

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 11, 2009
2:02 p.m.

MEMBERS PRESENT

Representative Craig Johnson, Co-Chair
Representative Mark Neuman, Co-Chair
Representative Bryce Edgmon
Representative Kurt Olson
Representative Paul Seaton
Representative Peggy Wilson
Representative David Guttenberg
Representative Scott Kawasaki
Representative Chris Tuck

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Alaska Oil and Gas Conservation Commission

John Norman - Anchorage

Alaska Commercial Fisheries Entry Commission

Peter Froehlich - Juneau

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 163

"An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to definitions of certain terms in AS 41.41."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 163

SHORT TITLE: ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/02/09	(H)	READ THE FIRST TIME - REFERRALS
03/02/09	(H)	ENE, RES, FIN
03/28/09	(H)	ENE AT 10:00 AM BARNES 124
03/28/09	(H)	Heard & Held
03/28/09	(H)	MINUTE(ENE)
04/09/09	(H)	ENE AT 3:00 PM BARNES 124
04/09/09	(H)	Moved Out of Committee
04/09/09	(H)	MINUTE(ENE)
04/10/09	(H)	ENE RPT 3DNP 3NR
04/10/09	(H)	DNP: RAMRAS, PETERSEN, EDGMON
04/10/09	(H)	NR: DAHLSTROM, JOHANSEN, TUCK
04/11/09	(H)	RES AT 12:00 AM BARNES 124

WITNESS REGISTER

JOHN NORMAN, Appointee

to the Alaska Oil and Gas Conservation Commission
 Department of Administration
 Anchorage, Alaska

POSITION STATEMENT: Testified as an appointee to the Alaska Oil and Gas Conservation Commission.

PETER FROEHLICH, Judge, Appointee

to the Alaska Commercial Fisheries Entry Commission
 Alaska Department of Fish & Game
 Juneau, Alaska

POSITION STATEMENT: Testified as an appointee to the Alaska Commercial Fisheries Entry Commission.

JOE BALASH, Inter-Governmental Coordinator

Department of Natural Resources
 Anchorage, Alaska

POSITION STATEMENT: Presented HB 163 on behalf of Governor Palin.

HAROLD HEINZE, Executive Director

Alaska Natural Gas Development Authority
 Department of Revenue
 Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 163, presented information and answered questions.

ACTION NARRATIVE

[2:02:32 PM](#)

CO-CHAIR CRAIG JOHNSON called the House Resources Standing Committee meeting to order at 2:02 p.m. Representatives Johnson, Guttenberg, Olson, Wilson, Seaton, and Tuck were present at the call to order. Representatives Edgmon, Kawasaki, and Neuman arrived as the meeting was in progress.

CONFIRMATION HEARING(S):

Alaska Oil and Gas Conservation Commission

2:03:03 PM

CO-CHAIR JOHNSON announced that the first order of business is the confirmation hearing for John Norman, appointee to the Alaska Oil and Gas Conservation Commission.

CO-CHAIR JOHNSON began by asking Mr. Norman why he is interested in being appointed to the Alaska Oil and Gas Conservation Commission (AOGCC).

2:03:28 PM

JOHN NORMAN, Appointee to the Alaska Oil and Gas Conservation Commission, Department of Administration, replied that he has lived in Alaska for over 40 years and his background is in geology and law. He said he has worked in development of natural resources for virtually all of his career. As a legal counsel within the Department of Law he worked for the AOGCC and the Department of Natural Resources. In private practice he dealt with natural resource law representing a variety of clients across the state, from individual Alaskans to resource companies to Native corporations. Now at the end of his practice career, he said he views this as an opportunity to put to work for Alaska the knowledge he has gained over all these years.

CO-CHAIR JOHNSON stated that Mr. Norman is an incumbent up for re-appointment. He disclosed that Mr. Norman is a constituent of his district, District 28, and that he supports Mr. Norman.

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REPRESENTATIVE GUTTENBERG, in reference to Point Thomson and the relationship between oil and gas, inquired as to how much oil needs to come off before gas can be taken out.

MR. NORMAN stated that he will limit his response to what is on record because this issue is pending before the commission. He explained that Point Thomson is a retrograde reservoir, which means the pressures are extremely high. A very large amount of condensate is suspended in the gas, but as the pressure drops that liquid will fall out. Because the liquid in the gas is equivalent to an "Alpine field", there is much at risk and the commission and other agencies are being vigilant in making sure that this is not wasted. In addition, there is an oil rim around that gas, as well as Brookian deposits. He pointed out that the commission is charged with ensuring that when the Point Thomson reservoir goes on line there is no waste of valuable hydrocarbons from approaching production improperly.

