)

REPRESENTATIVE SAMUELS moved that the committee divide the question. He suggested [Conceptual] Amendment 10A will be line 1 through 9.

The committee took a brief at-ease.

CHAIR KOHRING announced that Representative Dahlstrom had previously made a motion to designate line 1 through 9 as [Conceptual] Amendment 10A and to designate line 10 through 24

as [Conceptual] Amendment 10B. Chair Kohring called for discussion on [Conceptual] Amendment 10A.

[9:31:52 AM](#)

REPRESENTATIVE SAMUELS affirmed that he will vote "yes" on [Conceptual] Amendment 10A. He remarked:

You don't ask for it, and then they sell it ... so you invested \$25 million, they invested \$25 million, they got \$50 million out there, you didn't ask for it back ... for whatever reason ... And you don't know ... I would rather say going into this that they're going to deliver this. ... I'm going to vote "yes", I understand the commissioner's point. ... I'd just rather say here's the rule.

COMMISSIONER GALVIN affirmed that Representative Ramras's interpretation of the amendment is correct. [Conceptual] Amendment 10A is favorable to the state and will be seen as subjecting the licensee to the discretion of the commissioners. He said that he agreed with Representative Samuels that the administration needs to work on how to protect the state and also acknowledge a licensee's interest. Commissioner Galvin noted that he would prefer if this amendment is not adopted.

[9:35:27 AM](#)

A roll call vote was taken. Representatives Doogan, Kawasaki, Olson, and Samuels voted in favor of [Conceptual] Amendment 10A. Representatives Ramras, Dahlstrom, and Kohring voted against it. Therefore, [Conceptual] Amendment 10A was adopted by a vote of 4-3.

[9:36:13 AM](#)

REPRESENTATIVE DOOGAN expressed his offense at the suggestion that the state will pirate work products during this project. In consideration that this is the committee of first referral, Representative Doogan withdrew [Conceptual] Amendment 10B.

[9:37:05 AM](#)

REPRESENTATIVE RAMRAS commented that the state sometimes rules by unintended consequences.

[9:38:03 AM](#)

REPRESENTATIVE SAMUELS also commented that he is troubled by the three times damages set in the bill. In addition, he noted that all parties will have different standards for the term "uneconomic" and defining the term will be difficult.

[9:38:57 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 11, which said [original punctuation provided]:

Sec 43.90.900
Add after page 23, line 7

(17) "project labor agreement" means a completed collective bargaining agreement between the licensee and an appropriate Alaskan entity setting out the terms and conditions of employment on the project, including wages and benefits, no strike/no lockout provisions, safety rules, dispute resolution procedures, and use of hiring facilities in Alaska.

(renumber accordingly)

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN explained that [Conceptual] Amendment 11 attempts to define "project labor agreement" as stated in the proposed Committee Substitute, page 8, line 20. He observed that the goals of a project labor agreement are supported by the committee and that the term is not legally defined in statute.

[9:40:44 AM](#)

REPRESENTATIVE SAMUELS agreed that a project labor agreement is needed and is currently a part of AGIA. He expressed his reluctance to limit the language describing a project labor agreement without sufficient knowledge of the ramifications of [Conceptual] Amendment 11. He maintained his objection.

[9:42:12 AM](#)

A roll call vote was taken. Representatives Doogan and Kohring voted in favor of [Conceptual] Amendment 11. Representatives Kawasaki, Olson, Dahlstrom, Samuels, and Ramras voted against it. Therefore, [Conceptual] Amendment 11 failed by a vote of 2-5.

9:42:18 AM

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 12, 25-GH1060\E.3, Bullock, 4/1/07, which read:

Page 1, line 4, following "**coordinator**";:

Insert "**repealing the Alaska Stranded Gas Development Act**";

Page 27, following line 26:

Insert new bill sections to read:

*** Sec. 5.** AS 44.37.011(a) is amended to read:

(a) This section applies to administrative appeals or petitions for reconsideration of a decision in an administrative appeal to the commissioner of natural resources, except for those administrative appeals or petitions done under AS 38.35 [OR AS 43.82]. If a conflict occurs between this section and other state law existing at the time of enactment of this section, the provisions of this section control.

