

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 12, 2010

3:40 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

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 369(FIN) AM

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, and the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a gasline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; and providing for an effective date."

- MOVED SCS CSHB 369(RES) OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 45(FIN) am

Urging the United States Congress not to enact Cap and Trade legislation.

- SCHEDULED BUT NOT HEARD

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: HB 369

SHORT TITLE: IN-STATE PIPELINE/ MANAGER/TEAM

SPONSOR(S): REPRESENTATIVE(S) CHENAULT

02/23/10 (H) READ THE FIRST TIME - REFERRALS
02/23/10 (H) RES, FIN
02/26/10 (H) RES AT 1:00 PM BARNES 124
02/26/10 (H) Heard & Held
02/26/10 (H) MINUTE(RES)
03/01/10 (H) RES AT 1:00 PM BARNES 124
03/01/10 (H) Heard & Held
03/01/10 (H) MINUTE(RES)
03/08/10 (H) RES AT 6:00 PM BARNES 124
03/08/10 (H) Heard & Held
03/08/10 (H) MINUTE(RES)
03/10/10 (H) RES AT 1:00 PM BARNES 124
03/10/10 (H) Moved CSHB 369(RES) Out of Committee
03/10/10 (H) MINUTE(RES)
03/11/10 (H) RES RPT CS(RES) NT 4DP 1NR 1AM
03/11/10 (H) DP: OLSON, P.WILSON, JOHNSON, NEUMAN
03/11/10 (H) NR: SEATON
03/11/10 (H) AM: KAWASAKI
03/15/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/15/10 (H) Heard & Held
03/15/10 (H) MINUTE(FIN)
03/22/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/22/10 (H) Heard & Held
03/22/10 (H) MINUTE(FIN)
03/23/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
03/23/10 (H) Scheduled But Not Heard
03/23/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/23/10 (H) Moved CSHB 369(FIN) Out of Committee
03/23/10 (H) MINUTE(FIN)
03/24/10 (H) FIN RPT CS(FIN) NT 10DP
03/24/10 (H) DP: THOMAS, GARA, DOOGAN, JOULE, KELLY,
AUSTERMAN, N.FOSTER, FAIRCLOUGH,
03/24/10 (H) STOLTZE, HAWKER
03/24/10 (H) TRANSMITTED TO (S)
03/24/10 (H) VERSION: CSHB 369(FIN) AM
03/25/10 (S) READ THE FIRST TIME - REFERRALS
03/25/10 (S) RES, FIN
04/01/10 (S) RES AT 3:30 PM BUTROVICH 205
04/01/10 (S) Heard & Held

04/01/10 (S) MINUTE(RES)
04/12/10 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

MIKE PAWLOWSKI

Staff to Senator McGuire
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Explained changes to HB 369.

TOM WRIGHT

Staff to Representative Chenault
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HB 369 for the sponsor.

DAN FAUSKE, CEO and Executive Director
Alaska Housing Finance Corporation (AHFC)
Anchorage, AK

POSITION STATEMENT: Supported SCS CSHB 369(RES).

JOHN BINKLEY, Chairman
Alaska Railroad Corporation (ARRC)
Fairbanks, AK

POSITION STATEMENT: Supported SCS CSHB 369(RES).

REPRESENTATIVE CHENAULT
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HB 369.

HAROLD HEINZE, CEO
Alaska Natural Gas Development Authority (ANGDA)

POSITION STATEMENT: Supported SCS CSHB 369(RES).

FRANK RICHARDS, Deputy Commissioner
Department of Transportation and Public Facilities
Juneau, AK

POSITION STATEMENT: Supported SCS CSHB 369(RES).

ACTION NARRATIVE

3:40:37 PM

CO-CHAIR McGuire called the Senate Resources Standing Committee meeting to order at 3:40 p.m. Present at the call to order were

Senators French, Stevens, Huggins, and McGuire. She said that HJR 45 and HJR 49 had been postponed at the request of the sponsor.