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CO-CHAIR NEUMAN moved to forward the name of John Norman to the joint session of the House and Senate for confirmation. There being no objection, the confirmation of John Norman was advanced from the House Resources Standing Committee.

Alaska Commercial Fisheries Entry Commission

[2:08:39 PM](#)

CO-CHAIR JOHNSON announced that the next order of business is the confirmation hearing for Peter Froehlich, appointee to the Alaska Commercial Fisheries Entry Commission.

CO-CHAIR JOHNSON asked Judge Froehlich why he is interested in being appointed to the Alaska Commercial Fisheries Entry Commission (CFEC).

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PETER FROEHLICH, Judge, Appointee to the Alaska Commercial Fisheries Entry Commission, Alaska Department of Fish & Game, responded that he is interested because of the combination of his past work in commercial fishing and law: trolling for salmon, fishing for king and tanner crab out of Kodiak, tendering salmon, and working for about 12 years in the Office of the Attorney General, which included advising and representing the CFEC, which he is now a part of. In addition, he served as a district court judge in Juneau for over 16 years. It is a vicarious enjoyment of fishing, he quipped, to deal with the issues and people involved in fisheries.

JUDGE FROEHLICH, in response to Co-Chair Johnson, confirmed that this is a re-appointment and that he started in August 1985 after leaving the district court bench that January.

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REPRESENTATIVE SEATON, in regard to SB 3 and its requirement that the CFEC provide public information without charge to Alaska Regional Development Organizations (ARDORs), asked how extensive a financial draw this could be upon the commission if there is a very complex request for data analysis. He expressed his concern that this provision could be used as a way of funding research for an ARDOR using CFEC and vessel receipts.

CO-CHAIR JOHNSON noted that the House Resources Standing Committee has not seen SB 3. He surmised that SB 3 would allow the providing of information by the commission free of charge.

REPRESENTATIVE SEATON said correct.

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JUDGE FROEHLICH explained that while he is familiar with SB 3, it was CFEC Chairman Frank Homan who testified on the bill. He said the language in SB 3 mentions public information, which means data or facts that the commission has, and he does not recall the word "analysis" being in the bill. The commission does not plan to do a lot of gratuitous research projects and in the past the commission has not been asked for such by ARDORs. While the commission occasionally gets requests for some analysis, this analysis is billed to the agencies requesting it; the key here is that ARDORs would essentially be entitled to fee waiver. The commission did a zero fiscal note, he continued, and does not see that SB 3 is inviting a lot of analysis requests, just data requests.

REPRESENTATIVE SEATON said he wants to make sure the commission is not overlooking something and creating the potential for a large draw of funds from the CFEC to support another organization inadvertently.

JUDGE FROEHLICH, in response to Co-Chair Johnson, said he would pass on Representative Seaton's concerns to the commission.

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CO-CHAIR NEUMAN asked what Judge Froehlich does at the commission and what his purpose and mission are at the CFEC.

JUDGE FROEHLICH replied that he deals with correspondence and reviews hearing officer decisions on a daily basis. Pretty much every decision that the CFEC handles on a permit application goes through several levels of review, he explained, and about a dozen are in court right now. The commission reviews and edits the attorney general's briefs, as well as the commission's decisions. He said the CFEC's mission is to get as many Alaskans fishing as quickly as possible. A new online system enables renewals and new interim-use permits to be turned around within days. He added that his responsibilities vary by time of year.

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CO-CHAIR NEUMAN surmised that the CFEC decides the number of permits and who gets them.

JUDGE FROEHLICH responded yes.

CO-CHAIR NEUMAN inquired whether the CFEC is involved with buybacks of permits.

JUDGE FROEHLICH answered yes. He noted that a buyback is fairly complex to accomplish, but that it is the commission that would invalidate or retire the permits that are bought back.

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CO-CHAIR NEUMAN asked whether Judge Froehlich believes there are areas in the state that have too many permits.

JUDGE FROEHLICH declined to identify an area that may have too many permits and referred members to the reports and links available on the CFEC's website. He said one of the reports shows the percentage of permits in each fishery over the last 10 years that are not fished. The number of permits not fished is a market-based indication that the fishermen think there are too many permits and not worth it to go fishing or that there is no market for selling the permit. He pointed out that allocation gets into the Board of Fisheries.

