

HOUSE BILL NO. 3002

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - THIRD SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE

Introduced: 4/30/12

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska Gasline Development Corporation, a subsidiary created
2 by the Alaska Housing Finance Corporation; establishing and relating to the in-state
3 natural gas pipeline fund; making certain information provided to or by the Alaska
4 Gasline Development Corporation exempt from inspection as a public record; relating
5 to the Joint In-State Gasline Development Team; relating to the judicial review of a
6 right-of-way lease or an action or decision related to the development or construction of
7 an oil or gas pipeline on state land; relating to the lease of a right-of-way for a gas
8 pipeline transportation corridor, including a corridor for a natural gas pipeline that is a
9 contract carrier; relating to the cost of natural resources, permits, and leases provided
10 to the Alaska Gasline Development Corporation; relating to the review of natural gas
11 transportation contracts by the Regulatory Commission of Alaska; relating to the
12 regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project

1 developed by the Alaska Gasline Development Corporation; relating to the regulation
2 by the Regulatory Commission of Alaska of an in-state natural gas pipeline that
3 provides transportation by contract carriage; relating to the Alaska Natural Gas
4 Development Authority; relating to the procurement of certain services by the Alaska
5 Natural Gas Development Authority; exempting property of a project developed by the
6 Alaska Gasline Development Corporation from property taxes before the
7 commencement of commercial operations; and providing for an effective date."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 LEGISLATIVE FINDINGS AND INTENT. It is the intent of the legislature that

12 (1) passage of this Act constitutes a finding of public convenience and
13 necessity for an in-state natural gas pipeline developed by the Alaska Gasline Development
14 Corporation;

15 (2) the development of a natural gas pipeline by the Alaska Gasline
16 Development Corporation is in the best interest of the state;

17 (3) it is the policy of the state to make the state's share of royalty natural gas
18 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
19 Development Corporation;

20 (4) to the maximum extent permitted by law, in developing a natural gas
21 pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products,
22 and natural resources from qualified businesses located in the state, including organizations
23 owned by Alaska Natives and municipal organizations directly affected by the project, if
24 those persons are competitive; and

25 (5) the Alaska Gasline Development Corporation shall, to the maximum
26 extent permitted by law,

27 (A) hire qualified residents from throughout the state for management,
28 engineering, construction, operations, maintenance, and other positions for a natural

1 gas pipeline project;

2 (B) establish hiring facilities in the state or use existing hiring facilities
3 in the state; and

4 (C) use, as far as practicable, the job centers and associated services
5 operated by the Department of Labor and Workforce Development and an Internet-
6 based labor exchange system operated by the state.

7 * **Sec. 2.** AS 18.56 is amended by adding a new section to read:

8 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
9 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
10 have all powers granted to it by the corporation. The Alaska Gasline Development
11 Corporation shall, to the fullest extent possible,

12 (1) advance an in-state natural gas pipeline as described in the July 1,
13 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development
14 Corporation and the Joint In-State Gasline Development Team, with modifications
15 determined by the Alaska Gasline Development Corporation to be necessary to
16 construct and operate an in-state natural gas pipeline in a safe and economic manner;

17 (2) construct, own, operate, manage, or participate in natural gas
18 pipelines and associated facilities and operations for the purpose of making natural gas
19 available to Fairbanks, the Southcentral region of the state, and other communities in
20 the state at the lowest rates possible for a natural gas pipeline that operates in a manner
21 consistent with safe and prudent standards;

22 (3) endeavor to develop natural gas pipelines to deliver natural gas to
23 public utility and industrial customers in areas of the state to which the natural gas
24 may be delivered at commercially reasonable rates; and

25 (4) endeavor to develop natural gas pipelines to provide shippers
26 access to natural gas produced in the state for transport at commercially reasonable
27 rates.

28 (b) In addition to the powers granted to it by the corporation, the Alaska
29 Gasline Development Corporation may

30 (1) determine the form of ownership and the operating structure of an
31 in-state natural gas pipeline developed by the Alaska Gasline Development

1 Corporation and may enter into agreements with other persons for joint ownership or
2 operation or both of the in-state natural gas pipeline;

3 (2) exercise the power of eminent domain or file a declaration of
4 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is
5 necessary for an in-state natural gas pipeline; the exercise of powers by the Alaska
6 Gasline Development Corporation under this paragraph may not exceed the
7 permissible exercise of the powers by the state;

8 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
9 property, an interest in property, a right-of-way, a franchise, an easement, other
10 interest in land, or an interest in or right to capacity in any pipeline system determined
11 to be necessary or convenient for the development, financing, construction, or
12 operation of an in-state natural gas pipeline project or part of an in-state natural gas
13 pipeline project;

14 (4) transfer or otherwise dispose of all or part of an in-state natural gas
15 pipeline project developed by the Alaska Gasline Development Corporation or transfer
16 or otherwise dispose of an interest in an asset of the Alaska Gasline Development
17 Corporation; and

18 (5) provide transportation of natural gas as a contract carrier.

19 (c) The Alaska Gasline Development Corporation may not commit to a project
20 that requires state financial participation unless the commitment to the project is made
21 contingent on sanctioning of the project by the legislature through the appropriation of
22 necessary funds.

23 (d) If there is an adequate supply of marketable natural gas in the Cook Inlet
24 sedimentary basin to meet natural gas demands in the Railbelt, the Alaska Gasline
25 Development Corporation shall, subject to appropriation, plan, finance, and construct
26 a natural gas pipeline to deliver natural gas from Cook Inlet to Fairbanks and to
27 communities between Cook Inlet and Fairbanks that do not have access to a natural
28 gas pipeline. For the purposes of this subsection, there is an adequate supply of
29 marketable natural gas when shippers of natural gas are willing and able to sign firm
30 transportation commitments for contracts of not less than 20 years in duration.