HB 369-IN-STATE PIPELINE/ MANAGER/TEAM

CO-CHAIR MCGUIRE announced HB 369 to be up for consideration. [CSHB 369(FIN) was before the committee].

[3:41:40 PM](#)

SENATOR GARY STEVENS moved to adopt SCS CSHB 369(RES), labeled 26-LS1527\W. There were no objections and it was so ordered.

[3:42:01 PM](#)

MIKE PAWLOWSKI, aide to Senator McGuire, explained that he would start off in Section 1 and then get back to the title. Section 1 incorporates legislative findings and purposes and used to be found in SB 287, sponsored by Senator McGuire. The integration actually happens on page 2, line 27, which gets to the purpose of the act which is found in (b)(1) that gives general direction to the Joint In-State Gasline Development Team to plan and develop the construction of the in-state natural gas pipeline. Language on page 3, line 1, directs the executive director of the Alaska Housing Finance Corporation (AHFC) to oversee all aspects of the project described within this act. Originally it was the CEO of the AHFC and that didn't match with the statutes; so now it's the executive director throughout the act.

[3:43:07 PM](#)

Sections 2 and 3 are new language that came from a previous version of SB 287, the key being in Section 2 saying the authority of AHFC is to create subsidiary corporations to carry out the duties of this title. This is an important step for organizational changes.

[3:43:42 PM](#)

CO-CHAIR WIELECHOWSKI joined the committee.

[3:43:49 PM](#)

CO-CHAIR MCGUIRE clarified that it's a subsidiary but it is under the Budget Act, so the legislature has accountability.

[3:44:04 PM](#)

SENATOR WAGONER joined the committee.

MR. PAWLOWSKI said the change in Section 4 in AS 38.34.010 on page 4, lines 2-12, established the position of in-state gasline

project coordinator. In the original bill the position that was created was the in-state gasline project manager tasked with actually not only coordinating expedited reviews, but also the permitting of the project and moving it forward. In the current version that responsibility has been split out away from what is now called the coordinator position. Section AS 38.32.010 mirrors language that was created for the AGIA coordinator in facilitating had coordinating between state agencies, the idea being to separate to a degree the group that is permitting from the group that is working with the agencies and entities that issue those permits.

The charge for the in-state gasline coordinator on page 4, lines 13 and 14, he said carries out the provisions of AS 38.34.020. He noted that while the CS moves the actual pipeline efforts away from the Office of the Governor, the position of in-state gasline coordinator is maintained within it in recognition of the new roll of the coordinator position.

[3:45:51 PM](#)

Language on page 4, lines 30 and 31, through page 5, line 1, in AS 38.34.030, establishes the Joint In-state Gasline Development Team within the AHFC instead of the Office of the Governor. On page 5, line 9, the CEO has been changed to the executive director and on line 4. The in-state gasline development team was changed so that it is the chairman of the board of directors of the Alaska Railroad Corporation (ARRC) or the chairman's designee rather than the CEO of the Corporation (in the original version).

MR. PAWLOWSKI explained that on page 5, line 15, new language says the development team shall also submit monthly updates on the progress of the in-state natural gasline project to each member of the legislature. This consistent reporting back to the legislature was an important aspect of SB 287 that is included in HB 369.

Under duties of the development team on page 5, lines 20-22, language was inserted about the project being compatible not competitive with the project described in AS 41.41, which is ANGDA, and AS 43.90, which is AGIA. An amendment to this language will come later.

[3:47:27 PM](#)

He said that language was added on page 8, lines 8-20, to speed up delivery of a right-of-way to whatever group is trying to build a pipeline came from SB 287. This was worked out

extensively with the DNR to maintain the type of public interest issues related to a right-of-way in Title 38.35, but to waive some of the more general applicable statutes like AS 38.05, which is the best interest finding. Presumably with the legislature making this decision they said this is in this is in the state's interest and therefore, the regular permitting process should go forward but this streamlines it a little bit.