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CO-CHAIR NEUMAN offered his belief that it is a big deal to receive fishing permits from the state and then afterwards there is a value for selling them or having the state buy them back.

JUDGE FROEHLICH reiterated that the CFEC's website has many links and reports. He referenced a report that lists by fishery the percent of permits that are held now by original "issuers" and many are less than 50 percent. Some non-transferable permits have been cancelled, he noted. The Southeast seiners are the only instance of buyback and this was done with private funds and involved about two or three dozen permits, roughly 10 percent of the total. He added that there is some federal money for more buybacks.

CO-CHAIR JOHNSON closed public testimony on the appointments of Mr. Norman and Judge Froehlich after ascertaining that no one online or in the audience wished to testify.

[2:23:43 PM](#)

CO-CHAIR NEUMAN moved to forward the name of Peter Froehlich to the joint session of the House and Senate for confirmation.

REPRESENTATIVE WILSON objected to ask a question. She said she did not realize that this is a paid position and asked what the salary is.

JUDGE FROEHLICH responded that it is just over \$100,000 per year for the full-time position. He said he believes this is the same for the Alaska Oil and Gas Conservation Commission (AOGCC), and that the salary is set by a special statute for these two commissions only.

REPRESENTATIVE WILSON withdrew her objection. There being no further objection, the confirmation of Peter Froehlich was advanced from the House Resources Standing Committee.

HB 163-ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

[2:24:54 PM](#)

CO-CHAIR JOHNSON announced that the final order of business is HOUSE BILL NO. 163, "An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to definitions of certain terms in AS 41.41."

[2:25:18 PM](#)

JOE BALASH, Inter-Governmental Coordinator, Department of Natural Resources, explained that HB 163 is one element of a three-part agenda that Governor Palin has initiated to get work started on an in-state natural gas pipeline. The first piece of legislation is a funding request, the second piece is HB 164 dealing with right-of-way leasing and "the pipeline act", and the third piece is HB 163 which makes some changes to the statutory duties and prerogatives of the Alaska Natural Gas Development Authority (ANGDA).

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MR. BALASH said ANGDA was created by a 2002 voter initiative that went into law in 2003. Then-Governor Frank Murkowski appointed the board and began the preliminary steps of getting the organization up and running. The original initiative directed ANGDA to put together a feasibility plan for a natural gas pipeline running from the North Slope to tidewater at Prince William Sound, with a spur line to Southcentral Alaska. In 2004 the legislature unanimously opened up the statute to examine an alternative route to look at a destination at tidewater on Cook Inlet. Over the years ANGDA has looked at additional ways of commercializing natural gas or otherwise bringing natural gas to Alaskans and it has kept the legislature and administration informed in this regard. This fall a request came through ANGDA to examine a pipeline heading west. However, when a contract was generated and sent to the desk of the Commissioner of Revenue it was discovered that there is no real authority in the statute or the underlying appropriation and therefore this was beyond what ANGDA should be doing.

CO-CHAIR JOHNSON surmised that it is unclear whether ANGDA is authorized only for a pipeline from Prudhoe Bay to tidewater at Prince William Sound and the spur.

MR. BALASH responded that it will become clearer as he goes through HB 163.

[2:29:32 PM](#)

CO-CHAIR NEUMAN asked Mr. Balash to speak further about the pipeline heading west.

MR. BALASH replied that the request came from a member of the other body who wanted to see whether there was an opportunity to build a pipeline to the southwest portion of the state. A

feasibility contract authorized by the [ANGDA] board cited a particular appropriation as the funding authority; however, that particular funding authority was specific to a project to tidewater as opposed to a destination in western Alaska. This caused an examination of the underlying statute and the authorities and directions given to ANGDA by the initiative, the legislature, and the appropriation. He said the governor would like ANGDA to be able to identify a gas supply anywhere in the state of Alaska and be able to deliver that gas to any market in Alaska. Thus, the changes made by HB 163 would allow ANGDA to look at places other than the North Slope for supply and to take gas to any market in Alaska.

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MR. BALASH noted that page 1, line 7, of HB 163 adds the language "or other regions within the state"; thus, [AS 41.41.010(a)] is modified to say, "bring natural gas from the North Slope or other regions within the state to market, ...". For example, he continued, the present statute does not clearly address the moving of gas from the Nenana Basin to market in Southcentral Alaska should gas be discovered in the Nenana Basin this summer. He said the governor thinks the language should be made clear that ANGDA has both the authority and the directive to identify sources of supply in the state and be able to bring that supply to market wherever that market might be in Alaska.

