MINUTES
SENATE FINANCE COMMITTEE
April 26, 2007
1:34 p.m.

CALL TO ORDER

Co-Chair Bert Stedman convened the meeting at approximately 1:34:17 PM.

PRESENT

Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Fred Dyson
Senator Joe Thomas

Also Attending: PATRICK GALVIN, Commissioner, Department of Revenue; MICHAEL WILLIAMS, Chief Economist, Tax Division, Department of Revenue;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 104-NATURAL GAS PIPELINE PROJECT

The Committee heard presentations on Natural Gas Prices, and Alaska's Long Run Fiscal Outlook from the Department of Revenue. The bill was held in Committee.

#SB104
1:34:51 PM

> CS FOR SENATE BILL NO. 104(JUD)
> "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."

This was the seventh hearing for this bill in the Senate Finance Committee.

1:34:56 PM

MICHAEL WILLIAMS, Chief Economist, Tax Division, Department of Revenue responded to questions raised at a previous hearing regarding revenue the State could generate from fields located at the North Slope. He referenced an earlier presentation titled, "Oil and Gas Incentives" [copy on file].

1:35:30 PM

Mr. Williams referenced page 13 of the presentation titled, "Alaska Department of Natural Resources, Briefing for Senate Finance, Current Gas Reserves & Resource Estimates, ANS & Offshore" [copy on file], which contained the following table.

> Table 4. Estimated mean volumes of undiscovered, technically recoverable petroleum in conventional accumulations for areas in the Arctic Alaska Petroleum Province.
>
> [Table depicting oil and natural-gas liquids in billion bbl and natural gas in trillion cubic feet, in Onshore and State offshore areas; Federal offshore areas; and the Arctic Alaska Petroleum Province onshore and offshore areas.
>
> Total undiscovered, but technically recoverable liquids amount to 50.75 billion bbl. Total undiscovered but technically recoverable gas is 227.34 trillion cubic feet. There is a total of 35.42 trillion cubic feet of known gas fields for a total of 262.74 TCF.]

Mr. Williams informed that the State of Alaska received revenue from oil and gas development in four methods. He listed royalty, production taxes, corporate income taxes and property taxes.

1:35:45 PM

Mr. Williams stated that revenue generated from property taxes was based on valuation of two percent and comprised less than

1.5 percent of the total revenue the State generated from oil and gas activity.

1:36:01 PM

Mr. Williams reminded that Mr. Banks of the Department of Natural Resources had addressed royalties, which accounted for approximately 35 percent of the taxes collected. This percentage was significant.

1:36:16 PM

Mr. Williams listed On-shore and State offshore areas, as the National Petroleum Reserve-Alaska (NPR-A), Central North Slope, and the Arctic National Wildlife Reserve (ANWR).

1:36:38 PM

Mr. Williams explained that the State would collect production taxes on the gas extracted from these areas.

1:36:48 PM

Mr. Williams stated that the federal offshore area included the Chukchi Shelf, the Beaufort Shelf and the Hope Basin. The State could collect no production taxes from these areas.

1:37:00 PM

Mr. Williams next spoke to the corporate income tax collected by the State for activities located at the onshore and state offshore areas. He stressed that corporate income taxes were "convoluted". The portion of production, sales, and capital within the state was divided by "the three factors for the companies outside the State of Alaska". These three factors were averaged and multiplied by the total profit then multiplied by 9.4 percent.

Mr. Williams remarked that increased production from the onshore and state offshore areas would result in increased sales and subsequently increased corporate income tax.

1:38:01 PM

Mr. Williams pointed out that increased production occurring at the federal offshore area would have the opposite effect. Because this production would occur outside the state, the share related to Alaska would decrease and proportionately, the State would receive a smaller share of the corporation's profit.

Mr. Williams reiterated the complexity of this taxation and qualified that the aforementioned statements regarding production rates in the two areas assumed that all other factors were equal.

1:38:42 PM

Co-Chair Hoffman questioned the depiction of the total liquids and total gas figures on Table 4.

1:39:06 PM

Mr. Williams advised that he did not prepare this chart, and was utilizing it only to demonstrate the areas of development eligible for taxation. The Department of Natural Resources prepared the chart.

1:39:25 PM

Senator Huggins requested clarification that the State would receive royalties from offshore development but would not receive revenue from production or income taxes.