In Section 5, page 9, lines 4-5, the term "in-state gasline project manager" was changed to "coordinator" and puts him within the exempt service. Sections 6-8, all on page 9, are provisions from HB 44 that tighten up and clarify the ANGDA authority to be able to procure gas from other regions of the state and delivering it to other regions rather than such a specific charge they had under the ballot initiative as it passed. They believe that integrating the bills with ANGDA on the team really allows them to bring that expertise and the broader statewide vision to the in-state gas development team.

MR. PAWLOWSKI said another substantive change was on page 10, lines 6-29, and those are transitional provisions, some of which were taken out of SB 287; the specific transition provisions are lines 10-18 and reflect dates. He explained that under the current Noah Swenson work about seeking letters of intent from buyers and sellers by February 15, to initiate letters of interest from private pipeline companies by March 15, 2011 and to prepare and submit to the governor and the legislature legislation that might be necessary by December 15, so that in the bill as originally intended the project team is coming back with a plan by July 1, 2011, but knowing that some legislation might be necessary to carry it out, they have asked that they come back on December 15 so that members having received monthly updates are prepared to actually work on legislation that might be necessary to move the project forward.

[3:50:35 PM](#)

The final substantive change was on page 10, lines 26-29; in the transition language that was originally in HB 369 moving the current work from the Office of the Governor to the Joint In-state Gasline development team they have added clarifying language saying that if the AHFC creates a subsidiary to oversee the gasline project that work will move to the subsidiary. It goes back to one of the original premises of SB 287 of separation from what could be called the mother ship.

CO-CHAIR MCGUIRE asked if intent language for looking at the benefits of natural gas for the entire state rather than just the Railbelt had been developed.

MR. PAWLOWSKI answered yes - on page 6, subsection (d); it was original language from HB 369 which took a very broad statewide view of an in-state gas project. Also subsection (f) on page 7, lines 16-25, is a broad directive to the in-state development group to consider, for instance, propane to Yukon River Interior, coastal communities and transportation gas to other locations in the state. This is the conforming changes that HB 44 (being rolled into this) brought to the table.

CO-CHAIR WIELECHOWSKI asked if this bill requires the construction of a natural gas pipeline.

MR. PAWLOWSKI answered that he would ask the sponsor to answer that question. He thought it was preparing a plan to deliver to the legislature for a "go" decision.

[3:53:08 PM](#)

TOM WRIGHT, staff to Representative Chenault, sponsor of HB 369, answered no; it's to produce a project plan.

[3:53:44 PM](#)

CO-CHAIR WIELECHOWSKI asked if the construction of this plan come under the Executive Budget Act.

MR. WRIGHT answered yes.

CO-CHAIR WIELECHOWSKI asked if it would require a project labor agreement (PLA).

MR. WRIGHT answered no; a PLA is not in this legislation.

CO-CHAIR WIELECHOWSKI asked if PLAs are required under the Executive Budget Act.

MR. WRIGHT answered that he didn't know.

SENATOR HUGGINS said on page 9, line 14, language alludes to ANGDA operating and maintaining the pipeline design and construction and asked if that precluded a private organization from doing the same functions.

MR. WRIGHT answered no.

CO-CHAIR MCGUIRE said one of the things she liked about the mergers of the two bills is delivering the letters of intent. The idea would be that a private entity would be the builder.

MR. PAWLOWSKI said the sponsor had quite strong language on page 6, line 18, that says the intent is that any project-related assets acquired or developed be available for transfer or sale to the institute best able to complete the project.

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DAN FAUSKE, CEO and Executive Director, Alaska Housing Finance Corporation (AHFC), said he is excited about this bill and bringing forth a project plan. He said he shares people's frustration that we seem to get close and have a whole lot of good ideas, but don't seem to take the next step. He said he served on the AGIA team under Governor Palin and had the view that two projects are ongoing that he hopes will continue in the direction they are going. What has changed for Alaska is the evidence that gas supplies are running short and that the vast majority of the population of the state could be subjected to some real energy concerns. He said the intent of the bill is clearly to not interfere with those projects, but rather to look at alternatives. He thinks things are solvable.