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REPRESENTATIVE GUTTENBERG suggested taking out the old North Slope language and not adding the new language so that page 1, line 7, states "order to bring natural gas to market,".

MR. BALASH pointed out that Representative Guttenberg's proposed language would allow ANGDA to bring gas to any market in Alaska or the U.S., while the intent is to make clear that it is gas supplies in Alaska to markets in Alaska.

REPRESENTATIVE GUTTENBERG disagreed with Mr. Balash's interpretation of what his suggested language would do.

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CO-CHAIR NEUMAN surmised that the term "gas" includes all the components of gas - natural gas, liquids, propanes, butanes, and ethanes - not just methane.

MR. BALASH replied that he does not believe there are any restrictions. He cited page 1, line 9, which states "the acquisition and conditioning of [NORTH SLOPE] natural gas;". He said he does not believe that in the definitions section natural gas is defined to mean only methane.

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REPRESENTATIVE SEATON inquired whether gas from the six-mile range off the Alaska coast could be bid into a gas line.

MR. BALASH answered that he is not certain which definition of the state because it would be beyond the three-mile offshore boundary. However, he said he thinks that six miles is still the state even if it is not state land that lies beneath.

REPRESENTATIVE SEATON asked whether the administration has a problem with "other regions of the state, including the outer continental shelf off Alaska".

MR. BALASH responded no.

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REPRESENTATIVE KAWASAKI noted that the Alaska Gasline Port Authority was established in 1999 with the idea that the gas go to tidewater for the liquefied natural gas market. He inquired what the impact of the amendment in Section 2 would be in regard to the liquefied gas market.

MR. BALASH replied that the language is still very explicit that delivery be to markets within the state for use by markets within the state or to tidewater for shipment to market. This is well within the bounds and mission of the authority, with the essential point being that markets within the state are served.

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CO-CHAIR NEUMAN asked what powers ANGDA was given.

MR. BALASH answered that he does not have the full statute in front of him, but that ANGDA has a wide range of corporate powers, such as the ability to enter into contracts, buy property, and enter into leases. However, Section 1 of HB 163 speaks to the body of law regarding the purpose of the corporation as opposed to the powers.

CO-CHAIR NEUMAN, in response to Co-Chair Johnson, said he knows the purpose is to get in-state gaslines, but he wants to know about the powers.

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REPRESENTATIVE OLSON said that if the Agrium plant was on line today the demand for the bullet line would be well under 0.5 billion cubic feet (bcf) a day, but to efficiently build a line it would take 1.5-2.0 bcf per day. He understood that 1.5-2.0 bcf per day would trigger the triple damages under the Alaska Gasline Inducement Act (AGIA).

MR. BALASH responded that this is probably incorrect. The first question that arises when the project assurances clause in the AGIA statute and AGIA license is considered is whether or not a project is a competing project and that is regardless of whether it is 500 million cubic feet (mmcf) per day or more.

REPRESENTATIVE OLSON interjected that that is based on capacity.

MR. BALASH continued, saying that the second question is "Has that competing project been granted a preferential tax or royalty consideration or has it been granted state dollars ... for the purpose of constructing the pipe?"

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REPRESENTATIVE OLSON inquired whether the use of "Foothills or Nenana gas" in the line that is being talked about would be deemed as being gas that could have been used for AGIA.

MR. BALASH replied that there is a qualification within AGIA that speaks to North Slope gas with regard to the notion of a competing project and the project assurances clause. He said he therefore believes that "Nenana gas" would not affect regardless of whether it is a competing project.

REPRESENTATIVE OLSON said he believes North Slope gas also covers the Gubic Gas Field.

MR. BALASH, speaking from memory, recalled that the AGIA law defines North Slope as 68 degrees and therefore the Gubic Gas Field is in.

REPRESENTATIVE GUTTENBERG requested that Mr. Balash be able to finish his opening statement.

MR. BALASH said he is finished with his statement.

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CO-CHAIR JOHNSON understood it is the administration's desire that ANGDA take the lead on in-state gas development and HB 163 would provide that additional authority.

MR. BALASH said that is a good summation and added that ANGDA has within its powers some tools that could be very constructive in moving in-state gas projects forward. He said the administration wants to ensure that the purpose of ANGDA is not in any way limited beyond what it could do for the citizens in the state of Alaska.