*** Sec. 6.** AS 29.10.200(54), 29.10.200(55); AS 29.45.810; AS 29.46.010(b); AS 36.30.850(b)(38); AS 43.20.072(g), 43.20.073(g); AS 43.82.010, 43.82.020, 43.82.100, 43.82.110, 43.82.120, 43.82.130, 43.82.140, 43.82.150, 43.82.160, 43.82.170, 43.82.180, 43.82.200, 43.82.210, 43.82.220, 43.82.230, 43.82.240, 43.82.250, 43.82.260, 43.82.270, 43.82.300, 43.82.310, 43.82.400, 43.82.410, 43.82.420, 43.82.430, 43.82.435, 43.82.440, 43.82.445, 43.82.500, 43.82.505, 43.82.510, 43.82.520, 43.82.600, 43.82.610, 43.82.620, 43.82.630, 43.82.640, 43.82.900, 43.82.990; secs. 1, 2, and 10, ch. 104, SLA 1998; and sec. 1, ch. 4, SLA 2003 are repealed."

ReNUMBER the following bill sections accordingly.

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN informed the committee that [Conceptual] Amendment 12 repeals the Alaska Stranded Gas Development Act. He noted that testimony from the industry indicates their interest in complying with the Alaska Stranded Gas Development Act rather than AGIA. Repeal of this act, Representative Doogan said, will remove that option.

[9:43:15 AM](#)

REPRESENTATIVE SAMUELS questioned the possibility that this repeal will have unintended consequences to the detriment of the state.

[9:44:09 AM](#)

MR. BULLOCK answered that he has looked at other references in the statutes and has concluded that all of the related statutes were drafted uniquely. He expressed his belief that, to the best of his research, there will be no repercussions.

[9:45:43 AM](#)

REPRESENTATIVE SAMUELS maintained his objection.

REPRESENTATIVE RAMRAS expressed his concern that repealing this act may be premature and that he will vote against the amendment.

[9:48:08 AM](#)

REPRESENTATIVE DAHLSTROM asked for a vote.

REPRESENTATIVE DOOGAN withdrew [Conceptual] Amendment 12.

[9:49:15 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 13, 25-GH1060\E.4, Bullock, 4/1/07, which read:

Page 9, lines 12 - 29:

Delete all material and insert:

"Sec. 43.90.150. Disclosure of submitted information. Notwithstanding AS 40.25, all information submitted to the commissioners under this chapter is public information; however, the information is not subject to disclosure before the commissioners publish the notice required under AS 43.90.160(a)."

Page 9, line 30:

Delete "(a)"

Page 10, line 1, following "AS 43.90.140":

Insert "and all applications rejected by the commissioners under AS 43.90.140(a) and (c)"

Page 10, lines 2 - 9:
Delete all material.

Page 27, lines 23 - 25:
Delete

"(A) proprietary or a trade secret in accordance with AS 43.90.150;

(B)"

Insert "submitted to the commissioners under AS 43.90 and"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN explained to the committee that [Conceptual] Amendment 13 changes the proprietary information and trade secrets, referenced in HB 177, to indicate that there will be no proprietary information and trade secrets as part of the applications. He said that one reason for this change is to eliminate government secrecy. In addition, exclusion of proprietary information will prevent proper public review of the application and will also prevent the legislature from properly evaluating the commissioners' award of the license.

[9:52:12 AM](#)

REPRESENTATIVE RAMRAS expressed his opposition to [Conceptual] Amendment 13. He observed that there is already a certain amount of rigidity in the AGIA application process and that he is comfortable with AGIA without requiring additional disclosures by the applicants.

[9:53:59 AM](#)

COMMISSIONER GALVIN spoke of the intention of the administration to provide an open and transparent application process. However, the producers successfully argued that they need some protection for their creative ideas during the development phase of the application. The administration, he said, was convinced to try to better balance the interests of all parties. He noted that the Committee Substitute [CS] will require the successful applicant to make all information public. The administration is supportive of a provision to allow the legislature access to proprietary information in order to make its review of the

successful application. However, the administration feels [Conceptual] Amendment 13 is damaging to the AGIA process.

