

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

April 10, 2010

12:39 p.m.

MEMBERS PRESENT

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Hollis French
Senator Gary Stevens
Senator Thomas Wagoner

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

SENATE BILL NO. 309

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

- MOVED CSSB 309(RES) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 280(FIN) AM

"An Act relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for a gas storage facility on state land; and providing for an effective date."

- MOVED SCS CSHB 280(RES) OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 40(RES)
Opposing the proposed designation by the National Marine Fisheries Service of 3,000 square miles of upper Cook Inlet, the mid-inlet, all of the inlet's western shores, and Kachemak Bay as critical habitat for beluga whales.

- MOVED SCS CSHJR 40(RES) OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 306(RES)
"An Act declaring a state energy policy."

- MOVED SCS CSHB 306(RES) OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 49(RES)
Urging the United States Congress to enact S.J. Res. 26, a resolution disapproving the Environmental Protection Agency's imposition of climate regulations that would harm Alaska's economy and the livelihoods of the state's citizens.

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 309

SHORT TITLE: GAS EXPLORATION\DEVELOPMENT TAX CREDIT

SPONSOR(s): RULES BY REQUEST

03/25/10	(S)	READ THE FIRST TIME - REFERRALS
03/25/10	(S)	RES, FIN
03/31/10	(S)	RES AT 3:30 PM BUTROVICH 205
03/31/10	(S)	Heard & Held
03/31/10	(S)	MINUTE(RES)
04/05/10	(S)	RES AT 3:30 PM BUTROVICH 205
04/05/10	(S)	Scheduled But Not Heard
04/10/10	(S)	RES AT 12:30 AM BUTROVICH 205

BILL: HB 280

SHORT TITLE: NATURAL GAS: STORAGE/ TAX CREDITS

SPONSOR(s): HAWKER, CHENAULT

01/15/10	(H)	PREFILE RELEASED 1/15/10
01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	L&C, RES, FIN
02/08/10	(H)	L&C AT 3:15 PM BARNES 124
02/08/10	(H)	Heard & Held
02/08/10	(H)	MINUTE(L&C)

02/15/10 (H) L&C AT 3:15 PM BARNES 124
 02/15/10 (H) Moved CSHB 280(L&C) Out of Committee
 02/15/10 (H) MINUTE(L&C)
 02/17/10 (H) L&C RPT CS(L&C) NT 4DP 2NR 1AM
 02/17/10 (H) DP: LYNN, NEUMAN, CHENAULT, OLSON
 02/17/10 (H) NR: HOLMES, T.WILSON
 02/17/10 (H) AM: BUCH
 02/19/10 (H) RES AT 1:00 PM BARNES 124
 02/19/10 (H) -- MEETING CANCELED --
 02/26/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/26/10 (H) <Bill Hearing Canceled>
 03/12/10 (H) RES AT 1:00 PM BARNES 124
 03/12/10 (H) Heard & Held
 03/12/10 (H) MINUTE(RES)
 03/15/10 (H) RES AT 1:00 PM BARNES 124
 03/15/10 (H) Moved CSHB 280(RES) Out of Committee
 03/15/10 (H) MINUTE(RES)
 03/17/10 (H) RES RPT CS(RES) NT 5DP
 03/17/10 (H) DP: EDGMON, OLSON, P.WILSON, SEATON,
 JOHNSON
 03/17/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/17/10 (H) <Bill Hearing Postponed to 1:30 pm
 Today>
 03/17/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/17/10 (H) Heard & Held
 03/17/10 (H) MINUTE(FIN)
 03/18/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/18/10 (H) Heard & Held
 03/18/10 (H) MINUTE(FIN)
 03/18/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/18/10 (H) Moved CSHB 280(FIN) Out of Committee
 03/18/10 (H) MINUTE(FIN)
 03/22/10 (H) FIN RPT CS(FIN) NT 9DP 1AM
 03/22/10 (H) DP: AUSTERMAN, FAIRCLOUGH, KELLY,
 N.FOSTER, DOOGAN, THOMAS, JOULE,
 STOLTZE
 03/22/10 (H) HAWKER
 03/22/10 (H) AM: GARA
 03/24/10 (H) TRANSMITTED TO (S)
 03/24/10 (H) VERSION: CSHB 280(FIN) AM
 03/25/10 (S) READ THE FIRST TIME - REFERRALS
 03/25/10 (S) RES, FIN
 03/31/10 (S) RES AT 3:30 PM BUTROVICH 205
 03/31/10 (S) Heard & Held
 03/31/10 (S) MINUTE(RES)
 04/05/10 (S) RES AT 3:30 PM BUTROVICH 205
 04/05/10 (S) Heard & Held