CO-CHAIR JOHNSON related that he has heard some concerns about expanding ANGDA's power, but he is not terribly concerned and believes it makes sense given that ANGDA is quasi-government.

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CO-CHAIR NEUMAN asked for clarification on whether the Gubic Gas Field is considered North Slope gas.

MR. BALASH said he will check the definition in the AGIA statute, but he believes that 68 degrees is used as the line of demarcation, in which case the Gubic Gas Field is included in the definition of North Slope gas.

CO-CHAIR NEUMAN understood that gas from the Gubic Gas Field would be a competing gas.

MR. BALASH said yes, it would be competing if it is a pipeline that: begins at the North Slope, delivers North Slope gas, is more than 500 mmcf, and receives a preferential tax or royalty consideration.

CO-CHAIR NEUMAN surmised that under HB 163 it would be okay to build a pipeline with the capacity to carry more than 500 mmcf a day.

MR. BALASH responded that the statute dealing with ANGDA does not speak to capacity or to a specific project, so he is unsure how to answer the question.

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CO-CHAIR NEUMAN inquired whether AGIA's conditions would be violated if ANGDA built a pipeline to other regions within the state with the capacity to carry 1.3-1.8 bcf per day but only shipped 0.5 bcf of gas per day.

MR. BALASH replied that several fundamental questions must be answered to determine whether a project violates AGIA. The first question is whether the project is designed to carry more than 500 mmcf a day at the initial design and capacity stage. Any pipeline can be expanded to virtually any capacity, it is just a matter of whether this is done through compression or looping. Illogical conclusions can be reached if one were to say "any capacity of the pipe". After the questions about design, carrying capacity, and how long the pipe will be at that capacity, another set of questions can be asked. These questions are about preferential tax and royalty treatments, grants of state cash, and whether the pipeline is in fact a competing project with the AGIA project.

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CO-CHAIR NEUMAN said he hopes there will be the ability to expand opportunities to other regions within the state.

MR. BALASH assured members that voting yes for HB 163 will not trigger triple damages under the AGIA license. The bill does not ask for preferential tax or royalty treatment or to build a particular project, he said. It only makes slight modifications to the purpose of the Alaska Natural Gas Development Authority.

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REPRESENTATIVE GUTTENBERG said he thinks the word "or" in the amending language in Section 3, line 12, could be interpreted to mean that this project does not have to include in-state use of gas. He asked whether this is the intent.

MR. BALASH answered that the intent is to allow "project", as defined within the ANGDA section of statute, to include a project that would come from the North Slope or from some other region within the state and then take it to tidewater at a point on Prince William Sound or Cook Inlet, but it is to markets within the state.

CO-CHAIR JOHNSON added that it is not that the language is exclusionary and requires that one or the other be done; rather both could be done.

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REPRESENTATIVE GUTTENBERG said he hopes both will be done, but the second "or" in the amending language [Section 3, line 12] makes it look that theoretically it could be just to tidewater and not necessarily for in-state use and he is wondering if that is the intent, although it could just be grammatical.

MR. BALASH responded that the primary directive here is to markets within the state. If "and" to tidewater was used it would suggest that the gas must get to tidewater and the administration is not trying to do that. The desire is the authority to have the flexibility to just take gas to a market in-state without having to necessarily go to tidewater for export. He provided a theoretical example of gas being found in the Nenana Basin and the examination of building a pipeline to the Donlin Creek area to support the mine, a situation of not building to tidewater at all.

REPRESENTATIVE GUTTENBERG said he understands this and that the intent is to hopefully do both of them, so he will speak to someone who knows about grammar.

CO-CHAIR JOHNSON stated that he is not sure "or" is exclusionary and means doing one or the other; it could mean doing both.

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REPRESENTATIVE TUCK said he believes that Representative Guttenberg's worry is that gas taken by pipeline to tidewater not be for export only, that it also be able to go to Alaska markets. Representative Tuck asked if he is correct in surmising that gas is being taken to tidewater so that it can be distributed to places elsewhere in Alaska.

MR. BALASH replied, "In a manner of speaking, yes". In further response, he said export would still be allowed and possible. There was a very specific project for which ANGDA was created, he continued, and for that reason project was defined in a particular way. However, that aspect of ANGDA and its mission has been satisfied and now the administration wants to make sure that the definition of project is not overly restrictive as ANGDA pursues projects.

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REPRESENTATIVE OLSON understood that Gubic gas was not used in the initial calculation of gas available for the AGIA line by either the Alaska Oil and Gas Conservation Commission (AOGCC) or the Department of Natural Resources (DNR).