[9:57:17 AM](#)

REPRESENTATIVE SAMUELS remarked:

...you'll come forward with a licensee, and, extreme examples, "Can't tell [the legislature] why we picked them, [because] it's all proprietary." ... I can understand that that is true proprietary information ... How do we balance that when you come forward and say "We picked the winner." ... and for applicant "A" and "B" there is no proprietary information, but applicant "C" is the one you picked? ...

[9:58:29 AM](#)

COMMISSIONER GALVIN assured the committee that the legislature will have the proprietary information needed during the review of the successful application. In the end, the public will see all of the information. He added that rejected applications will not be disclosed to the public unless a challenge is filed to protest the decision of the commissioners.

[10:00:21 AM](#)

REPRESENTATIVE DOOGAN expressed his belief that the public and the legislature may not be able to meaningfully review the applications for projects that do not get the license. He reiterated that an unsuccessful applicant that does not file a protest will not reveal proprietary information.

[10:01:33 AM](#)

COMMISSIONER GALVIN stressed that the legislature will see all of the information from all of the applicants. However, proprietary information will not be made public unless contested.

[10:02:11 AM](#)

REPRESENTATIVE DOOGAN withdrew [Conceptual] Amendment 13.

[10:02:53 AM](#)

REPRESENTATIVE DAHLSTROM called the committee's attention to CS Version E, page 9, line 19 and asked if the word "not" should be deleted.

[10:03:40 AM](#)

REPRESENTATIVE DOOGAN assured Representative Dahlstrom that the language in the CS was corrected by [Conceptual] Amendment 1.

[10:03:52 AM](#)

REPRESENTATIVE DOOGAN moved [Conceptual] Amendment 14, 25-GH1060\E.1, Bullock, 3/31/07, which read:

Page 18, line 10:
Delete "and 43.90.320"

Page 18, lines 12 - 13:
Delete "and 43.90.320 are"
Insert "is"

Page 18, line 14:
Delete "**inducement.**"
Insert "**inducement; royalty credit.** (a) A person qualified for resource inducement under AS 43.90.300 is entitled to a credit of 10 percent against the person's royalty obligation to the state for North Slope gas shipped through firm transportation capacity the person acquired during the first binding open season."

Reletter the following subsections accordingly.

Page 19, line 11, following "production":
Insert "; and
(4) the procedure for a person to take the credit provided in (a) of this section"

Page 19, line 13:
Delete "(d)"
Insert "(e)"

Page 19, line 16:
Delete "(a)"
Insert "(b)"

Page 19, line 22:

Delete "(e)"
Insert "(f)"

Page 19, line 31:
Delete "(c)"
Insert "(d)"

Page 20, line 10:
Delete "(a)"
Insert "(b)"

Page 20, line 15:
Delete "(c)"
Insert "(d)"

Page 20, line 17:
Delete "(c)"
Insert "(d)"

Page 20, line 19, through page 21, line 10:
Delete all material.

Page 23, line 14:
Delete "and the gas production tax exemptions
under AS 43.90.320"

REPRESENTATIVE SAMUELS objected.

REPRESENTATIVE DOOGAN informed the committee that [Conceptual] Amendment 14 is offered to solve the constitutional problem of freezing the tax rate by moving the inducements to royalty regulation. He expressed his hope that subsequent committees will consider an amendment to AGIA that will be upheld by the Alaska Supreme Court. He added that this inducement is within the legislature's power to grant.

[10:05:20 AM](#)

REPRESENTATIVE SAMUELS acknowledged the value of this discussion. However, he said he felt that the issue has not been thoroughly researched and he will not support [Conceptual] Amendment 14.

[10:06:25 AM](#)

COMMISSIONER GALVIN confirmed that the intent of this amendment has been discussed previously by other committees. The state is

considering all approaches that will withstand a possible constitutional challenge to AGIA and there will be further discussion in subsequent committees.