31 (e) Upon commencement of construction of an in-state natural gas pipeline,

1 the Alaska Gasline Development Corporation shall analyze additional natural gas
2 pipelines connecting to industrial, residential, or utility customers in other regions of
3 the state. If the Alaska Gasline Development Corporation finds that a natural gas
4 pipeline analyzed under this subsection is in the best interest of the state and can meet
5 the needs of industrial, residential, or utility customers at commercially reasonable
6 rates, the Alaska Gasline Development Corporation shall finance, construct, or operate
7 the natural gas pipeline as necessary, subject to appropriation. When developing or
8 constructing an additional natural gas pipeline, the Alaska Gasline Development
9 Corporation shall, to the maximum extent feasible, use existing land, structures, real or
10 personal property, rights-of-way, easements, or other interests in land acquired by the
11 Alaska Gasline Development Corporation or the Alaska Natural Gas Development
12 Authority.

13 (f) The Alaska Gasline Development Corporation may issue bonds and notes
14 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
15 The provisions of AS 18.56.110(a) - (f) and 18.56.115 - 18.56.190 apply to the Alaska
16 Gasline Development Corporation in the exercise of its powers under this subsection,
17 except that, in AS 18.56.110 - 18.56.190, as applicable under this subsection, the term
18 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
19 Gasline Development Corporation may issue bonds and notes and otherwise incur
20 indebtedness under this subsection without limit as to principal amount. The bonds,
21 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
22 create an obligation or liability of the corporation except to the extent that the
23 corporation agrees in writing to accept the obligation or liability.

24 (g) No debt, obligation, or liability of the Alaska Gasline Development
25 Corporation shall become a debt, obligation, or liability of the state or any part or
26 subdivision of the state or of the corporation or a subsidiary corporation of the
27 corporation other than the Alaska Gasline Development Corporation, except as
28 provided in this subsection. This subsection applies to all debt, obligations, and
29 liabilities of the Alaska Gasline Development Corporation regardless of how the debt,
30 obligations, or liabilities are created, including by contract, tort, or bond or note
31 issuance. Except as provided in this subsection, a person may not bring suit against the

1 state or any part or subdivision of the state or against the corporation or a subsidiary
2 corporation of the corporation other than the Alaska Gasline Development
3 Corporation in the courts of the state to enforce or seek a remedy with respect to a
4 debt, obligation, or liability of the Alaska Gasline Development Corporation. The
5 corporation may waive, in whole or in part, the application of the provisions of this
6 subsection to the corporation with respect to a debt, obligation, or liability of the
7 Alaska Gasline Development Corporation. To be effective, a waiver by the
8 corporation must be in writing and shall only have effect to the extent provided in the
9 writing.

10 (h) In the exercise of its powers under (f) and (g) of this section, the Alaska
11 Gasline Development Corporation may not pledge the faith and credit of the state or a
12 political subdivision of the state other than the Alaska Gasline Development
13 Corporation to the repayment of the principal of or interest on any bonds issued by the
14 Alaska Gasline Development Corporation.

15 (i) The in-state natural gas pipeline fund is established in the Alaska Gasline
16 Development Corporation and consists of money appropriated to it. Unless otherwise
17 provided by law, money appropriated to the fund lapses into the general fund on the
18 day this subsection is repealed. The Alaska Gasline Development Corporation shall
19 manage and invest the fund to yield competitive market rates. The Alaska Gasline
20 Development Corporation shall invest money in the fund in the same manner and on
21 the same conditions as permitted for investment by the commissioner of revenue of
22 funds belonging to the state or held in the treasury under AS 37.10.070 and as
23 provided for fiduciaries of state funds under AS 37.10.071. Interest and other income
24 received on money in the fund shall be separately accounted for and may be
25 appropriated to the fund. The Alaska Gasline Development Corporation may use
26 money appropriated to the fund without further appropriation for the planning,
27 designing, financing, development, construction, and operation of an in-state natural
28 gas pipeline.

29 (j) An executed pipeline operating agreement between the Alaska Gasline
30 Development Corporation and the operator of the pipeline developed by the Alaska
31 Gasline Development Corporation shall be disclosed to the public to the extent the

1 disclosure would not divulge trade secrets or other proprietary business information of
2 the Alaska Gasline Development Corporation or the operator.

3 (k) If commitments to acquire firm transportation capacity are received in an
4 open season conducted by the Alaska Gasline Development Corporation, the Alaska
5 Gasline Development Corporation shall, within 10 days after executing the
6 commitments, report the results of the open season to the president of the senate and
7 the speaker of the house of representatives and inform the public of the results of the
8 open season through publication on the Internet website of the Alaska Gasline
9 Development Corporation and in a press release or other announcement to the media.
10 The results made public must include the name of each prospective shipper, the
11 amount of capacity allocated, and the period of the commitment.

12 (l) In this section,

13 (1) "in-state natural gas pipeline" and "natural gas pipeline" have the
14 meanings given in AS 38.34.099;

15 (2) "North Slope" has the meaning given in AS 43.90.900.

16 * **Sec. 3.** AS 36.30.850(b) is amended by adding a new paragraph to read:

17 (49) contracts by the Alaska Natural Gas Development Authority
18 under AS 41.41.070(d).