MR. BALASH said he believes that is correct in terms of day-one gas in the models that were used for the AGIA findings.

REPRESENTATIVE OLSON suggested adjusting the degrees to take out the Gubic Gas Field to clear up any problem with triple damages as respects that gas. If it was not used in the calculations in the first place, he opined, it should not be deemed as competing gas.

CO-CHAIR JOHNSON said he does not have a problem with this line of questioning, but he does not want to revisit the AGIA licensing at this point.

MR. BALASH offered to work with Representative Olson off line to understand how this might be accomplished and how this might be received by the licensee and the license issuers. He said he is uncertain what the effect would be if any part of that statute were amended at this point in time.

REPRESENTATIVE OLSON said he is not planning on amending HB 163.

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CO-CHAIR NEUMAN surmised that the expansion provided by HB 163 to other regions and markets within the state, which he likes, would allow taking off propane at the Yukon River and sending it to villages in western Alaska.

MR. BALASH said that this is largely correct. There are some arguments that can be made about being able to take propane directly at Prudhoe Bay as the law currently stands and, rather than relying on legal interpretations, this just makes it clear.

CO-CHAIR NEUMAN noted he is bringing this up because of the language on page 2, lines 14 and 15. He understood that part of the intent of HB 163 is to use gas, if it is found, to help generate electricity in other regions and markets in the state.

MR. BALASH answered correct.

[3:01:27 PM](#)

HAROLD HEINZE, Executive Director, Alaska Natural Gas Development Authority, Department of Revenue, pointed out that ANGDA is a public corporation of the state. Therefore ANGDA has the same business authorities as any other business entity, such as the ability to sue, be sued, make contracts, make deals, spend money, and accept gifts. In addition, as a public corporation and political subdivision of the state, ANGDA was granted the authority for bonding. In the evolution of ANGDA's role in in-state gas, this bonding authority may become the most important aspect of what ANGDA does. Over its six years ANGDA has evolved and what it looks at has evolved.

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MR. HEINZE explained that initially ANGDA was assigned to look at a liquefied natural gas (LNG) project out of Valdez. Although ANGDA determined the project to be economic and feasible, it was decided that it was too big a project for an entity like ANGDA. In looking at other projects in the feasibility sense, it became clear to ANGDA that getting gas into Southcentral Alaska through a spur line was a project that offered the maximum benefit to Alaskans, so that is where ANGDA then focused its efforts. This is the one project where ANGDA has progressed beyond the feasibility level to looking at the alignment and obtaining a conditional right-of-way between Glennallen and Palmer.

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MR. HEINZE said ANGDA's current activities on the pipeline side are now focused on advancing that spur line and advancing its tie-in to either Denali - The Alaska Gas Pipeline ("Denali") or TransCanada's Alaska Pipeline Project and preparing for an open season in 2010 or early [2011]. Other projects that ANGDA has looked at include a propane facility on the North Slope.

MR. HEINZE referenced an [April 7, 2009] opinion letter from the attorney general and explained that questions were raised late last year. One of these questions was in regard to Senator Hoffman's request that ANGDA look at pipelines to western Alaska, something ANGDA thought worth doing. However, "the system" balked, so ANGDA referred it back to Senator Hoffman. He said ANGDA thinks this could easily be cured through the appropriation process: when money is appropriated to ANGDA the

language can instruct the agency to look at that feasibility. Other questions were raised about a number of the other things ANGDA was doing, he continued. The attorney general's opinion letter clarifies that ANGDA's authorities are very broad. In short, ANGDA was formed to deal with the issues of getting North Slope gas to market and to do it in such a way that it benefited Alaskans. Within this very broad grant of authority, ANGDA has chosen to focus down much closer on things and not try to be all things to all people. For instance, he explained, the Alaska Gasline Port Authority is still looking at an LNG project out of Valdez, so ANGDA has backed away from the LNG area. Additionally, ANGDA's intent on the spur line has been simply to advance the project to a point where the front-end risk is lessened and the private sector can do the project.

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MR. HEINZE stressed that ANGDA is neither interested in, nor focused on, being the builder of a pipeline, but thinks it can play a role in assisting the private sector in accomplishing this. He said that in ANGDA's mind the reason for HB 163 is simply clarification. There is no conflict in a real sense that ANGDA is aware of between what it has wanted to do and what the statute allows it to do. The attorney general's opinion affirms the breadth of ANGDA's authority in general, and while there may be some limitations on the project definition, the language of HB 163 clarifies that and makes it sufficiently broad.