[10:07:26 AM](#)

REPRESENTATIVE DAHLSTROM asked whether the attorney general was invited to testify on this subject.

[10:08:00 AM](#)

CHAIR KOHRING observed that this issue will be addressed by the House Resources Standing Committee.

[10:08:22 AM](#)

COMMISSIONER GALVIN recommended that [Conceptual] Amendment 14 be set aside for a later committee to address.

[10:08:54 AM](#)

MR. BULLOCK explained to the committee that the constitution says the power to tax cannot be contracted away or suspended. Exceptions are subject to Article 9, section 4, and have to be made by general law. He continued to say that if the state grants an exception, the exception is then subject to revision. The intent in the governor's bill is to freeze the tax rate by ten years without taking away the legislature's ability to respond to fiscal needs. He further explained that royalty leases are contracts and are not subject to Article 9, section 4. A royalty credit or enactment of a law to exempt some of the gas production from taxes may be an inducement that would withstand a possible constitutional challenge. Mr. Bullock opined that the state can not limit its taxing powers.

REPRESENTATIVE DOOGAN stated that this issue should be flagged for the next committee to ensure that there is additional discussion of this issue. He then withdrew [Conceptual] Amendment 14.

[10:12:49 AM](#)

REPRESENTATIVE SAMUELS moved [Conceptual] Amendment 15, 25-GH1060\E.8, Bullock, 4/1/07, which read:

Page 11, line 31:

Delete "chairs of the legislative standing committees having jurisdiction over natural resources"

Insert "presiding officer of each house of the legislature"

Page 12, lines 11 - 14:

Delete "receiving a determination from the commissioners under AS 43.90.180, the House standing committee and the Senate standing committee having jurisdiction over natural resources"

Insert "the presiding officer of each house of the legislature receives a determination from the commissioners under AS 43.90.180, the rules committee of each house of the legislature"

Page 12, line 14:

Delete "bill in their respective chambers"

Insert "resolution"

Page 12, line 16:

Delete "bill"

Insert "resolution"

Delete "becomes law"

Insert "is approved by both houses of the legislature within 90 calendar days after the last date a presiding officer of a house of the legislature receives a determination from the commissioners under AS 43.90.180"

Page 12, lines 17 - 18:

Delete "effective date of the Act"

Insert "date a resolution passes"

CHAIR KOHRING objected.

REPRESENTATIVE SAMUELS offered an amendment to Amendment 15, which he identified as Conceptual Amendment 15. Conceptual Amendment 15 deletes page 1, line 14 through 20, and page 2, line 1 through 5, of the amendment. Representative Samuels explained that Conceptual Amendment 15 instructs the commissioners to deliver their determination to the presiding officer in each body of the legislature and removes the reference to the standing committees.

[10:14:20 AM](#)

MR. BULLOCK further explained that legislative approval raises the issue of the separation of powers and whether the executive branch can enter into a contract without consultation with the legislature. A resolution passed by the legislature can not have a substantive effect on a party not in the body. Under the original bill, the commissioners will recommend a license application to the legislature and, following no action by the legislature within 30 days, the contract will be issued. Conceptual Amendment 15 requires the legislature to take action to approve the license. Mr. Bullock continued to say that negative action by the legislature kills the contract. Disapproval of the contract by the legislature would be required to be by the passage of a bill because of the effect to parties outside of the legislature. Passage of a bill would also protect the state against litigation regarding the separation of powers.

[10:17:10 AM](#)

CHAIR KOHRING removed his objection to the amendment to the amendment, and to Conceptual Amendment 15. There being no further objection, Conceptual Amendment 15, as amended, was adopted.

[10:17:40 AM](#)

REPRESENTATIVE SAMUELS moved [Conceptual] Amendment 16 which read [original punctuation provided]:

Page 10, line 17, following "shall"

Insert "use an undiscounted value and, at a minimum, discount rates of two, six, and eight percent, and"

CHAIR KOHRING objected.