04/05/10 (S) MINUTE(RES)
04/09/10 (S) RES AT 3:30 PM BUTROVICH 205
04/09/10 (S) Heard & Held
04/09/10 (S) MINUTE(RES)

BILL: HJR 40

SHORT TITLE: COOK INLET/KACHEMAK BELUGA POPULATION
SPONSOR(S): MILLETT

01/27/10 (H) READ THE FIRST TIME - REFERRALS
01/27/10 (H) RES
02/24/10 (H) RES AT 1:15 PM BARNES 124
02/24/10 (H) Moved CSHJR 40(RES) Out of Committee
02/24/10 (H) MINUTE(RES)
02/26/10 (H) RES RPT CS(RES) 3DP 2NR
02/26/10 (H) DP: P.WILSON, NEUMAN, JOHNSON
02/26/10 (H) NR: SEATON, TUCK
03/01/10 (H) NOT ADVANCED TO THIRD READING SAME DAY
03/01/10 (H) BEFORE THE HOUSE IN SECOND READING
03/01/10 (H) TRANSMITTED TO (S)
03/01/10 (H) VERSION: CSHJR 40(RES)
03/02/10 (S) READ THE FIRST TIME - REFERRALS
03/02/10 (S) RES
04/08/10 (S) RES AT 3:30 PM BUTROVICH 205
04/08/10 (S) Heard & Held
04/08/10 (S) MINUTE(RES)
04/10/10 (S) RES AT 12:30 AM BUTROVICH 205

BILL: HB 306

SHORT TITLE: STATE ENERGY POLICY
SPONSOR(S): ENERGY

01/19/10 (H) READ THE FIRST TIME - REFERRALS
01/19/10 (H) ENE, RES
01/26/10 (H) ENE AT 3:00 PM BARNES 124
01/26/10 (H) Heard & Held
01/26/10 (H) MINUTE(ENE)
01/28/10 (H) ENE AT 3:00 PM BARNES 124
01/28/10 (H) Heard & Held
01/28/10 (H) MINUTE(ENE)
02/02/10 (H) ENE AT 3:00 PM BARNES 124
02/02/10 (H) Moved CSHB 306(ENE) Out of Committee
02/02/10 (H) MINUTE(ENE)
02/05/10 (H) ENE RPT CS(ENE) 7DP
02/05/10 (H) DP: RAMRAS, DAHLSTROM, PETERSEN, TUCK,
JOHANSEN, EDGMON, MILLETT
03/08/10 (H) RES AT 1:00 PM BARNES 124

03/08/10	(H)	Heard & Held
03/08/10	(H)	MINUTE(RES)
03/12/10	(H)	RES AT 1:00 PM BARNES 124
03/12/10	(H)	Moved CSHB 306(RES) Out of Committee
03/12/10	(H)	MINUTE(RES)
03/15/10	(H)	RES RPT CS(RES) 8DP 1NR
03/15/10	(H)	DP: GUTTENBERG, EDGMON, TUCK, KAWASAKI, SEATON, P.WILSON, JOHNSON, NEUMAN
03/15/10	(H)	NR: OLSON
03/17/10	(H)	TRANSMITTED TO (S)
03/17/10	(H)	VERSION: CSHB 306(RES)
03/18/10	(S)	READ THE FIRST TIME - REFERRALS
03/18/10	(S)	RES, FIN
04/06/10	(S)	RES AT 3:30 PM BUTROVICH 205
04/06/10	(S)	Heard & Held
04/06/10	(S)	MINUTE(RES)
04/10/10	(S)	RES AT 12:30 AM BUTROVICH 205

WITNESS REGISTER

MIKE PAWLOWSKI
Staff to Senator Wielechowski
Alaska State Legislature
Juneau, AK
POSITION STATEMENT: Commented on SB 309.