1:39:42 PM

Mr. Williams affirmed, reminding again that Mr. Banks had addressed the royalty formula. Because the areas were located offshore, the proportionate amount of profits subject to the corporate income tax would be reduced.

1:40:07 PM

Senator Huggins asked the "federal royalty factor" of which the State received a percentage.

1:40:15 PM

Mr. Williams deferred to Mr. Banks on matters relating to royalty.

1:40:46 PM

Mr. Williams next outlined the Department of Revenue's natural gas price forecast at the request of Co-Chair Stedman. He utilized a handout titled, "Natural Gas Prices, Senate Finance, Department of Revenue, April 26, 2007, Michael D. Williams, Chief Economist" [copy on file].

> Natural Gas Prices
> Nominal Dollars per million BTU at Henry Hub
> [Line graph depicting the History prices for the years 1997 through 2007 and three Forecast prices for the years 2007 through 2025. The Forecast prices include an Official price trend plus higher and lower scenarios.]

Mr. Williams cited the Spring 2007 Revenue Forecast released by Commissioner Patrick Galvin one week prior as the source of the information contained in the graph.

1:42:03 PM

Co-Chair Stedman commented that the "less optimistic" price scenario appeared to be substantially higher than the "old stress price" of $3.50. Therefore "we should be in the money depending on costs."

1:42:53 PM

Mr. Williams cautioned that forecasting natural gas prices was a "very dicey" process. The forecast released by the U.S. Department of Energy was prepared utilizing "a full staff" and included "a wide array of prices." To understand the future, an understanding of the past must be achieved. Natural gas prices were regulated in the United States between 1938 and 1978. During that time industries were created and infrastructure was established with the intent that prices would continue to be regulated and would be low. Houses were constructed with natural gas heating systems. However, shortages occurred in 1978 and prices began to be deregulated. Deregulation was complete by 1996. Therefore, price trends of the future were unclear.

Mr. Williams continued that events resulting from the impacts of Hurricane Katrina in 2005 "really outlined the issues". Price was not the only factor; supply and availability were also

contributors. Various organizations had modeled this and information provided by the Department of Energy affirmed his concerns that the low scenario depicted on the graph was not the lowest possible price trend. Long term issues must be resolved in the forecasting of gas prices.

1:44:50 PM

Co-Chair Stedman recognized that price spikes could occur.

1:44:59 PM

Senator Dyson asked the witness' understanding of the assumptions contributing to the high and low scenarios and the official forecast, particularly the "dog leg" shown for the year 2013.

1:45:22 PM

Mr. Williams told of the Department of Revenue protocol to only change long run price forecasts once every two years and during the fall. This was done so that the long run price would not change each quarter. The most recent update was made in the fall of 2006. The noticeable shift in the official forecast at 2013 reflected the 2006 adjustment.

1:46:23 PM

Mr. Williams explained the high forecast would likely become a reality in the event of a "robust economy". During a robust economy companies that produce petrochemical products as well as electric utilities could sell their goods and services at a profit and pass the high natural gas prices to consumers who have experienced increased incomes.

Mr. Williams countered this with a situation in which consumers could not afford the high price, an economic recession occurred or an alternative energy source became available such as clean coal technology or nuclear power. If demand for natural gas "slipped" the price could decline.

1:47:26 PM

Mr. Williams predicted that weather would be a more significant factor in the short term. Extremely cold winters, extremely hot

summers and outages caused by hurricanes would affect natural gas prices.

1:47:36 PM

Senator Dyson clarified that the adjustment to the official price trend represented on the line graph was a result of the Department's policy to not change the forecast for five to six years rather than a reflection on the economic situation.

1:48:16 PM

Mr. Williams agreed in part that the policy dictates that the forecast remain the same. However, consideration should be given to the "up and down" history of prices of the past ten years. While the policy caused the forecasted price to drop, it was "quite possible" that the actual price could also be reduced.

Mr. Williams emphasized that unlike oil production, with its price history of 140 years, forecasts for gas prices must rely on only ten years of price history due to past regulation of the industry.

1:49:13 PM

Senator Thomas qualified that the 140-year history of oil prices had not guaranteed predictability either.

1:49:28 PM

Mr. Williams acknowledged this but pointed out the useful benchmarks that provided a long term perspective.

1:49:37 PM

Senator Huggins asked the witness' assessment of the reliability of the official forecast. Producers had testified to the risk of making a commitment of gas given the uncertainty of gas prices at the time the pipeline began operation.