19 * **Sec. 4.** AS 38.05.180(bb)(1) is amended to read:

20 (1) "gas or electric utility" includes an electric cooperative organized
21 under AS 10.25, a municipal utility, and a gas or electric utility regulated under
22 AS 42.05; provided that, if the contract gas is transmitted to consumers through a
23 pipeline and the gas utility either owns the pipeline or is related in ownership to the
24 owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within
25 the meaning of this paragraph only if it is bound or agrees to be bound by the
26 covenants set out in AS 38.35.120 **or 38.35.121, as applicable**;

27 * **Sec. 5.** AS 38.34.050(a) is amended to read:

28 (a) The **Alaska Gasline Development Corporation** [JOINT IN-STATE
29 GASLINE DEVELOPMENT TEAM] may have access to information of all state
30 agencies that is directly related to the planning, design, construction, or operation of
31 the in-state natural gas pipeline. **If a state agency finds that the information to be**

1 transferred under this subsection is confidential, the state agency may require the
 2 Alaska Gasline Development Corporation to enter into a confidentiality
 3 agreement under (e) of this section before the transfer of that information, or, if
 4 the state agency determines that a law or provision of a contract to which the
 5 state agency is a party requires the state agency to preserve the confidentiality of
 6 the information and that delivering the information to the Alaska Gasline
 7 Development Corporation would violate the confidentiality provision of that law
 8 or contract, the state agency shall identify the applicable law or contract
 9 provision to the Alaska Gasline Development Corporation and may require the
 10 Alaska Gasline Development Corporation to obtain the consent of the person
 11 who has the right to waive the confidentiality of the information under the
 12 applicable law or contract provision before the state agency transfers the
 13 information to the Alaska Gasline Development Corporation.

14 * **Sec. 6.** AS 38.34.050(b) is amended to read:

15 (b) All state agencies or entities shall cooperate with and, except for requests
 16 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
 17 requests for information from the Alaska Gasline Development Corporation
 18 [JOINT IN-STATE GASLINE DEVELOPMENT TEAM]. The Alaska Gasline
 19 Development Corporation [DEVELOPMENT TEAM] shall avoid duplicating
 20 studies, plans, and designs that have already been produced or otherwise obtained by
 21 other state entities.

22 * **Sec. 7.** AS 38.34.050(c) is amended to read:

23 (c) Notwithstanding any contrary provision of law, the Department of Natural
 24 Resources shall grant the Alaska Gasline Development Corporation [ALASKA
 25 HOUSING FINANCE CORPORATION] a right-of-way lease under AS 38.35 for the
 26 gas pipeline transportation corridor at no appraisal or rental cost if

27 (1) [THE CORPORATION SUBMITS] a complete right-of-way lease
 28 application under AS 38.35.050 is submitted;

29 (2) the lease application is made the subject of notice and other
 30 reasonable and appropriate publication requirements under AS 38.35.070; and

31 (3) the corporation that submits the application for the right-of-way

1 lease agrees to be bound by the right-of-way lease covenants set out in AS 38.35.121
2 [AS 38.35.120].

3 * **Sec. 8.** AS 38.34.050 is amended by adding new subsections to read:

4 (e) The Alaska Gasline Development Corporation may enter into
5 confidentiality agreements necessary to acquire or provide information to carry out its
6 functions. Information acquired or provided by the Alaska Gasline Development
7 Corporation under a confidentiality agreement is not subject to disclosure under
8 AS 40.25.110. The Alaska Gasline Development Corporation may enter into
9 confidentiality agreements with a public agency, as defined in AS 40.25.220, to allow
10 release of confidential information. The portions of the records and files of a public
11 agency bound by a confidentiality agreement that reflect, incorporate, or analyze
12 information subject to a confidentiality agreement under this subsection are not public
13 records. Confidentiality agreements entered into under this subsection are valid and
14 binding against all parties in accordance with the terms of the confidentiality
15 agreement.

16 (f) Information relating to field studies conducted and other technical
17 information developed or obtained by the Alaska Gasline Development Corporation
18 that relates to the development, financing, construction, or operation of an in-state
19 natural gas pipeline project by the Alaska Gasline Development Corporation is
20 confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline
21 Development Corporation may waive the confidentiality of the information described
22 in this subsection, except for information acquired from another person that is subject
23 to a confidentiality agreement, if the waiver is in the best interest of the state and will
24 facilitate the development, financing, or construction of an in-state natural gas
25 pipeline.

26 (g) Upon request by the Alaska Gasline Development Corporation, a state
27 entity shall provide water, sand and gravel, other nonhydrocarbon natural resources,
28 and a permit or a lease to the Alaska Gasline Development Corporation at the usual
29 and customary rates, except as provided in (c) of this section. In this subsection, "state
30 entity" means a state department, authority, or other administrative unit of the
31 executive branch of state government, a public university, or a state public

1 corporation.

2 (h) That part of the cost of providing, under (g) of this section, water, sand and
3 gravel, or other nonhydrocarbon natural resources, or of entering into a lease or
4 issuing a permit, that is borne by the Alaska Gasline Development Corporation for an
5 in-state natural gas pipeline project that is owned in whole or in part by the Alaska
6 Gasline Development Corporation may not be included in the rate base in a
7 proceeding under AS 42 or before the Federal Energy Regulatory Commission.

8 (i) After approval by the commissioner of natural resources, a lease received
9 by the Alaska Gasline Development Corporation under (c) of this section may be
10 transferred to a successor in interest under the same terms and conditions applicable to
11 the right-of-way lease granted to the Alaska Gasline Development Corporation.

12 * **Sec. 9.** AS 38.34.099 is repealed and reenacted to read:

13 **Sec. 38.34.099. Definitions.** In this chapter,

14 (1) "Alaska Gasline Development Corporation" means the corporation
15 created under AS 18.56.086 that is authorized to exercise the powers and take the
16 actions described in AS 18.56.087;

17 (2) "in-state natural gas pipeline" means a natural gas pipeline for
18 transporting natural gas in the state;

19 (3) "natural gas pipeline" means all the facilities of a total system of
20 pipe for transportation of natural gas for treatment or conditioning, delivery, storage,
21 or further transportation, and including all pipe, pump and compressor stations, station
22 equipment, and all other facilities used or necessary for an integral line of pipe to carry
23 out the transportation of the gas.