CO-CHAIR MCGUIRE thanked him for agreeing to head the team and said he had done a great job. She said the legislature is here to support his work, and that is the point of the updates.

CO-CHAIR WIELECHOWSKI said it's a great team and he has seen the work Mr. Fauske had done in his community. How did he envision the process working? How much time will it take out of his position at AHFC?

MR. FAUSKE answered that he has had this discussion with his board chairmen, and it is doable. The way his mind works is that he simplifies things. Even though this is a very complex issue, he thought that most of the work had probably been done, but it needs to be organized. It will take some time, but AHFC has great staff and he wouldn't do anything to harm that. People who have been there for many years will continue to be in place. He thought that this issue will come together quicker than they imagine, because the desire to get it moving has picked up.

[4:02:40 PM](#)

CO-CHAIR WIELECHOWSKI wanted to know how he would organize his time. Would he hire additional staff for AHFC?

MR. FAUSKE answered that this project is a priority and some of the consultants are already on board. Once they get it organized it will come together pretty quickly. He would not put this work in a second position.

CO-CHAIR WIELECHOWSKI said he wasn't implying that, but he wanted to know how the whole thing would "roll out."

MR. FAUSKE said he has already met with his AHFC staff and has determined there is office space. They are looking at six or seven people and maybe some admin staff. He likes to keep things lean and mean. They would use consultants but not house them. He said "this is a short term project."

SENATOR HUGGINS encouraged him when he brings them a solution to the legislature to bring a couple of discards for consideration and explain why they didn't make the cut. They expect him to be a referee.

MR. FAUSKE said he anticipated a document with everything explained and then an executive summary.

SENATOR STEVENS asked him to talk about the subsidiary corporations that might be created under his direction.

MR. FAUSKE answered when he did the tobacco bonds, they created the Northern Tobacco Securitization Appropriation, and they are set up to do those. They also did it when the legislature transferred around \$300 million for the Alaska Permanent Fund. They do it so a stand-alone legal entity will oversee the work under the guise of AHFC. He anticipated that the AHFC board of directors would also oversee the work of the subsidiary in the board meetings.

[4:08:31 PM](#)

JOHN BINKLEY, Chairman, Alaska Railroad Corporation (ARRC), Fairbanks, expressed thanks to her and Representative Chenault for their efforts in coming up with a solution. He pledged his support to make this project successful.

[4:09:46 PM](#)

CO-CHAIR MCGUIRE said the ARRC's bonding authority is there if it is needed. She thanked both of them for putting their personal and professional lives aside to take this project on. On behalf of Resources Committee thanks for leadership.

MR. FAUSKE reiterated that this is a chance in a lifetime for him and that he is anxious to get started with something this significant.

[4:11:36 PM](#)

REPRESENTATIVE CHENAULT, sponsor of HB 369, said they have put together a team that has Alaska's future at heart and they are headed in the right direction. He thanked her for the work she and her staff have done on this project.

CO-CHAIR MCGUIRE said Alaskans are looking for signs for the future.

REPRESENTATIVE CHENAULT said this is Alaska's future and it is a long-term fix.

[4:15:10 PM](#)

CO-CHAIR MCGUIRE said they are trying to find ways that this potential in-state gasline would benefit all Alaskans, because it's very important that one part of the state doesn't move forward while other parts remain behind.

[4:16:04 PM](#)

HAROLD HEINZE, CEO, Alaska Natural Gas Development Authority (ANGDA), said that he was excited to be part of this collaborative process. They have created a framework for vetting all the issues so there is some discussion to reference. He was very pleased with having AHFC in command and control.