1:50:10 PM

Mr. Williams reiterated the challenges of forecasting natural gas prices due to the limited history. The significant variation of prices during the past year "highlights the problems". He

remarked, "The fundamental will drive what the price will be and if prices remain high, there's the potential to drive many users out of the market." He continued, "If the price stabilizes and is relatively constant at a reasonable level - a lower level - I think demand could really take off and … keep a floor under prices." However the uncertainty was "the key" and was the reason he could not attest with confidence his "comfort" with the forecasts. He also pointed out that a worldwide market does not exist and must be considered.

1:51:19 PM

> Monthly International Gas Prices
> US Dollars per Million British Thermal Units
> [Line graph listing the prices for six month periods between January 2000 and January 2006 of US Henry Hub, Japanese LNG, and German Pipeline.]

Mr. Williams described the information contained on this slide included in his presentation. This graph highlighted several important aspects, the first of which was that no "world price" existed. Secondly, the situation of the United States was not necessarily the experience of elsewhere in the world. He asked whether a convergence would occur and the impact it would have on US prices. Oil could be traded in marketplaces in New York and Singapore and the price could be monitored twenty-four hours a day. Conversely much of natural gas transactions were "contract driven" between a producer and seller.

1:52:38 PM

Senator Huggins commented and posed a question as follows.

> If you look in Cook Inlet, if you look at Agrium, gas became too expensive, supply limited so they don't use gas. It doesn't work for them in the long run.
> We're going to go now - we, us, our state - is looking how to circumnavigate that problem … dig up some coal [from Interior Alaska], bring it down into port, put it on a barge and barge it down so that we can do a process to keep down the price; but to compete with the gas market.
> You take that scenario, and I'm not sure how that would replicate itself in the Lower 48 and other markets, but I'm just wondering [be]cause you mentioned nuclear, you mentioned clean coal technology, whether that sort of

phenomenon or human caused syndrome, whether you see that as a reality in other parts of the country or not.

1:53:46 PM

Mr. Williams answered, "Yes I do." The example of Agrium was a good "microcosm" of the events in the country. A utility company located in the state of Texas wanted to expand its electricity production with a plan to construct 11 coal-fired plants. Oil and gas are produced in Texas but supply availability plus the price disadvantaged its use by this utility. Significant "shut in gas" resulted from Hurricane Katrina. Due to a proposed buyout of the utility and because of environmental concerns, President George W. Bush ruled that only three coal-fired plants would be allowed and that the largest nuclear plant in the US would be constructed.

Mr. Williams stressed that "prices do matter". Currently, utilities require a regular stable supply of fuel for ten years in advance.

Mr. Williams summarized that he could not respond to whether coal or nuclear energy was an option. He listed factors involved, including environmental concerns, costs, capital expenses, regulatory issues and "siting". Because of these issues, natural gas had an advantage. Smaller scale plants could be constructed with a "combined cycle", which would be efficient. However, natural gas was "not the only game in town".

1:56:01 PM

Mr. Williams next gave a presentation utilizing a PowerPoint presentation titled, "Alaska's Long Run Fiscal Outlook" [copy on file.]

1:56:27 PM

Page 2

Agenda

- Surplus / Deficit
- State Oil Revenue
- Appropriations
- Revenue, Expenditures and use of Balance Funds

Mr. Williams indicated he would address these four topics.

1:56:50 PM

Mr. Williams emphasized this presentation was a "high level overview" of "one way the future might unfold". It represented one of many scenarios. This presentation would also be limited to unrestricted general fund revenue and would not address federal receipts or any restricted revenues. The dates in the charts referred to fiscal years, and all the values were reflected in billions of nominal dollars. Additionally the source of the revenue figures was the Department of Revenue Spring 2007 Revenue Sourcebook released the previous week by the commissioner. Data pertaining to appropriations and use of funds, notably the Constitutional Budget Reserve (CBR) Fund and the Public Education Fund were obtained in consultation with the Office of Management and Budget.

1:58:02 PM

Co-Chair Stedman asked if a proposed $1 billion appropriation intended to "forward fund" education was taken into account in this presentation.

Mr. Williams replied that it was included.