24 * **Sec. 10.** AS 38.35.100(d) is amended to read:

25 (d) The commissioner shall include in a conditional lease each requirement
26 and condition of the covenants established under AS 38.35.120 **or 38.35.121, as**
27 **applicable**. The commissioner may also require that the lessee agree to additional
28 conditions that the commissioner finds to be in the public interest. In place of the
29 covenant established under AS 38.35.120(a)(9), the commissioner shall require the
30 lessee to agree that it will not transfer, assign, pledge, or dispose of in any manner,
31 directly or indirectly, its interest in a conditional right-of-way lease or a pipeline

1 subject to the conditional lease, unless the commissioner, after considering the public
 2 interest and issuing written findings to substantiate a decision to allow the transfer,
 3 authorizes the transfer. The commissioner shall also require the lessee to agree not to
 4 allow the transfer of control of the lessee without the approval of the commissioner; as
 5 used in this subsection, "transfer of control of the lessee" means the transfer of 30
 6 percent or more, in the aggregate, of ownership interest in the lessee in one or more
 7 transactions to one or more persons by one or more persons.

8 * **Sec. 11.** AS 38.35.120(a) is amended to read:

9 (a) **Except as provided for a natural gas pipeline subject to AS 38.35.121,**
 10 **a** [A] noncompetitive lease of state land for a right-of-way for an oil or natural gas
 11 pipeline valued at \$1,000,000 or more may be granted only upon the condition that the
 12 lessee expressly covenants in the lease, in consideration of the rights acquired by it
 13 under the lease, that

14 (1) it assumes the status of and will perform all of its functions
 15 undertaken under the lease as a common carrier and will accept, convey, and transport
 16 without discrimination crude oil or natural gas, depending on the kind of pipeline
 17 involved, delivered to it for transportation from fields in the vicinity of the pipeline
 18 subject to the lease throughout its route both on state land obtained under the lease and
 19 on the other land; it will accept, convey, and transport crude oil or natural gas without
 20 unjust or unreasonable discrimination in favor of one producer or person, including
 21 itself, as against another but will take the crude oil or natural gas, depending on the
 22 kind of pipeline involved, delivered or offered, without unreasonable discrimination,
 23 that the Regulatory Commission of Alaska shall, after a full hearing with due notice to
 24 the interested parties and a proper finding of facts, determine to be reasonable in the
 25 performance of its duties as a common carrier; however, a lessee that owns or operates
 26 a natural gas pipeline

27 (A) subject to regulation either under the Natural Gas Act (15
 28 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
 29 with respect to rates and charges for the sale of natural gas, is, to the extent of
 30 that regulation, exempt from the common carrier requirement in this
 31 paragraph;

1 (B) that is a North Slope natural gas pipeline (i) is required to
2 operate as a common carrier only with respect to the intrastate transportation of
3 North Slope natural gas, as that term is defined in AS 42.06.630, and (ii) is not
4 required to operate as a common carrier as to a liquefied natural gas facility or
5 a marine terminal facility associated with the pipeline, and is not otherwise
6 required to perform its functions under the lease as a common carrier; for
7 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
8 facilities of a total system of pipe, whether owned or operated under a contract,
9 agreement, or lease, used by a carrier for transportation of North Slope natural
10 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
11 transportation, and including all pipe, pump, or compressor stations, station
12 equipment, tanks, valves, access roads, bridges, airfields, terminals and
13 terminal facilities, including docks and tanker loading facilities, operations
14 control centers for both the upstream part of the pipeline and the terminal,
15 tanker ballast treatment facilities, fire protection system, communication
16 system, and all other facilities used or necessary for an integral line of pipe,
17 taken as a whole, to carry out transportation, including an extension or
18 enlargement of the line;

19 (2) it will interchange crude oil or natural gas, depending on the kind
20 of pipeline involved, with each like common carrier and provide connections and
21 facilities for the interchange of crude oil or natural gas at every locality reached by
22 both pipelines when the necessity exists, subject to rates and regulations made by the
23 appropriate state or federal regulatory agency;

24 (3) it will maintain and preserve books, accounts, and records and will
25 make those reports that the state may prescribe by regulation or law as necessary and
26 appropriate for purposes of administration of this chapter;

27 (4) it will accord at all reasonable times to the state and its authorized
28 agents and auditors the right of access to its property and records, of inspection of its
29 property, and of examination and copying of records;

30 (5) it will provide connections, as determined by the Regulatory
31 Commission of Alaska under AS 42.06.340, to facilities on the pipeline subject to the

1 lease, both on state land and other land in the state, for the purpose of delivering crude
2 oil or natural gas, depending on the kind of pipeline involved, to persons (including
3 the state and its political subdivisions) contracting for the purchase at wholesale of
4 crude oil or natural gas transported by the pipeline when required by the public
5 interest;

6 (6) it shall, notwithstanding any other provision, provide connections
7 and interchange facilities at state expense at such places the state considers necessary
8 if the state determines to take a portion of its royalty or taxes in oil or natural gas;

9 (7) it will construct and operate the pipeline in accordance with
10 applicable state laws and lawful regulations and orders of the Regulatory Commission
11 of Alaska;

12 (8) it will, at its own expense, during the term of the lease,

13 (A) maintain the leasehold and pipeline in good repair;

14 (B) promptly repair or remedy any damage to the leasehold;

15 (C) promptly compensate for any damage to or destruction of
16 property for which the lessee is liable resulting from damage to or destruction
17 of the leasehold or pipeline;

18 (9) it will not transfer, assign, or dispose of in any manner, directly or
19 indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-
20 way lease, or any rights under the lease or any pipeline subject to the lease to any
21 person other than another owner of the pipeline (including subsidiaries, parents, and
22 affiliates of the owners), except to the extent that the commissioner, after
23 consideration of the protection of the public interest (including whether the proposed
24 transferee is fit, willing, and able to perform the transportation or other acts proposed
25 in a manner that will reasonably protect the lives, property, and general welfare of the
26 people of Alaska), authorizes; the commissioner shall not unreasonably withhold
27 consent to the transfer, assignment, or disposal;