REPRESENTATIVE SAMUELS remarked:

...I didn't want an applicant to come forward and say the discount rate of seven was used and that it used a discount rate of five, that it could possibly change. ... So, we're trying to have some continuity and said that you must use an undiscounted cash ... undiscounted value which is just total cash and then a suite of two, six, and eight percent on all applicants.

REPRESENTATIVE RAMRAS asked whether the amendment conformed to Version E.

[10:18:44 AM](#)

REPRESENTATIVE SAMUELS said, "Yes, on page 10, line 17."

COMMISSIONER GALVIN asked for copies of the amendments under discussion.

The committee took an at-ease from 10:19 to 10:25.

[10:26:18 AM](#)

CHAIR KOHRING removed his objection to [Conceptual] Amendment 16.

[10:26:42 AM](#)

MR. SCOTT opined that the high end of the bracket of eight percent is well reasoned and comports with the long-term rate of return earned by the Alaska Permanent Fund Corporation. He continued to explain that two percent is a reasonable rate for a low inflation rate and will use the value of today's dollars. Mr. Scott said that "undiscounted cash" is not a relevant measure of economic value; therefore, a zero discount rate does not provide information for an economic analysis. He suggested replacing six percent with five percent as was recommended by the state's economic advisor.

[10:28:58 AM](#)

REPRESENTATIVE SAMUELS offered an amendment to [Conceptual] Amendment 16 that changes six percent to five percent.

[10:29:21 AM](#)

REPRESENTATIVE DAHLSTROM asked whether eight percent remained in [Conceptual] Amendment 16.

REPRESENTATIVE SAMUELS said, "Yes, two, five, and eight."

CHAIR KOHRING removed his objection and [Conceptual] Amendment 16, as amended, was adopted.

[10:30:01 AM](#)

REPRESENTATIVE SAMUELS moved [Conceptual] Amendment 17, which read [original punctuation provided]:

Page 7, line 22, following "Commission"

Insert "if the proposed project is engaged in interstate commerce,"

Page 7, line 22, following "Alaska"

Delete, ",as applicable"

Insert, "if the project is not engaged in interstate commerce"

Page 7, line 22, following "for"

Delete, "any"

Insert, "a"

Page 7, line 24, following "value"

Delete, "existing"

Insert, "previously owned"

Page 7, line 25, following "value;"

Insert, "describe the gas treatment plant, including its design, engineering, construction, ownership, and plan of operation; the identify [sic] of any third party that will participate in the ownership or operation of the gas treatment plant; and the means by which the applicant will work to minimize the effect of the costs of the facility on the tariff;"

CHAIR KOHRING objected.

REPRESENTATIVE SAMUELS noted that [Conceptual] Amendment 17 will require a more complete design of the gas treatment plant to be included in a bid from a mid-stream entity. He opined that the gas treatment plant is a large part of the process and the bid should include a more complete description than originally required in the bill.

CHAIR KOHRING removed his objection and hearing no further objection, [Conceptual] Amendment 17 was adopted.

[10:30:49 AM](#)

REPRESENTATIVE SAMUELS moved [Conceptual] Amendment 18, which read [original punctuation provided]:

Page 11, line 4, following "cost overruns"

Insert ", and encourage shippers to participate in the first binding open season"

CHAIR KOHRING objected.

The committee took an at-ease from 10:31 to 10:32.

REPRESENTATIVE SAMUELS said that [Conceptual] Amendment 18 pertains to the application evaluation. He then remarked:

...part of the criteria is that, and you can read there, the reasonableness, specificity, and feasibility of the applicant's work plan, timeline, and budget required to be submitted under the cite, including the applicant's plan to manage cost overruns and the degree to which to applicant intends to insulate shippers from the effects of cost overruns, and encourage shippers to participate in the first binding open season. So, how are you going to talk people into giving you the gas? ... You should be able to, on the application process, articulate that.

CHAIR KOHRING removed his objection and hearing no further objection, [Conceptual] Amendment 18 was adopted.