1:58:36 PM

Page 3

State Surplus & Deficit
Unrestricted General Fund, Billions of Nominal Dollars
[Bar graph showing surplus for the fiscal years 2001 and 2004 through 2006 and forecasted for the years 2007 through 2009; and deficits for the years 2000, 2002 and 2003 and forecasted for the years 2010 through 2025. The year 2014 is highlighted as the year that the CBR Fund would likely be depleted. The forecasted amounts of the deficit for that year and the subsequent years would increase from $2.5 billion to almost $4 billion. The experienced and forecasted deficit for each of the years prior to 2014 was less than $1 billion.]
Note: Surpluses are deposited in the Education Fund, shortfalls are withdrawn from the CBRF

Mr. Williams detailed the information contained on this slide and pointed out that deficits would be experienced in 2010 and would continue through 2025. The State receives over 85 percent of its revenue from oil, which includes royalty, production taxes, corporate income taxes and property taxes.

1:59:38 PM

Page 4

State Oil Revenue
General Fund Unrestricted Revenue, Billions of Nominal Dollars
[Line graph depicting the variations in the amount of revenue generated from oil for the years 2000 through 2006 and forecasted for the years 2007 through 2025.]

Mr. Williams stated that this slide showed future general fund unrestricted revenue from oil for the State. He noted the timeframe was the same as that of the previous slide in the presentation. Revenues would decrease in 2008 and would remain "relatively level" until 2013 when a significant decrease would occur. The primary factor for the two declines was declining crude oil prices. The long run price "takes hold" in 2014 and Alaska North Slope (ANS) crude oil prices would decline almost 28 percent to $41 per barrel in 2014.

2:00:26 PM

Mr. Williams listed other factors that would cause oil revenues to decline, including decreased production volume and decreases in production taxes due to increases in costs.

2:00:45 PM

Mr. Williams addressed an earlier question regarding the "downward turn in prices". A long history of crude oil prices exists and therefore the "long run price" was very "close" to historical occurrences. Although the decrease forecasted for 2014 was significant, the prediction was "right on the money".

2:01:10 PM

Senator Huggins requested the witness' insight to the volume of oil and the price per barrel that the forecast was based on.

2:01:24 PM

Mr. Williams cited the forecasted price for 2014 was $41.03 per barrel in nominal terms.

2:02:18 PM

Co-Chair Stedman noted that the information was included in the Executive Summary of the Spring 2007 revenue forecast [copy on file].

2:02:43 PM

Mr. Williams stated that the production volume was forecasted to be 750,000 barrels per day for the year 2014.

2:02:52 PM

Co-Chair Stedman asked whether the "economic stimulus out of the 20 percent credit on Prudhoe Bay … as the ability to stimulate exploration and development" was factored into the forecast.

2:03:19 PM

Mr. Williams identified two aspects of the question, one being the "financial aspect" and the other "the drilling and production."

2:03:32 PM

Mr. Williams responded that the Department reviewed existing programs and estimated the cost of those programs to include in the forecasts. Some programs were currently under development and others were under evaluation. The cost of those programs was included in the forecasts with an assumption that those costs would be subtracted from the revenue to calculate the net revenue and that 20 percent of the capital costs would be subtracted "from the potential liability".

Co-Chair Stedman reiterated his question as follows.

> When we went forward with a policy directional change on how we dealt with severance tax we put in a 20 percent credit to stimulate exploration and expansion. Is there a calculation or an estimate on the marginal increase - assuming it's positive - of oil volume down the TAPS [Trans Alaska Pipeline System] that can be related back to the credit stimulus or is it too early to know if that's going to work yet?

2:04:53 PM

Mr. Williams responded as follows.

> There's several things going on here. It's actually too early to speak definitively. But we can tell you that since 2003, the credits … - not the PPT but the exploration credits were first passed - we're just now started getting those in. So if you think in terms of the exploration process and, maybe some of my colleges from the oil companies could speak better to this than I can, they've got a time line. So I think the true affects from this will probably be felt later on.
> Are we monitoring it? Yes we're monitoring it; we're trying to find out what's going on. Have we specifically incorporated in? Within the first ten years we have not because those plans are in place. I believe … that's a longer term affect.

Mr. Williams invited Commissioner Galvin to comment.

2:05:48 PM

PATRICK GALVIN, Commissioner, Department of Revenue, testified that the fiscal policy based projections on experience and other projections. At issue was the point at which an expectation of behavioral changes resulting from the changes to the tax credit system should be incorporated into the projections. The process of economists modeling projected revenue involves "action first" before an expectation of changed behavior was "built in" to the model.

2:06:27 PM

Co-Chair Stedman opined that this was "a pretty reasonable assumption to me."