KEVIN BANKS, Director
Division of Oil and Gas
Department of Natural Resources (DNR)
Juneau, AK
POSITION STATEMENT: Commented on SB 309.

MARCIA DAVIS, Deputy Commissioner
Department of Revenue (DOR)
Juneau, AK
POSITION STATEMENT: Commented on SB 309.

CARRI LOCKHEART, Production Manager
Marathon Oil Alaska
Anchorage, AK
POSITION STATEMENT: Opposed SB 309.

JULIE LUCKY
Staff to Representative Hawker
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HB 280 for the sponsor.

JEFF TURNER
Staff to Representative Millet
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HB 306 for the sponsor.

MICHELLE SYDEMAN
Staff to Senator Wielechowski
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HJR 40.

ACTION NARRATIVE

[12:39:28 PM](#)

CO-CHAIR LESIL MCGUIRE called the Senate Resources Standing Committee meeting to order at 12:39 p.m. Present at the call to order were Senators Wagoner, Huggins, French, Wielechowski, Stevens, and McGuire.

SB 309-GAS EXPLORATION\DEVELOPMENT TAX CREDIT

[12:39:40 PM](#)

CO-CHAIR MCGUIRE announced SB 309 to be up for consideration.

[12:40:09 PM](#)

MIKE PAWLOWSKI, aide to Senator McGuire, noted that the members should have a committee substitute in their packets.

[12:40:17 PM](#)

CO-CHAIR WIELECHOWSKI moved to adopt the proposed committee substitute to SB 309, labeled 26-LS1629\R, as the working document of the committee.

CO-CHAIR WIELECHOWSKI objected for discussion purposes.

[12:40:55 PM](#)

At ease 12:40 - 12:41

[12:41:37 PM](#)

MR. PAWLOWSKI presented a sectional analysis of version R and said that SB 290, sponsored by Senator Wagoner, had been integrated into CSSB 309(RES) version R. The first change expanded the title due to that integration (a credit against the

tax on the production of oil and gas for a qualified capital expenditure and for certain losses and expenditures, providing a credit against the tax on the production of oil and gas for drilling certain exploration wells in the Cook Inlet sedimentary basin). Sections 1-3 had no changes; this was the change to AS 43.20.043, the corporate income tax credit, which increased the credit from 10 percent to 25 percent. Section 4 added a new subsection, AS 43.20.043(e), specifically on page 4, lines 2-5. He explained that some did not want tax credits for qualified investments in the Cook Inlet to be rolled into a rate base for regulated facilities.

[12:43:25 PM](#)

CO-CHAIR WIELECHOWSKI asked him to explain "may not include in any rate base for a regulated facility submitted to a regulatory agency charged with determining an appropriate tariff the cost of any qualified capital investment or qualified service that has been offset..." again.

MR. PAWLOWSKI answered his understanding is that goal of this section is to deal with the application of the credit.

CO-CHAIR MCGUIRE asked Kevin Banks to answer that question.

[12:44:12 PM](#)

KEVIN BANKS, Director, Division of Oil and Gas, Department of Natural Resources (DNR), said this is an amendment that was embedded in the language of HB 229. It was offered by Representative Seaton with the intention that should there be a credit on a facility that is regulated and providing some kind of service to the public, that the public would see the benefit of the credit.

[12:45:37 PM](#)

CO-CHAIR MCGUIRE explained that several pieces of legislation have been merged into CSSB 309(RES) version R; Speaker Chenault's changes that were made on the House side to HB 229, as well as Senator Wagner's SB 290. She asked Ms. Davis to comment.

MARCIA DAVIS, Deputy Commissioner, Department of Revenue (DOR), said this means when a party goes to the Regulatory Commission of Alaska (RCA) to establish a rate to charge for use of their facility, they describe and calculate all the costs of that facility and determine their recovery of those costs over the life of the facility plus a return. Doing that, you derive the rate that can be charged. This is saying when a party who has

received a credit that offsets some of their costs goes before the RCA and says they want to charge a rate to recover their costs, that the costs they are recovering are not the costs that have been offset by the credit.