[4:18:50 PM](#)

He wanted to talk about how ANGDA fits into the puzzle and then lead into HB 44. He said the ANGDA statute created a public corporation in the state, and that part of the definition is extremely important, because they have all believed from the beginning that that sooner or later this project would have to move to the private sector. And the test of the private sector's willingness to do this or not under commercial terms is a key to understanding whether it's a good project or whether it makes sense or not. ANGDA has always believed the way it would happen is in a business partnering type approach rather than in a government to private sector solicitation. ANGDA would help through the process in a more partnering sort of way, and he does see that opportunity in the future.

MR. HEINZE said he was pleased to see that HB 44 has been incorporated into HB 369. It is critical to ANGDA that it passes and he is a little more urgent about it this year than last. The

reasons are because ANGDA has been trying to deal with the shorter term issues that face Alaska. If these issues are not dealt with in the next months, a lot opportunities for the in-state will be lost. So, he is looking for positive ways for the state to intervene to help things along; in particular, the electric utilities face tremendous problems in terms of decisions they have to make this summer - how they are going to get gas and where they are going. He is pleased to see that some contracts have been submitted to the RCA, but next winter's deliverability issues have to be addressed.

He said ANGDA has been working very hard on all those issues. The clarifying language is absolutely essential so that ANGDA can continue that work. "Frankly, because of the need I have stuck my neck out," he said, and he is probably beyond the exact letter of his authorities - certainly as far as issuing bonds. If the language doesn't happen he has to rethink what he is doing in Cook Inlet and probably back away.

The other project that is important to ANGDA, Mr. Heinze said, is the North Slope propane project and that impacts everybody outside the Railbelt. That project is probably within his authority, but at best it will be commercially challenged project. For ANGDA to participate financially in that, they need clear authority and clear support from the legislature. He urged that they give the HB 44 compliments of HB 369 full consideration, because they form a key piece to set up the decisions the legislature will face next year as a result of the work and plan that is brought back to them.

CO-CHAIR WIELECHOWSKI asked how the interaction between the Joint In-State Gasline Development Team and ANGDA will work; specifically page 5, lines 18-25, that says the in-state gasline team shall produce a project plan for the development of an in-state natural gas pipeline that is compatible but not competitive with the project described and authorized by AS 41.41, the ANGDA statute. AS 41.41 says ANGDA's purpose is to design and construct a pipeline system. Would he continue developing his own pipeline system?

MR. HEINZE answered that he understood the language was referring to the fact that the focus of this bill and setting up this team is clearly on the in-state gas delivery system basically North Slope to Cook Inlet to Valdez, something in the range of a 24-inch diameter line. AS 41.41, when it passed, had a part in the uncodified law that specified "a project that ANGDA was to look at" and they were told to start doing. But

that didn't happen because of a number of things, lack of funding being one. Basically, that was a 2 bcf/d project delivering gas to Valdez for LNG and a spur line off that project delivering gas into the Cook Inlet area. As he reads this statute, that is one of the things that is on the table; it may or may not be the right thing. It also puts the AGIA pipeline on the other side of what they are working on. The intent is to recognize that all these ideas have a high level of compatibility.

[4:27:39 PM](#)

At ease for an unannounced fire drill.

[4:44:52 PM](#)

CO-CHAIR MCGUIRE called the meeting back to order at 4:44 p.m.

FRANK RICHARDS, Deputy Commissioner, Department of Transportation and Public Facilities, said the department had been working with the former in-state gasline team under Harry Noah and now under Bob Swenson and they will continue those efforts. He said:

What the department brings - Dan Fauske had torpedoes - we will bring our artillery. We are owners of Howitzers and so we have the active ammunition for that. So we are ready to push forward in support of Senator Huggins' desire for land-based armaments.

CO-CHAIR MCGUIRE said they were commenting during the fire drill that the department had already started collecting data in recognizing the accelerated timelines, and she wanted to thank him for that and said they look forward to the DOTPF's participation on the team.