MR. HEINZE pointed out that the legislature has control through the appropriations process. Also, the legislature has provided approval on a year-to-year basis of what ANGDA has said it would do and checked back to make sure it was done. In addition, the legislature has provided guidance to ANGDA. Similarly, the administration, through the power of the governor to appoint the seven-member public board, has maintained control of ANGDA's direction throughout at least two administrations. He added that HB 163 is helpful in the longer run in terms of the financing ability of ANGDA working in concert to help bring about some projects.

[3:10:28 PM](#)

CO-CHAIR JOHNSON remarked that it is good to hear Mr. Heinze thinks HB 163 will be helpful.

REPRESENTATIVE KAWASAKI said he thinks the power of authority section seems fairly clear, but the big difference is that the project scope and project definition are being changed. When voters created ANGDA in 2002, he continued, it was clear they wanted tidewater market in Valdez or Prince William Sound and a spur line from Glennallen to Southcentral Alaska. He proffered that taking those out and broadly defining other regions within the state is not necessarily clearer guidance but actually expanding the envelope of what a project could mean. He asked Mr. Heinze to comment in this regard.

MR. HEINZE replied that ANGDA's thinking has been that regardless of which pipeline system develops in Alaska, it will - in the long run - link many different places. This is why ANGDA has been very comfortable thinking about all the different dots and showing in its diagrams everything it can think of, including the marine transportation of propane to make the linkage. The attorney general's opinion says that when ANGDA is dealing with things that are not real project specific, it has a lot of room to maneuver. Thus, ANGDA can make contracts, deals, and business arrangements. He said he believes that when ANGDA is dealing with something that is very specific to the project, this language will be helpful in that it makes it clear that ANGDA has a lot of flexibility as long as the pipelines are inside the state of Alaska and serving markets that are either internal markets or export markets in the state of Alaska.

[3:13:22 PM](#)

MR. HEINZE added that HB 163 does not represent ANGDA doing anything new or changing direction. Rather, it reflects a progression from looking at broad feasibilities to looking at very specific projects, particularly private-sector-driven projects, to be driven forward with the help, potentially, of public financing.

REPRESENTATIVE KAWASAKI offered his opinion that amending the definition of project in Section 3 seems fairly specific and liberalizes the definition of project. While not opposed to this, he said he wants to be clear where [the legislature] is headed.

CO-CHAIR JOHNSON interjected that he thinks broadening it out is where [the legislature] is headed. In-state gas is a priority for committee members' constituents and this is an attempt to start to get there.

3:15:08 PM

REPRESENTATIVE SEATON inquired whether ANGDA believes that the language in Section 3, page 2, of HB 163 clarifies for bonding purposes that which is written on page 4, paragraph 2, of the [April 7, 2009] attorney general's opinion.

MR. HEINZE qualified that he is not a lawyer and that the opinion letter was written separate from HB 163. He said that since he believes the attorney general's office has a similar source, he therefore believes that within the attorney general's office the answer to the question should be yes. He added that ANGDA recently commissioned a private contractor to look at public/private partnership and this contractor also suggested that the language related to an exact project that one was undertaking the financing on be authorized by the legislature as part of the bonding approval. He said he cannot say that the fix provided by [Section 3] is the ultimate fix for everything, but he believes it provides the clarity to convince people to consider the financial aspects of ANGDA and its ability as a public entity to bond pipeline projects.

3:17:45 PM

REPRESENTATIVE SEATON asked Mr. Heinze's opinion in regard to a potential conceptual amendment for page 1, line 7, that would add "including Alaska outer continental shelf" so there would be no ambiguity that gas from this area could be put into a project.

MR. HEINZE responded that he is unsure of the linkage. He said ANGDA has viewed its authority to obtain gas as the ability to work with people that would wish to tender gas during an open season. If ANGDA was involved in either an ownership or financing aspect of a pipeline from the North Slope area, its intention would be to make sure that that access was available. He added that ANGDA has also looked at ways it can encourage people to put their gas in. In terms of working with the sellers of gas, he continued, ANGDA might be of aid to local gas consumers, particularly the electric utilities, in purchasing long-term supplies of gas in the ground which would provide a better deal than a year-to-year contract. Therefore it would be ANGDA's intent to work with a company [that has gas from the outer continental shelf] and assure access to the pipeline.