[12:46:51 PM](#)

MR. PAWLOWSKI said section 5 was previously section 4 in the original bill. Section 6 adds new language clarifying the original intent that a taxpayer who claims a credit may not claim any other credit. Section 7 adds new language to tighten up the definition of "property" for what is eligible for these tax credits; it excludes LNG manufacturing facilities, topping plants or processing units - the goal being to stick to the exploration and development of the resource itself and not give them to ancillary investments that might be used. Section 8 has no changes.

Section 9 adds a new section allowing the capital investment credits under the ACES program to be taken in one year as opposed to two years.

[12:48:26 PM](#)

SENATOR FRENCH asked if this is identical to provisions in a bill from the governor.

MS. DAVIS answered yes.

SENATOR WIELECHOWSKI asked about the fiscal impact.

MS. DAVIS said the fiscal note is indeterminate, but they would assume \$50 - \$60 million. Changing the two years to one should essentially be a wash.

[12:50:31 PM](#)

SENATOR FRENCH asked if it is a one-time charge.

MS. DAVIS answered that is correct.

MR. PAWLOWSKI continued his analysis: Section 10 is conforming language to section 9. Previously you had to be issued certificates plural, because you got one for each year. Now, since credits can be given in one year it is just one certificate.

Section 11 is actually the provisions from SB 290; the changes are on page 7, lines 23-26. It is a new section creating basic credit rates for the first three wells that will be drilled

under the provisions found in Section 12, on page 7, line 27 through page 9, line 3.

CO-CHAIR MCGUIRE clarified that this is the "Cook Inlet Stampede" provision.

[12:52:05 PM](#)

MS. DAVIS interjected that the fiscal note was revised from \$70 million to \$120 million spread over a two-year period.

MR. PAWLOWSKI continued that Section 13 was previously Section 7 in the original bill and there are no changes to it; it is the transition uncodified section as you move from the previous 10 percent to the new 25 percent in the corporate income tax. There needs to be regulation about how the two effective dates are navigated. Section 14 is new, and repeals AS 43.55.028(e)(2) and (3); the first is the requirement that when a producer receives a capital credit that they had to make an expenditure within 24 months of receiving it. The (e)(3) section required the expenditures to be equal to the credits.

MS. DAVIS clarified that it isn't the receipt of credits that's conditioned on the reinvestment; it's the ability to cash credits in out of the "028 fund" that would require the reinvestment. This element would affect producers that have 50,000 barrels of production per day or less.

[12:53:43 PM](#)

SENATOR FRENCH asked the fiscal impact of Section 14.

MS. DAVIS answered that the impact is indeterminate again, in the sense that what they don't is what people would or would not be able to spend, because the small producers have the alternative of being able to sell those credits in lieu of reinvesting. Reinvesting has not been factored in into their revenue forecast; so they wouldn't see a change in it.

[12:54:32 PM](#)

MR. PAWLOWSKI said Section 15 was in the original bill that extends the sunset of the original corporate income tax credit out to 2020 as opposed to 2013. Section 16 had no change.

CO-CHAIR MCGUIRE said that concluded presentation of version R and she asked Senator Wielechowski if he wanted to remove his objection.

[12:55:13 PM](#)

CO-CHAIR WIELECHOWSKI said he still had some questions and remarked that Section 1 gives the producer a 25 percent credit on their income taxes but the state currently has a 25 percent exploration tax credit in Cook Inlet.

MS. DAVIS said that would be 30 and 40 percent.

CO-CHAIR WIELECHOWSKI asked if a company has to share its data with the state if they receive exploration tax credits.

MS. DAVIS answered yes under AS 43.55.025(f)

CO-CHAIR WIELECHOWSKI asked if a company has to share that data with the state for the income tax credit.

MS. DAVIS answered under the current income tax and as would be revised by this bill it would not require the sharing of data with DNR.