MR. RICHARDS said they have applied for the right-of-way already and will continue those efforts.

[4:46:11 PM](#)

CO-CHAIR MCGUIRE closed public testimony.

[4:46:30 PM](#)

CO-CHAIR MCGUIRE moved conceptual Amendment 1 as follows:

Amendment 1

Offered in the Senate by Senator McGuire
To SCS CSHB 369(RES), 26-LS1527\W

On page 5, line 20 following "natural gas pipeline" delete:

that is compatible but not competitive with the project described in and authorized by AS 41.41 or the project described in and authorized by AS 43.90

On page 2, following line 31, insert new subsection:

(2) to give general direction to the Joint In-State Gasline Development Team that, to the maximum extent practicable, the plan for development of an in-state natural gas pipeline required under AS 43.34.040 is compatible but not competitive with the projects described in AS 41.41 and AS 43.90; and

Renumber accordingly.

She objected for an explanation.

[4:46:41 PM](#)

MR. PAWLOWSKI said Amendment 1 addresses earlier language he identified on page 5, lines 21-22, of the current version. He said while the intent of the bill is to maintain "bookends" in between ANGDA's and AGIA's current project abilities there is concern that if this "compatible/competitive language exists in the codified law it might take options off the table - in that particularly the Alaska Gasline Inducement Act has the .5 bcf/d sort of cut off point for in-state gas. The idea is that if moving this language to the findings and purpose section into the uncodified law, as this amendment does, it still gets the same point on the table that they want all projects working together to move the state forward, but also frees the team to consider every possible aspect.

CO-CHAIR MCGUIRE said this came from the Senate bill that was meant to respond to the Governor's office. She removed her objection and finding no further objections, Amendment 1 was adopted.

[4:48:23 PM](#)

CO-CHAIR MCGUIRE moved conceptual Amendment 2 as follows:

Amendment 2

Offered in the Senate by Senator McGuire
To SCS CSHB 369(RES)) 26-LS1527\W

On page 4, line 14 following "agencies" insert "or
entities"

She objected for an explanation.

MR. PAWLOWSKI explained that throughout the bill where the in-state gasline coordinator's position is recognized, the task is to coordinate with state agencies or *entities*. In this particular instance on page 4, line 14, "or entities" was left off after agencies.

SENATOR FRENCH asked what the difference is.

MR. PAWLOWSKI replied that "entities" are related to groups like the ANGDA, the AHFC, and ARRC; they're not actually agencies of the state, but rather instrumentalities underneath an agency.

CO-CHAIR MCGUIRE removed her objection and Amendment 2 was adopted.

[4:49:29 PM](#)

CO-CHAIR MCGUIRE moved conceptual Amendment 3 as follows:

Amendment 3

Offered in the Senate by Senator McGuire
To SCS CSHB 369(RES) 26-LS1527\W

On page 11, line 9, following "state agency" insert
"or entity"

[4:50:09 PM](#)

CO-CHAIR MCGUIRE announced an at ease.

[4:51:32 PM](#)

CO-CHAIR MCGUIRE called the meeting back to order at 4:51 and withdrew conceptual Amendment 3 and offered a new conceptual Amendment 3, which would on page 10, line 24, after "state agency" insert "or entity" clarifying that any of the permits, studies in progress, et cetera will be transferred over to the AHFC subsidiary. There were no objections and new Amendment 3 was adopted.

CO-CHAIR MCGUIRE thanked Jack Chenoweth and Tam Cook who spent hours and hours drafting both of these bills.

[4:52:49 PM](#)

SENATOR HUGGINS moved to report CS for HB 369, as amended, from committee with individual recommendations and attached fiscal note(s). There was no objection and SCS CSHB 369(RES) moved from the Senate Resources Standing Committee.

[4:53:11 PM](#)

CO-CHAIR MCGUIRE adjourned the meeting at 4:53 p.m.