2:06:37 PM

Senator Elton asked whether a revenue projection had been conducted that included earnings from the Alaska Permanent Fund less the amount paid out in dividends. This scenario would involve expenditure of the portion of the earnings not utilized for the dividend program, for State services. He asked the impact to the depletion rate of the CBR.

2:07:32 PM

Mr. Williams stated that the analysis utilized for this presentation only involved unrestricted revenues. Earnings from the Alaska Permanent Fund were not unrestricted.

2:07:45 PM

Senator Elton acknowledged that this was the subject of a larger discussion that did not pertain exclusively to AGIA.

2:07:56 PM

Mr. Williams believed in revenue diversification. He and the Commissioner had considered preparing forecasts utilizing alternative scenarios including different oil prices and cost estimates. Expenditure from the Alaska Permanent Fund could be incorporated as another factor.

Senator Elton clarified intent that earnings from the Permanent Fund rather than the corpus of the Fund would be considered in such a scenario.

2:08:33 PM

Mr. Galvin stated that consultation with the Alaska Permanent Fund Division would be necessary in part to provide an estimate of the amount of the dividends.

2:09:09 PM

Co-Chair Stedman noted that the Department of Revenue website portrayed a 25-year forecast "with the earnings reserve" of the Permanent Fund, which could be reviewed and incorporated into this issue.

2:09:32 PM

Page 5

General Fund Appropriations
Billions of Nominal Dollars
[Line graph showing the History of appropriations made for the years 2000 through 2006 and Forecast of appropriations for the years 2007 through 2025. A notation reads, "Appropriations increase 2.5% per year".]

Mr. Williams cited the Office of Management and Budget as the source of this data. The Office of Management and Budget assumed an appropriation of almost $2 billion for FY 08, followed by an increase of 2.5 percent each year beginning in FY 09. The inflation rate appeared reasonable because it was "fairly close" to other indicators of inflation. Recent annual increases in the consumer price index had been growing at approximately three percent and the long run average was approximately three percent as well. The Department of Revenue Revenue Source Book forecast of costs and other factors assumed an inflation rate of 2.75 percent per year.

2:10:58 PM

Page 6

Revenue, Appropriations & Monies from Special Funds
Billions of Nominal Dollars
[Line graph overlaying the information from the previous slides. Delineated are Non-Oil Revenue, Oil Revenue, and Public Education Fund & Constitutional Budget Reserve Fund.]

Mr. Williams noted this overview was intended to assist the Committee in understanding the fiscal situation.

2:11:41 PM

Senator Thomas asked the assumptions utilized as the base to determine the revenue surplus and deficit.

2:12:22 PM

Mr. Galvin utilized the graphs of Page 3 and Page 6 to demonstrate the differences between revenues generated and expected appropriations. He detailed how the forecasted oil price would determine revenue.

2:13:49 PM

Mr. Williams furthered that the FY 06 "level" of $3.25 billion excluded a proposed $400 million capitalization of the Education Fund. Additionally excluded was $500 million capitalization of the Education Fund for FY 07, $300 million for the Education Fund for FY 08, and a $300 appropriation to the Alaska Housing Finance Corporation. These items reflect that "some of the money has been moved forward."

2:14:33 PM

Co-Chair Stedman requested "preparatory work with the AGIA timeline so we could lay over, or have it side by side and - not so much the revenue potential [be]cause … we don't know what's going to get built - but just the mechanical timeline of the different certificates, timings, with the five-year extension, without it, that type of stuff so that we…"

2:15:05 PM

Mr. Galvin interrupted to inform that without the AGIA applications the "actual picture" could not be determined. Known factors of the timelines could be discussed, such as the open season date occurring up to three years following issuance of the AGIA license. A certain amount of time would be allowed for FERC application submission and a certain amount of time would be allowed after FERC certification was received to secure credit support. These terms would be provided to interested parties for incorporation into a project plan that the party "believe was an appropriation response" and would compete with other project proposals.

Mr. Galvin predicted that one company could submit that it would hold an open season earlier and apply for the FERC certificate in a shorter amount of time than another company could. The remainder of the timeline, including necessary contingencies, would be established "around" the proposal. Otherwise to infer that the AGIA timeline provided that gas would not be produced

until after 2020 was not "a real description of what is going to result from this competitive process."

Mr. Galvin commented as follows.

> Frankly if we only got in proposals that stretches out to gas coming in in 2020 I think we're going to have to seriously look at proposals that come in and decide, as AGIA allows, whether or not going forward is in the State's interest. We're going to have to really look at that.