CO-CHAIR WIELECHOWSKI remembered that they fought pretty hard to get data sharing under ACES and he asked if that was helpful for the administration to have. He said the legislative consultants were "just floored" by the idea that the department didn't have data for the state's oil and gas fields.

MS. DAVIS deferred to Director Banks.

[12:57:16 PM](#)

MR. BANKS responded that under ACES AS 43.55.023 and .025 credits, what is different from what would normally be the case is that the state receives all of the exploration well data and seismic information on projects covered by the credit no matter who owns the land where the exploration occurs. The second difference is that under ACES the seismic information can be made public after 10 years. Without the ACES credit, some data provisions are required: the Alaska Oil and Gas Conservation Commission (AOGCC) gets all of the exploration well data no matter where the exploration well is drilled. Without ACES, DNR gets the exploration well data for the wells that are drilled on its own land. And after two years that information is made public by the AOGCC unless extended confidentiality is granted by the DNR. So, there are certain limitations, but DNR can acquire quite a bit of well information after a period of time without any kind of credit under existing law. Under ACES, the state gets data for wells drilled no matter where they are drilled immediately and it would get the seismic information which they would not be entitled to on land that doesn't belong

to the state. The big difference and "the scratch that needs to be itched" by the company that is most interested in this bill is that seismic information at some point would be available to the public after 10 years.

[12:59:40 PM](#)

CO-CHAIR WIELECHOWSKI moved to adopt Amendment 1, 26-LS1629\R.1.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI
TO: CSSB 309(RES)

Page 4, line 5, following "chapter":

Insert ";

(4) shall agree, in writing, to the applicable provisions of AS 43.55.025(f)(2) and shall submit to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025"

CO-CHAIR MCGUIRE objected for discussion purposes.

CO-CHAIR WIELECHOWSKI explained that this amendment basically says if a producer receives an income tax credit under Section 1, then the administration is entitled to the same data they would get under other provisions of ACES. He said both state and legislative consultants were appalled at how little information the state was receiving on its own oil fields. If the state is giving massive tax credits it should at least be entitled to get the data so that it can be analyzed. He said he understood the concern that "corner shooters" could get access to that information, but he believed they could find a solution to that problem.

CO-CHAIR MCGUIRE stopped for a moment to note that Senator Wielechowski had not removed his objection to adopting the CS.

[1:02:09 PM](#)

CO-CHAIR WIELECHOWSKI withdrew Amendment 1.

CO-CHAIR MCGUIRE said that his objection to adopting the CS was before the committee.

CO-CHAIR WIELECHOWSKI said he assume Co-chair McGuire would give him latitude to discuss his questions and withdrew his objection

to the adoption of version R. Therefore, CSSB 309(RES), 26-LS1629\R was before committee.

CO-CHAIR WIELECHOWSKI again moved to adopt Amendment 1, 26-LS1629\R.1.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI
TO: CSSB 309(RES)

Page 4, line 5, following "chapter":

Insert "i

(4) shall agree, in writing, to the applicable provisions of AS 43.55.025(f)(2) and shall submit to the Department of Natural Resources all data that would be required to be submitted under AS 43.55.025(f)(2) for a credit under AS 43.55.025"

CO-CHAIR MCGUIRE objected for discussion.

CO-CHAIR WIELECHOWSKI asked for the administration's position on the amendment. Did they think it was useful, if it has merit and if there are ways the concerns that some producers have about sharing this data can be alleviated.

[1:02:52 PM](#)

MR. BANKS said a couple of years ago DNR prepared an oil and gas compilation and provided their version of public info with as much raw data as they could compile; put it on website; distributed it at professional meetings etc as way of marketing resource to potential investors. Another use of info was in the supply study last September; they provided estimate of future gas potential supply. They looked at four of the five largest gas deals in terms of their interpretation because field is on federal land and they don't have good info on that field. Had there been a policy in state to acquire that, they could have provided more complete analysis.

[1:05:54 PM](#)

CO-CHAIR WIELECHOWSKI asked if he supports the amendment and if he can think of any ways to address producers' concerns.