[10:32:48 AM](#)

REPRESENTATIVE SAMUELS moved [Conceptual] Amendment 19, 25-GH1060\B.21, Bullock, 3/29/07, which read:

Page 15, line 14, following "43.90.140(7)":

Insert "if the Federal Energy Regulatory Commission does not have a policy in effect that presumes that rolled-in rates apply to the recovery of expansion costs for the project"

Page 16, line 17, following "43.90.140(7)":

Insert "if the Federal Energy Regulatory Commission does not have a policy in effect that presumes that rolled-in rates apply to the recovery of expansion costs for the project"

CHAIR KOHRING objected.

REPRESENTATIVE SAMUELS informed the committee that HB 177 requires that the mid-stream entity must testify before the Federal Energy Regulatory Commission (FERC) to get the inducement of the 15 percent on the rolled-in rates and the

shippers must testify before FERC for the tax lock-in. He then said:

Everybody is going to testify, if you want something from the bill, you have to go before FERC and testify the same way. The FERC can override all that if they so choose to, but you have to testify the same. ... One of the pieces of testimony from the administration was that the regulation could change. The FERC right now has a rebuttable presumption of rolled-in tariffs and that regulation could change. ... As long as the rebuttable presumption is at FERC, ... you've got the rebuttable presumption, you will have the mid-stream entity, which must defend the rolled-in tariff and then the shippers can argue their own interests. ... I'm reticent to, to not adopt this, and lock the state into a policy which we don't know if we're going to like at the end of the day. ... It's probably better to allow the FERC to hear, as long as they have got the rebuttable presumption in there ... we should allow FERC to at least hear there might be competing views....

[10:35:33 AM](#)

REPRESENTATIVE RAMRAS asked if [the language] was on page 15, line 14.

[10:36:02 AM](#)

MR. BULLOCK said:

The changes would actually be on page 20, and I think it would go in to line 5, where it talks about the agreement not to protest in that part of the bill, that's relating to the royalty, and the tax condition is in the next page, on page 21.

[10:36:46 AM](#)

REPRESENTATIVE DAHLSTROM clarified that [Conceptual] Amendment 19 amends page 20, line 15, and page 21, line 6.

[10:37:22 AM](#)

MR. BULLOCK remarked:

It's offered conceptually, to modify the conditions under which the person that receives the royalty and the tax inducement can or can not protest or participate in the FERC proceedings.

[10:37:28 AM](#)

REPRESENTATIVE SAMUELS pointed out that this does not apply to the mid-stream entity. The mid-stream entity still must defend to the position that the state requires in the legislation. The intent of the amendment is that it will apply to the shipper as long as FERC has the rebuttable presumption.

[10:37:42 AM](#)

COMMISSIONER GALVIN expressed the state's objection to [Conceptual] Amendment 19. The administration is committed to having rolled-in rates apply to the expansion provisions. He noted that the state can object to rolled-in rates if it desires and can waive that provision. The true issue is whether the state will preclude a party from committing gas because of the obligation to not oppose rolled-in rates in the future. Commissioner Galvin stressed that the administration wants an attractive package that does not set up obstacles for mid-stream and up-stream applicants. In order for the explorers to have confidence that expansion will take place within a reasonable time, the state should not raise the prospect of a long drawn-out process at FERC, he said.

[10:41:24 AM](#)

MR. SCOTT recalled the importance of certainty for rolled-in rates on the incentives that explorers face. The state has indicated that having certainty of rolled-in rates makes a material difference in the value of a hydrocarbon prospect. [Conceptual] Amendment 19 will create significant uncertainty as to the future rates and would diminish the attractiveness of the exploration prospect. Mr. Scott pointed out that there are elements of fiscal certainty for different parties in HB 177. The initial shippers receive fiscal certainty with regard to tax and royalty and there is an element of fiscal certainty for the pipeline licensee. He expressed his belief that the creation of certainty around the economics of exploration is very important.