28 (10) it will file with the commissioner a written appointment of a
29 named permanent resident of the state to be its registered agent in the state and to
30 receive service of notices, regulations, decisions, and orders of the commissioner; if it
31 fails to appoint an agent for service, service may be made by posting a copy in the

1 office of the commissioner, filing a copy in the office of the lieutenant governor, and
 2 mailing a copy to the lessee's last known address;

3 (11) the applicable law of this state will be used in resolving questions
 4 of interpretation of the lease;

5 (12) the granting of the right-of-way lease is subject to the express
 6 condition that the exercise of the rights and privileges granted under the lease will not
 7 unduly interfere with the management, administration, or disposal by the state of the
 8 land affected by the lease, and that the lessee agrees and consents to the occupancy
 9 and use by the state, its grantees, permittees, or other lessees of any part of the right-
 10 of-way not actually occupied or required by the pipeline for the full and safe
 11 utilization of the pipeline, for necessary operations incident to land management,
 12 administration, or disposal;

13 (13) it will be liable to the state for damages or injury incurred by the
 14 state caused by the construction, operation, or maintenance of the pipeline and it will
 15 indemnify the state for the liabilities or damages;

16 (14) it will procure and furnish liability and property damage insurance
 17 from a company licensed to do business in the state or furnish other security or
 18 undertaking upon the terms and conditions the commissioner considers necessary if
 19 the commissioner finds that the net assets of the lessee are insufficient to protect the
 20 public from damage for which the lessee may be liable arising out of the construction
 21 or operation of the pipeline.

22 * **Sec. 12.** AS 38.35.120(b) is amended to read:

23 (b) **Except as provided for a natural gas pipeline subject to AS 38.35.121,**
 24 **for** [FOR] a right-of-way lease granted under this chapter for an oil or natural gas
 25 pipeline valued at \$1,000,000 or more to be valid and of legal effect, it must contain
 26 the terms required to be inserted under the provisions of AS 38.35.110 - 38.35.140. An
 27 oil or natural gas pipeline right-of-way lease granted under this chapter **and subject to**
 28 **this section** that does not contain the required terms is null and void and without legal
 29 effect and does not vest any interest in state land or any authority in the carrier granted
 30 the lease.

31 * **Sec. 13.** AS 38.35 is amended by adding a new section to read:

1 **Sec. 38.35.121. Covenants required to be in a lease to a natural gas**
2 **pipeline that is a contract carrier.** (a) For a lease of state land for a right-of-way for
3 which an applicant has applied as a contract carrier under AS 42.08, a noncompetitive
4 lease of state land for a right-of-way for a natural gas pipeline valued at \$1,000,000 or
5 more may be granted only on the condition that the lessee expressly covenants in the
6 lease, in consideration of the rights acquired by it under the lease, that

7 (1) except for the covenants in AS 38.35.120(a)(1), (2), and (5), it will
8 meet the requirements of AS 38.35.120;

9 (2) it will interchange natural gas and provide connections with each
10 public utility pipeline, common carrier pipeline, or contract carrier pipeline, and
11 facilities for the interchange of natural gas at every locality reached by both pipelines
12 when the necessity exists, as provided in contracts on file with the Regulatory
13 Commission of Alaska;

14 (3) it assumes the status of and will perform all of its functions
15 undertaken under the lease as a contract carrier and, subject to contracts with shippers,
16 will accept, convey, and transport, without discrimination, natural gas delivered to it
17 for transportation from fields in the vicinity of the pipeline subject to the lease
18 throughout its route, both on state land obtained under the lease and on the other land;
19 subject to its contracts with shippers, it will accept, convey, and transport natural gas
20 without unjust or unreasonable discrimination in favor of one producer or person,
21 including itself, as against another but will take the natural gas delivered or offered
22 without unreasonable discrimination;

23 (4) it will expand the natural gas pipeline on commercially reasonable
24 terms that, when possible, encourage exploration and development of gas resources in
25 this state and without an increase in transportation costs for a shipper except as
26 provided in the contract with the shipper; in this paragraph, "commercially reasonable
27 terms" means that revenue from transportation contracts covers the cost of the
28 expansion, including increased fuel costs and a reasonable return on capital, and the
29 ability of the pipeline to recover the costs of existing facilities is not impaired;

30 (5) it will not require a shipper to pay a rate in excess of the rates
31 provided for in the contract with that shipper.

1 (b) A contract carrier may offer to a shipper firm transportation service,
2 interruptible transportation service, or both.

3 (c) Expansion under (a) of this section may not cause a pipeline to be a
4 competing natural gas pipeline project. In this subsection, "competing natural gas
5 pipeline project" has the meaning given in AS 43.90.440.

6 (d) In this section, "firm transportation service" means service by a natural gas
7 pipeline carrier that is not subject to a prior claim by another shipper or another class
8 of service and is not subject to reduction unless the overall capacity of the pipeline is
9 diminished; service is "firm transportation service" if the service requires the same
10 priority as any other class of firm transportation service.

11 * **Sec. 14.** AS 38.35.140 is amended by adding a new subsection to read:

12 (c) Notwithstanding (a) of this section, a right-of-way lease shall be granted
13 without appraisal or rental costs to the Alaska Gasline Development Corporation
14 created under AS 18.56.086.

15 * **Sec. 15.** AS 38.35.200 is amended by adding new subsections to read:

16 (c) Except as provided for an applicant under (a) of this section,
17 notwithstanding any contrary provision of law, an action or decision of the
18 commissioner or other state officer or agency concerning the issuance or approval of a
19 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
20 development, construction, or initial operation of a natural gas pipeline by the Alaska
21 Gasline Development Corporation, a subsidiary created by the Alaska Housing
22 Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this
23 chapter may not be subject to judicial review, except that a claim alleging the
24 invalidity of this subsection must be brought within 60 days after the effective date of
25 this Act, and a claim alleging that an action will deny rights under the Constitution of
26 the State of Alaska must be brought within 60 days following the date of that action. A
27 claim that is not filed within the limitations established in this subsection is barred. A
28 complaint under this subsection must be filed in superior court, and the superior court
29 has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction
30 with a final judgment on a claim filed under this subsection, the superior court may
31 not grant injunctive relief, including a temporary restraining order, preliminary

1 injunction, permanent injunction, or stay against the issuance of a necessary right-of-
 2 way, permit, lease, certificate, license, or other authorization for the development,
 3 construction, or initial operation of a natural gas pipeline by the Alaska Gasline
 4 Development Corporation, a subsidiary created by the Alaska Housing Finance
 5 Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the
 6 meaning given in AS 38.34.099.