MR. BANKS said he would provide a couple of examples of how the administration uses information. A couple of years ago the DNR prepared an oil and gas resource data compilation for the

central North Slope and provided their own interpretation of public information with maps and as much raw data as they could compile. They put it into a CD and made it widely available on their website and distributed it at professional meetings and meetings like the North American Petroleum Exploration Expo as a way of marketing the resource potential they think Alaska has to potential new investors.

A second use of information was in the gas supply study that most are now familiar with that they just published last December. Again, it used information the state had and provided an estimate of future gas potential supply. That required a considerable amount of their own interpretation of information that was made available to them. They looked at four of the five largest gas field in terms of their own geological interpretation; one of them was not included because the field is on land owned by the federal government and they don't have good data for that particular field. Had there been a long standing policy in the state where they could acquire information from their lessees or from the producers when they are working on somebody else's land, they would have been able to provide a more complete analysis for the gas supply study.

CO-CHAIR WIELECHOWSKI asked him if he supported the amendment and if he felt there were ways to address the producers' concern over sharing this data.

MR. BANKS answered that he couldn't support or object to these tax credit bills. His staff can go to jail if they release tax information that comes to the DNR. As for the corner shooters, maybe they could change what has been kind of a laissez faire attitude on the part of the leasing programs they have advocated over the years and require that instead of just offering up a tract of land for a minimum bonus bid of say \$5 or \$10 and acre, that maybe they should use the tools at hand under existing statute to require some kind of work commitment backed up by performance bonds so that the cost of entry into a new lease in the Cook Inlet is a little bit higher and also would generate more benefits to state in the form of real live work. He thought that would take care of the "corner shooters" who are the lessees that acquire land that is geographically near a unit or field that is already in production with the intention of promoting their land position to investors; and then the strategy is to try to make their way into the producing unit by virtue of putting pressure on either the DNR or the AOGCC to unitize or expand units to include their acreage. If the state has an opportunity to move forward on leasing so that people

actually have to do some work, have to show some financial capability to operate a lease, it might reduce the number of corner shooters that is a concern.

1:09:35 PM

CARRI LOCKHEART, Production Manager, Marathon Oil Alaska, said she found the amendment very problematic for multiple reasons. She clearly understood the desire of the state and the DNR to have access to data so they could do their own geologic assessments, but there is a big difference between the North Slope and Cook Inlet as defined under ACES. Cook Inlet is heavily regulated, a very small area and it's very competitive. Corner shooters are a problem there. This data set as defined by the state is very comprehensive; it includes data gathered during the investment process that they will receive a tax credit on, it includes data that was gathered years ago that go into the process of their defining where the well should be and an analysis of the result of the wells. Further, it isn't limited to the raw data; but it provides access to data that has been interpreted and analyzed by scientists within the company. "This is like giving up a trade secret for a company."

So, unless there is a way to protect confidential data, she said, it would be hard to consider taking this credit. That means her projects may not be competitive at the corporate level, therefore they won't be moving forward with feature projects.

MS. LOCKHEART said the big issue is not necessarily with this data going to the DNR, but being released into the public domain. It's essentially handing over millions of dollars that they have spent years and years to develop to anyone in the public domain to use for free. If you think about the 10-year clause of the seismic data, that is very short compared to the life-cycle of a field. For instance, the Kenai gas field has been producing for over 50 years and their Ninilchik field is about 10 years old and it's very young. And then the well data is released over 24 months; again she said she did not support this amendment.

1:12:42 PM

CO-CHAIR WIELECHOWSKI asked if they have an exploration tax credit under ACES they have to share their data with the state.

MS. LOCKHEART answered under ACES that is correct, but they hadn't been taking tax credits under ACES.

CO-CHAIR MCGUIRE commented that is true under current law the 30-40 percent exploration credit does require that, but companies have expressed concern about it. The goal was to incentivize exploration, so she maintained her objection.

A roll call vote was taken. Senators French and Wielechowski voted yea; Senators Stevens, Huggins, Wagoner, and McGuire voted nay; therefore Amendment 1 failed.

[1:14:50 PM](#)

CO-CHAIR WIELECHOWSKI asked Ms. Davis to address Section 5 of the bill.