2:17:16 PM

Mr. Galvin pointed out the following.

> But what AGIA provides is an opportunity for companies to compete at each of those different gates. We're going to have a year from now, the opportunity to look at a particular project proposal and match it up here [to the graph depicting Revenue, Appropriations & Monies from Special Funds] and say OK how's this going to work with our future and how are we going to then plan for that if we decide to go forward with it.
> But when we talk about the AGIA timeline we've got to look at it in terms of "is this a reasonable commercial proposal to expect parties to want to accept and participate in?"

2:18:04 PM

Mr. Galvin appreciated Co-Chair Hoffman's assertion that the State should not provide the AIGA licensee "a blank check at the end of the day" informing them that "we'll wait around and you'll tell us what you're going to do, or come back to us in five years." This was not the intent. The language of the application would include requirements for a work plan through the entire timeline. The legislation would reflect that.

Mr. Galvin reiterated that the timeline could not be assumed to be 20 years. This would not be an "accurate depiction or a relevant discussion in the nature of our finances."

2:18:55 PM

Co-Chair Stedman deemed the matter to require further consideration. He expressed confidence that a reasonable

expectation of the date of "first gas" could be estimated "if everything went fairly well with a good proposal that came forward with gas and capital behind it". He questioned the inability to estimate the risk level to the Committee in "dealing with the timeframe."

2:20:06 PM

Mr. Galvin reiterated that a "realistic best case scenario" would result gas production starting in 2016. This would require that the first open season was successful and was held within one year of the issuance of the license, and that the FERC certificate was approved, credit support was sanctioned and the pipeline was constructed without delays.

2:20:45 PM

Mr. Galvin posed a scenario in which no delays occurred in the open season process or in obtaining the FERC certificate but credit support was not immediately secured. This would add up to five years to the date in which gas production would begin.

2:21:41 PM

Mr. Galvin next hypothesized three years before the first open season was held and the potential impact on the FERC certification process. Application for the FERC certificate should be submitted in the first four to five years.

Mr. Galvin identified the only variables as the length of time required once the FERC certificate was issued to secure financing and begin construction and the length of the "construction window".

2:22:06 PM

Senator Elton reminded that the current five-year allowance for the licensee to secure credit support was discussed at a previous hearing. Testimony received at a subsequent hearing informed of the two-year deadline on the federal loan guarantees commencing at the time of FERC certification. He requested this be considered in conjunction with the proposed five-year credit support extension. He surmised that the deadline to secure credit support could be changed to two years with an option for a three-year extension.

2:22:59 PM

Mr. Galvin had reviewed the federal loan guarantee issue and the method in which the deadline "actually works." The Administration had been advised of the possibility that the deadline could be met in the form of a conditional issuance contingent upon certain criteria, which could require additional time.

Mr. Galvin understood the logic that if the financial plan was based on the federal loan guarantees and failure to meet the two-year deadline resulted in the loss of the loan guarantees, additional time to secure credit support would not be productive. However, if the AGIA license holder planned to rely on the federal loan guarantee, this must be specified in the "post certification work plan". Failure to qualify for the loan guarantee would therefore be a violation of the AGIA license agreement and the license could be revoked.

2:24:38 PM

Mr. Galvin summarized that the federal loan guarantee deadline and the credit support deadline were integrated. However, the expectation of a project timeline would be based on "the abstract" without a proposal.

2:25:06 PM

Senator Huggins agreed with Senator Elton's assessment. In conversation with the Department of Natural Resources commissioner and from this discussion, Senator Huggins concluded that "applications are clearly just all of our imaginations; what's going to come back we don't know." However this legislation would stipulate specific deadlines. He recommended that a party that had secured credit support would be allowed one year from the issuance of the FERC certificate to begin construction, and that a party that had yet to secure credit support before FERC certification was complete would be permitted two years from the date of issuance. Additionally, an "expandability clause" would allow for up to three additional years if necessary and if approved by the State. This would prevent the State from being "held hostage" for the entire five year period.

2:26:13 PM

Mr. Galvin deemed this proposal as "clearly something that's workable". The Administration intended for this to "become part of the deal as it were, in response to an application." However, not every project would rely upon the federal loan guarantee.

The bill was HELD in Committee.

#

ADJOURNMENT

Co-Chair Bert Stedman adjourned the meeting at 2:27:29 PM