7 (d) An appeal of a permitting decision or authorization by the Department of
 8 Environmental Conservation under AS 46.03 or AS 46.14 that is made under a
 9 program approved or delegated by the United States Environmental Protection Agency
 10 is not

11 (1) subject to the limitation in (a) of this section;

12 (2) included in the actions or decisions described in (c) of this section.

13 * **Sec. 16.** AS 40.25.120(a) is amended to read:

14 (a) Every person has a right to inspect a public record in the state, including
 15 public records in recorders' offices, except

16 (1) records of vital statistics and adoption proceedings, which shall be
 17 treated in the manner required by AS 18.50;

18 (2) records pertaining to juveniles unless disclosure is authorized by
 19 law;

20 (3) medical and related public health records;

21 (4) records required to be kept confidential by a federal law or
 22 regulation or by state law;

23 (5) to the extent the records are required to be kept confidential under
 24 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
 25 or retain federal assistance;

26 (6) records or information compiled for law enforcement purposes, but
 27 only to the extent that the production of the law enforcement records or information

28 (A) could reasonably be expected to interfere with enforcement
 29 proceedings;

30 (B) would deprive a person of a right to a fair trial or an
 31 impartial adjudication;

1 (C) could reasonably be expected to constitute an unwarranted
2 invasion of the personal privacy of a suspect, defendant, victim, or witness;

3 (D) could reasonably be expected to disclose the identity of a
4 confidential source;

5 (E) would disclose confidential techniques and procedures for
6 law enforcement investigations or prosecutions;

7 (F) would disclose guidelines for law enforcement
8 investigations or prosecutions if the disclosure could reasonably be expected to
9 risk circumvention of the law; or

10 (G) could reasonably be expected to endanger the life or
11 physical safety of an individual;

12 (7) names, addresses, and other information identifying a person as a
13 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
14 advance college tuition savings program under AS 14.40.803 - 14.40.817;

15 (8) public records containing information that would disclose or might
16 lead to the disclosure of a component in the process used to execute or adopt an
17 electronic signature if the disclosure would or might cause the electronic signature to
18 cease being under the sole control of the person using it;

19 (9) reports submitted under AS 05.25.030 concerning certain
20 collisions, accidents, or other casualties involving boats;

21 (10) records or information pertaining to a plan, program, or
22 procedures for establishing, maintaining, or restoring security in the state, or to a
23 detailed description or evaluation of systems, facilities, or infrastructure in the state,
24 but only to the extent that the production of the records or information

25 (A) could reasonably be expected to interfere with the
26 implementation or enforcement of the security plan, program, or procedures;

27 (B) would disclose confidential guidelines for investigations or
28 enforcement and the disclosure could reasonably be expected to risk
29 circumvention of the law; or

30 (C) could reasonably be expected to endanger the life or
31 physical safety of an individual or to present a real and substantial risk to the

1 public health and welfare;

2 (11) the written notification regarding a proposed regulation provided
3 under AS 24.20.105 to the Department of Law and the affected state agency and
4 communications between the Legislative Affairs Agency, the Department of Law, and
5 the affected state agency under AS 24.20.105;

6 (12) records that are

7 (A) proprietary, privileged, or a trade secret in accordance with
8 AS 43.90.150 or 43.90.220(e);

9 (B) applications that are received under AS 43.90 until notice is
10 published under AS 43.90.160;

11 **(13) information that is covered by a confidentiality agreement**
12 **between the Alaska Gasline Development Corporation created under**
13 **AS 18.56.086 and the provider or recipient of the information.**

14 * **Sec. 17.** AS 41.41.010(a) is amended to read:

15 (a) There is established the Alaska Natural Gas Development Authority, the
16 purpose of which is to provide one or more of the following services and functions in
17 order to **acquire** [BRING] natural gas **produced in** [FROM THE NORTH SLOPE
18 OR OTHER REGIONS OF] the state **for delivery** to market, including

19 [(1)] the acquisition and conditioning of natural gas [;

20 (2) THE DESIGN AND CONSTRUCTION OF THE PIPELINE
21 SYSTEM;

22 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
23 SYSTEM;

24 (4) THE DESIGN, CONSTRUCTION, AND OPERATION OF
25 OTHER FACILITIES NECESSARY FOR DELIVERING THE GAS TO MARKET,
26 INCLUDING MARKETS IN THE STATE;] and

27 [(5)] the acquisition of natural gas market share sufficient to ensure the
28 long-term feasibility of pipeline system projects.

29 * **Sec. 18.** AS 41.41.010(d) is amended to read:

30 (d) The acquisition of natural gas from the North Slope and other regions of
31 the state, including the Alaska outer continental shelf, and **making that natural gas**

1 **available to** [ITS DELIVERY TO MARKETS IN THE STATE FOR USE BY]
 2 markets in the state or **for export from the state** [TO TIDEWATER FOR
 3 SHIPMENT TO MARKET BY THE AUTHORITY] are essential government
 4 functions of the state.