[1:15:06 PM](#)

MS. DAVIS explained that this provision was in the original HB 229 and was removed because it was not necessary. This provision without that language is current law and it excludes the qualified capital investments or services that are made for exploring or development of North Slope gas. It excluded anything associated with North Slope gas. When "or for the delivery of Alaska North Slope gas to tidewater below 68 degrees North latitude," was added, presumably they were trying to "bullet-proof" it and make sure that a pipeline coming from the North Slope wouldn't somehow fall within this tax credit. The qualified capital investment would only include gathering lines, and a North Slope gas line certainly never could be a gathering line. It is also incomplete as far as reference, because it would leave open a gas line that went to Canada and not to tidewater. The whole section was deemed unnecessary.

CO-CHAIR MCGUIRE asked if she would like to remove Section 5.

MS. DAVIS answered yes.

[1:16:39 PM](#)

CO-CHAIR WIELECHOWSKI moved conceptual Amendment 2 to remove section 5 and renumber all remaining sections. There being no objection, the motion carried.

CO-CHAIR WIELECHOWSKI asked about section 10.

[1:17:19 PM](#)

MS. DAVIS said this section under AS 43.55.023 essentially implements the credit portion of (a) and (b). It directs the department to issue credits in one year instead of two. Current law requires two certificates; one for one half of the

expenses for the current year and one that is good for the following year.

CO-CHAIR WIELECHOWSKI asked if that has a fiscal impact.

MS. DAVIS explained the estimate is \$70 million to \$120 spread over two years.

[1:18:08 PM](#)

CO-CHAIR WIELECHOWSKI asked if the administration had a position on the bill as a whole.

MS. DAVIS answered that they have worked hard to assure that they can administer the provisions in it. As far as credits that induce activity in Cook Inlet, the governor's bill is directed at more of a broad credit for statewide and infield drilling. This does a piece of that by targeting gas exploration for Cook Inlet in the context of corporate income tax.

CO-CHAIR WIELECHOWSKI asked for the administration's concerns that haven't been addressed.

[1:19:00 PM](#)

MS. DAVIS replied that the administration was comfortable with the provisions it addressed.

CO-CHAIR MCGUIRE said she had opened the door for a potential merger of provisions in the Governor's larger bill, but they are not ready today and this bill needs to get moving.

[1:19:35 PM](#)

SENATOR WAGONER moved to report CSSB 309(RES) version as amended from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried and CSSB 309(RES) moved from the committee.

HB 280-NATURAL GAS: STORAGE/ TAX CREDITS

[1:20:02 PM](#)

CO-CHAIR MCGUIRE announced consideration of HB 280 [CSHB 280(FIN) AM was before the committee].

[1:20:45 PM](#)

CO-CHAIR WIELECHOWSKI moved to adopt the SCS CSHB 280(RES), labeled 26-LS1185\N, as the working document. There being no objection, version N was before the committee.

SENATOR FRENCH asked if he had reviewed the bill to ensure that his amendment was in the committee substitute (CS).

[1:21:23 PM](#)

JULIE LUCKY, staff to Representative Hawker, said she had looked at the CS and the amendments they adopted yesterday are the changes that were made, and that they were "pretty exact."

CO-CHAIR WIELECHOWSKI moved to report the SCS CSHB 280(RES), version N, from committee with individual recommendations and attached fiscal note(s). There being no objection, SCS CSHB 280(RES) moved from the committee.

HJR 40-COOK INLET/KACHEMAK BELUGA POPULATION

[1:21:47 PM](#)

CO-CHAIR MCGUIRE announced HJR 40 to be up for consideration [CSHJR 40(RES) was before the committee]. She said another committee substitute was before them.

JEFF TURNER, staff to Representative Millet, sponsor of HJR 40, said that she was fine with the changes.

CO-CHAIR WIELECHOWSKI moved to adopt SCS CSHJR 40(RES), labeled 26-LS1376\P. There were no objections and it was so ordered.