[10:43:51 AM](#)

MR. BULLOCK added that the general economic policy of AGIA is to maximize benefits to the state. The policy of rolled-rates keeps the rate low, but raises the risk that the original shipper will be subject to an increase in rate. The policy decision to make, he advised, will be rolled-in rates versus incremental rates.

[10:44:47 AM](#)

REPRESENTATIVE DOOGAN remarked:

If our concern is that the current producers might not come to the open season, then we'd want to vote with Representative Samuels, I think, because this gives them more flexibility in terms of their exposure to higher rates for shipping their gas after they've made the commitment. If our concern is that people won't go out and explore, then we want to vote against the amendment because this gives them, at least in theory, ... the certainty that ... they'd be able to ship new gas at a rolled-in rate. ... So, if it's a balancing act, I'd like to know a little bit more about how come you came down on the side of the explorers....

[10:46:37 AM](#)

COMMISSIONER GALVIN agreed that AGIA is a balance between different interests and is also an exercise in judgment. The state is attempting to balance the relative interest of explorers and their risk of an initial shippers' challenge to rolled-in rates, with the amount of disadvantage this represents to the interests of the initial shippers. He expressed his belief that the economics of the project are such that there will be a successful open season. The DNR is responding to structural concerns about royalty and concerns about changes in the production tax, and feels that these responses will be sufficient for the parties. Certainty for the explorers, Commissioner Galvin said, will overcome the potential detriment to open season.

REPRESENTATIVE SAMUELS said that he would not characterize the amendment as an explorer versus current producer question. Over time the mid-stream entity must back up what is regulated by the bill. The FERC has the presumption of rolled-in tariffs and the state generally agrees. However, as economics change for the entities, the state can not deny them the ability to request a change in rates. Representative Samuels opined that, in fact,

the state may change its stance and all parties will have an opportunity to appeal to FERC for its decisions.

[10:52:08 AM](#)

COMMISSIONER GALVIN responded that the state can not predict what an entity's motivation will be at the time of an expansion. What is known, he said, is that almost without exception, it is in the state's interest to have rolled-in rates. The state, therefore, wishes to bind an entity that receives inducements to make sure that it is consistent; thereby recognizing that the entity may have different motivations at the time the proposal is submitted. The bill provides the state with the ability to change its stance on rolled-in rate treatment, and the state can release the applicant from its obligation if necessary. At the outset, however, it is in the state's interest to tie the requirement of rolled-in rates to the value the state puts into the up-stream.

[10:53:59 AM](#)

REPRESENTATIVE RAMRAS expressed his empathy with the state's point of view. However, he said, there are too many unknown variables and elasticity is needed. He remarked:

... I find myself appreciating the elasticity that Representative Samuels is advocating for, even though it slows the process, it brings FERC back in incrementally. It affects negatively the ensuing expansions, but I like what it does to the overall architecture. ... When I weigh the two points on number 19, see the administration's point of view, see Representative Samuels's point of view and I think that the amendment offers elasticity through the licensee phase, so I'm going to be voting yes, for the amendment.

[10:56:10 AM](#)

MR. BULLOCK reminded the committee that FERC would be making the decisions, and the people making the arguments before FERC will include the initial shippers, the state, the pipeline owner, and the explorers.

[10:56:53 AM](#)

REPRESENTATIVE DOOGAN said:

... if there's actually an incentive that ... resides in this language and our primary concern is to get gas at the open season and our secondary concern is to encourage exploration, then it seems to me that I'm going to vote in favor of the amendment because if there is an incentive that resides there, it resides in the right place.

[10:57:29 AM](#)

CHAIR KOHRING withdrew his objection to [Conceptual] Amendment 19.

REPRESENTATIVE DAHLSTROM objected.

[10:58:44 AM](#)

A roll call vote was taken. Representatives Samuels, Ramras, Doogan, Olson, and Kohring voted in favor of [Conceptual] Amendment 19. Representatives Kawasaki and Dahlstrom voted against it. Therefore, [Conceptual] Amendment 19 was adopted by a vote of 5-2.

[HB 177 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Oil and Gas meeting was adjourned at 10:59 a.m.