5 * **Sec. 19.** AS 41.41.010 is amended by adding a new subsection to read:

6 (f) To honor delivery commitments in a contract entered into by the authority,
 7 the authority and the commissioner of natural resources may pledge, as necessary,
 8 royalty gas owned by the state and not otherwise committed by contract to other
 9 purchasers of royalty gas. The commissioner of natural resources shall determine the
 10 amount of gas that may be pledged and the price for that gas. A pledge made under
 11 this subsection shall be treated as a disposal of gas other than by sale or exchange for
 12 purposes of AS 38.05.183.

13 * **Sec. 20.** AS 41.41.020 is repealed and reenacted to read:

14 **Sec. 41.41.020. Authority governing body.** The authority shall be governed
 15 by the board of directors of the Alaska Housing Finance Corporation.

16 * **Sec. 21.** AS 41.41.060 is amended to read:

17 **Sec. 41.41.060. Compensation of board members; per diem and travel**
 18 **expenses.** Members of the board **described in AS 18.56.030(a)(4)** are entitled to
 19 **compensation and reimbursement as provided in AS 18.56.030(e) when on official**
 20 **business of the authority** [PER DIEM AND TRAVEL EXPENSES AUTHORIZED
 21 FOR BOARDS AND COMMISSIONS UNDER AS 39.20.180].

22 * **Sec. 22.** AS 41.41.070(d) is amended to read:

23 (d) In addition to its employees, the authority may contract for and engage the
 24 services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors, **and**
 25 **legal counsel, including bond counsel,** the authority considers necessary for the
 26 purpose of developing information, furnishing advice, or conducting studies,
 27 investigations, hearings, or other proceedings. **The procurement of services under**
 28 **this subsection is exempt from AS 36.30, including AS 36.30.015(d) and (f).**

29 * **Sec. 23.** AS 41.41.090(b) is amended to read:

30 (b) If a member of the board or an employee of the authority acquires, owns,
 31 or controls an interest, direct or indirect, in an entity [OR PROJECT] in which assets

1 of the authority are invested, the member shall immediately disclose the interest to the
 2 board. The disclosure is a matter of public record and shall be included in the minutes
 3 of the first board meeting following the disclosure.

4 * **Sec. 24.** AS 41.41.150(a) is amended to read:

5 (a) Information in the possession of the authority is a public record, except
 6 that information that **is contained in or subject to a confidentiality agreement**
 7 **between the authority and the Alaska Gasline Development Corporation or that**
 8 discloses the particulars of the business or affairs of a private enterprise or investor is
 9 confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140.
 10 Confidential information may be disclosed only for the purposes of an official law
 11 enforcement investigation or when its production is required in a court proceeding.

12 * **Sec. 25.** AS 41.41.200 is amended to read:

13 **Sec. 41.41.200. Powers of the authority.** In furtherance of its corporate
 14 purposes, in addition to its other powers, the authority may

- 15 (1) sue and be sued;
- 16 (2) adopt a seal;
- 17 (3) adopt, amend, and repeal bylaws and regulations;
- 18 (4) make and execute contracts and other instruments;
- 19 (5) in its own name acquire property, lease, rent, convey, or acquire
 20 real and personal property [**]; A PROJECT SITE OR PART OF A PROJECT SITE**
 21 **MAY BE ACQUIRED BY EMINENT DOMAIN];**
- 22 (6) acquire natural gas supplies;
- 23 (7) issue bonds and otherwise incur indebtedness in accordance with
 24 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
- 25 (8) accept gifts, grants, or loans from and enter into contracts or other
 26 transactions regarding gifts, grants, or loans with a federal agency or an agency or
 27 instrumentality of the state, a municipality, private organization, or other source;
- 28 (9) enter into contracts or agreements with a federal agency, agency or
 29 instrumentality of the state, municipality, or public or private individual or entity, with
 30 respect to the exercise of its powers;
- 31 (10) charge fees or other forms of remuneration for the use of authority

1 properties and facilities;

2 (11) defend and indemnify a current or former member of the board or
3 an employee or agent of the authority against the costs, expenses, judgments, and
4 liabilities as a result of actions taken in good faith on behalf of the authority; and

5 (12) purchase insurance to protect its assets, services, and employees
6 against liabilities that may arise from authority operations and activities.

7 * **Sec. 26.** AS 41.41.990(2) is amended to read:

8 (2) "board" means the board of directors of the Alaska Housing
9 Finance Corporation acting as the board of the Alaska Natural Gas Development
10 Authority;

11 * **Sec. 27.** AS 42.04.080(a) is amended to read:

12 (a) Except as provided in AS 42.05.171 or AS 42.06.140, when a matter
13 comes for decision before the commission under AS 42.05, [OR] AS 42.06, or
14 AS 42.08, the chair shall appoint a hearing panel composed of three or more members
15 to hear, or if a hearing is not required, to otherwise consider, and decide the case. The
16 panel shall exercise the powers of the commission with respect to the matter.

17 * **Sec. 28.** AS 42.05 is amended by adding a new section to read:

18 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A
19 precedent agreement or contract entered into by a public utility with the Alaska
20 Gasline Development Corporation (AS 18.56.087) or its successors or assigns may
21 contain a covenant for the public utility to establish, charge, and collect rates sufficient
22 to meet its obligations under the contract. If the precedent agreement associated with
23 the contract is approved by the commission under AS 42.08, the rate covenant in the
24 associated contract is valid and enforceable.

25 (b) A public utility negotiating to purchase natural gas to be shipped on an in-
26 state natural gas pipeline regulated under AS 42.08 shall submit the contract to the
27 commission before the contract takes effect.

28 (c) A public utility negotiating to contract for the storage of natural gas related
29 to (b) of this section shall submit the contract to the commission before the contract
30 takes effect.

31 (d) The commission shall review and may conduct an investigation and

1 hearing to determine whether a contract submitted under (b) or (c) of this section is
 2 just and reasonable. The review and determination shall be conducted as provided in
 3 AS 42.08.320(b) - (d). The commission shall either approve the contract as presented
 4 or, if the commission finds that a contract is unjust or unreasonable, disapprove the
 5 contract. If the commission has not acted within 180 days after the contract is
 6 submitted, the contract shall be considered approved and shall take effect immediately.
 7 A contract that is approved or considered approved under this section is not subject to
 8 further review by the commission. The commission may, by order, extend the 180-day
 9 review period by the duration of any delay caused by a failure of the public utility to
 10 submit supplemental information that is available to the public utility.