MICHELLE SYDEMAN, staff to Senator Wielechowski, explained the changes in the CS. On page 1, line 13, "sole" was changed to "primary". It now says that scientists in the National Marine Fishery Service (NMFS) have concluded that the primary reason for the population decline was the unsustainable subsistence harvest in the 1990. These changes were based on conversations both with the Alaska Department of Fish and Game (ADF&G) and the NMFS and came from staff from several offices.

On page 2, line 8, "no" was deleted and "little" was inserted. So it now reads "Whereas there is little evidence that human activity has harmed the Beluga whales environment, migration or ecology." On page 3, line 10, "no" was deleted and "little" was inserted. Now the sentence read "Whereas there is little evidence that commercial or sportfishing is harming the Beluga whale population...." On page 2, line 12, "will" was deleted and "could" inserted to keep the same kind of construction as later in the resolution. So now the line reads "Whereas the commercial and sportfishing industries could be gravely threatened by a critical habitat designation...."

MS. SYDEMAN said that finally, the ADF&G is involved in scientific studies of Beluga whales and their habitat, and they determined from conversations with NMFS that there didn't seem to be any correlation between the science and the actual area being set aside for critical habitat designation. So, there is a proposal to add a new "further resolve" that would read "that any final critical habitat designation is supported by sound science including any science conducted by the State of Alaska Marine mammal experts that clearly links any designated critical habitat to the conservation and recovery Cook Inlet Beluga whales."

[1:25:29 PM](#)

CO-CHAIR MCGUIRE asked if she is recommending a conceptual amendment.

MS. SYDEMAN said she thought that language was in the CS on line 31.

[1:26:10 PM](#)

CO-CHAIR MCGUIRE called a brief at ease.

[1:26:29 PM](#)

CO-CHAIR MCGUIRE called the meeting back to order.

[1:27:03 PM](#)

MS. SYDEMAN said page 3, line 31 had a final resolve, but the wording is not quite correct. She recommended that they strike the wording in version P and do a conceptual amendment using the language they asked legislative legal to use: "Be it further resolved that any final critical habitat designation be supported by sound science, including any science conducted by the state of Alaska marine mammal experts, that clearly links any designated critical habitat to the conservation and recovery of Cook Inlet beluga whales."

[1:27:52 PM](#)

CO-CHAIR MCGUIRE offered a conceptual Amendment 1 as read by Ms. Sydeman. There being no objection, it was adopted.

[1:28:46 PM](#)

CO-CHAIR WIELECHOWSKI moved to report CSHJR 40, version P as amended, from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried and SCS CSHJR 40(RES) moved from the committee.

HB 306-STATE ENERGY POLICY

[1:29:15 PM](#)

CO-CHAIR MCGUIRE announced consideration HB 306 [CSHB 306(RES) was before the committee.]

[1:29:44 PM](#)

JEFF TURNER, staff to Representative Millet, said he had nothing to add.

CO-CHAIR WIELECHOWSKI moved to report CSHB 306 from committee with individual recommendations and attached fiscal note(s).

CO-CHAIR MCGUIRE advised that there is an amendment.

[1:30:22 PM](#)

CO-CHAIR MCGUIRE called a brief at ease.

[1:31:12 PM](#)

CO-CHAIR MCGUIRE called the meeting back to order.

[1:31:13 PM](#)

CO-CHAIR WIELECHOWSKI withdrew his motion.

[1:31:25 PM](#)

CO-CHAIR MCGUIRE moved to adopt Amendment 1, 26-LS1049\W.2.

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR HUGGINS
TO: CSHB 306(RES)

Page 1, line 8, following "renewable":
Insert "and alternative"

Page 1, line 15, following "renewable":
Insert "and"

Page 2, line 22, following "renewable":
Insert "and alternative"

Page 3, line 11, following "of":
Insert "alternative and"

Page 3, line 22, following "renewable":
Insert "and alternative"

There being no objection, Amendment 1 was adopted.

CO-CHAIR WIELECHOWSKI moved to report CS for HB 306, version W as amended, from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried and SCS CSHB 306(RES) moved from the committee.

[1:32:12 PM](#)

Finding no further business to come before the committee Co-Chair McGuire adjourned the meeting at 1:32 p.m.