3:20:15 PM

CO-CHAIR JOHNSON asked whether adding the language "including Alaska outer continental shelf" to the gas supplies would hurt Mr. Heinze's feelings.

MR. HEINZE reiterated that he is not a lawyer, but that it would never hurt his feelings expanding ANGDA's authority.

REPRESENTATIVE KAWASAKI inquired whether ANGDA must come before the legislature for approval of any bonding.

MR. HEINZE answered that the ANGDA statute is very clear that the legislature has control of the limit on the bonding authority. It is not a matter of bringing forward the actual bond, but the legislature must approve the amount of bonds that can be issued.

[3:21:51 PM](#)

CO-CHAIR NEUMAN understood that the language in HB 163 allows for the construction of what is commonly considered and called the "bullet line".

MR. BALASH responded yes.

CO-CHAIR NEUMAN requested Mr. Balash to provide a definition of "bullet line".

MR. BALASH replied he is unaware of any legal definition of "bullet line". He continued:

In sort of the vernacular of Alaska gas pipeline projects, the bullet line has been identified as one that travels generally from the North Slope along the Parks Highway to Cook Inlet. That is distinct from what's been referred to as the all-Alaska line which would travel from Prudhoe down to Fairbanks and then along the Richardson Highway to the Prince William Sound area. Those aren't legal distinctions or definitions, but for label purposes that's how I've come to know the differentiation.

[3:22:57 PM](#)

CO-CHAIR JOHNSON pointed out that one other term used a lot is "spur line" and his understanding is that this would be from "Delta to market in Southcentral Alaska someplace, so it would not exclude that either in any case".

MR. BALASH answered correct.

CO-CHAIR JOHNSON added that members likely knew the answer to these questions, but he wanted the answers on the record. He said he thinks HB 163 is critical legislation that needs to go forward for the advancement of a bullet line.

CO-CHAIR JOHNSON opened public testimony on HB 163. There being no one wishing to testify, he closed public testimony.

[3:24:44 PM](#)

REPRESENTATIVE SEATON moved Conceptual Amendment 1 as follows:

Page 1, line 7, after "state":

Insert "including the Alaska outer continental shelf"

Page 2, line 5, and page 2, line 11, after the first "within the state":

Insert "including the Alaska outer continental shelf"

CO-CHAIR JOHNSON objected in order to note that Conceptual Amendment 1 clarifies that any oil found beyond the three-mile limit is included and that if the U.S. becomes a signatory of the Law of the Sea Treaty it would extend up to 350 miles. He said he thinks Conceptual Amendment 1 is appropriate.

[3:26:24 PM](#)

REPRESENTATIVE SEATON pointed out that Conceptual Amendment 1 would be inserted into those places where there is language for the procurement of gas, but not the marketing of gas.

CO-CHAIR JOHNSON added that a vote for Conceptual Amendment 1 and/or for HB 163 does not necessarily mean the member endorses the Alaska outer continental shelf, although he hopes everyone does. He asked whether Mr. Balash or the administration opposes Conceptual Amendment 1.

MR. BALASH answered no.

CO-CHAIR JOHNSON withdrew his objection. There being no further objection, Conceptual Amendment 1 was passed.

3:27:41 PM

REPRESENTATIVE GUTTENBERG expressed his concern about amending the definition of the word project and leaving out "to markets within the state" after each "or", saying he believes it needs to be redundant each time. He moved Conceptual Amendment 2 as follows:

On page 2, Section 3 of the bill, line 9, (3), when ... defining the project: each time we define the project it includes the parameters that the project is described to include using the gas for markets within the state, not exclusively, but markets within the state as inclusive.

3:29:10 PM

MR. BALASH, in response to Co-Chair Johnson, said he understands the intent of Conceptual Amendment 2 and that it is consistent with the intent of the administration if lawyers think the change is needed.

CO-CHAIR JOHNSON objected to Conceptual Amendment 2 for purposes of discussion.

CO-CHAIR NEUMAN also objected. He clarified that markets within the state could be propane, butane, gas-to-liquids (GTLs), and any other capacity or use within the state.

REPRESENTATIVE GUTTENBERG agreed with Co-Chair Neuman.

CO-CHAIR JOHNSON added that market is any exchange of goods or services for money and it would not be limiting in any form or fashion.

3:30:20 PM

CO-CHAIR NEUMAN removed his objection. [Co-Chair Johnson's objection was treated as removed.] There being no further objection, Conceptual Amendment 2 was passed.

CO-CHAIR JOHNSON held over HB 163.

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:31 p.m.