11 * **Sec. 29.** AS 42.05.711 is amended by adding a new subsection to read:

12 (s) An in-state natural gas pipeline subject to AS 42.08 and an in-state natural
 13 gas pipeline carrier subject to AS 42.08 are exempt from this chapter.

14 * **Sec. 30.** AS 42.06 is amended by adding a new section to article 7 to read:

15 **Sec. 42.06.601. Exemption.** An in-state natural gas pipeline subject to
 16 AS 42.08 and an in-state natural gas pipeline carrier subject to AS 42.08 are exempt
 17 from this chapter.

18 * **Sec. 31.** AS 42 is amended by adding a new chapter to read:

19 **Chapter 08. In-state Pipeline Contract Carrier.**

20 **Article 1. Application of Chapter; Purpose.**

21 **Sec. 42.08.010. Application of chapter; exemption.** (a) This chapter applies
 22 to the regulation of in-state natural gas pipelines that provide transportation by
 23 contract carriage.

24 (b) An in-state natural gas pipeline subject exclusively to federal jurisdiction
 25 is exempt from this chapter.

26 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
 27 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
 28 subsidiary created under AS 18.56.086 and authorized to exercise the powers and take
 29 the actions described in AS 18.56.087, is financially fit, willing, and able to take the
 30 actions, properly to perform the service, and to conform to the requirements of this
 31 chapter.

1 (b) The board of directors and the officers of the Alaska Gasline Development
 2 Corporation are managerially fit, willing, and able to manage the Alaska Gasline
 3 Development Corporation and to take the actions, properly to perform the service, and
 4 to conform to the requirements of this chapter.

5 (c) The proposed service, construction, and operation of an in-state natural gas
 6 pipeline for which the Alaska Gasline Development Corporation applies for a
 7 certificate under this chapter is required by present and future public convenience and
 8 necessity.

9 (d) The findings that the Alaska Gasline Development Corporation is
 10 financially fit in (a) of this section and managerially fit in (b) of this section and that
 11 an in-state natural gas pipeline is required by present or future public convenience and
 12 necessity in (c) of this section are conclusive and binding on the commission.

13 (e) The commission shall determine whether a person making application
 14 under this chapter is technically fit, willing, and able to take the actions, properly to
 15 perform the service, and to conform to the requirements in this chapter.

16 **Article 2. Powers and Duties of Regulatory Commission of Alaska.**

17 **Sec. 42.08.220. General powers and duties.** (a) The commission shall

18 (1) regulate, under the provisions of this chapter, an in-state natural gas
 19 pipeline that provides transportation by way of contract carriage;

20 (2) require permits for the construction, enlargement in size or
 21 operating capacity, extension, connection and interconnection, operation, or
 22 abandonment of an in-state natural gas pipeline facility, under the provisions of this
 23 chapter and subject to the same standards as certification in AS 42.08.330;

24 (3) provide all reasonable assistance to the Department of Law in
 25 intervening in, offering evidence in, and participating in proceedings involving an in-
 26 state natural gas pipeline carrier or affiliated interest and affecting the interests of the
 27 state, before an officer, department, board, commission, or court of another state or the
 28 United States.

29 (b) The commission may

30 (1) approve contracts as otherwise provided in this chapter;

31 (2) investigate, on complaint or its own motion, disputes related to

1 rules, regulations, services, practices, and facilities that are not subject to the dispute
2 resolution provisions in an in-state natural gas pipeline carrier's contracts or tariffs or

3 (A) that relate to an unreasonable diminution in the quantity or
4 quality in the provision of service to a public utility;

5 (B) that are a violation of the in-state natural gas pipeline
6 carrier's tariff or contract with the public utility;

7 (C) that have not been resolved by the in-state natural gas
8 pipeline carrier; and

9 (D) in which it clearly appears from specific facts shown by
10 affidavit or by verified complaint that immediate injury, loss, or damage will
11 result to the peace, health, safety, or general welfare of the public from a
12 violation;

13 (3) adopt regulations that are necessary and proper to the performance
14 of the duties of the commission under this chapter, including regulations governing
15 practices and procedures of the commission; the regulations may not be inconsistent
16 with state law;

17 (4) initiate, intervene in, and appear personally or by counsel and offer
18 evidence in and participate in, any proceedings involving an in-state natural gas
19 pipeline carrier and affecting the interests of the state, before an officer, department,
20 board, commission, or court of this state; and

21 (5) assign a qualified, unbiased, and impartial administrative law
22 judge, with experience in the general practice of law, to conduct hearings under this
23 chapter; the administrative law judge may perform other duties in connection with the
24 administration of this chapter and other laws; an administrative law judge hired to
25 conduct hearings under this chapter shall have been admitted to practice law for at
26 least five years immediately before appointment under this paragraph.

27 (c) The commission may not

28 (1) require rates, rate design, or tariff rules or regulations except as
29 provided in this chapter; and

30 (2) conduct further review, investigate, or order a modification of a
31 contract that is approved, considered approved, or filed under this chapter.

1 **Sec. 42.08.230. Commission decision-making procedures.** The commission
2 shall comply with AS 42.04.080(a) and expeditiously adjudicate all matters that come
3 before the commission.

4 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**
5 All reports, orders, decisions, and regulations of the commission shall be in writing.
6 The commission shall notify all affected operators of in-state natural gas pipeline
7 facilities and interested parties of reports, orders, decisions, and regulations as they are
8 issued and adopted, and, when appropriate, publish them in a manner that will
9 reasonably inform the public or the affected consumers of the services of an in-state
10 natural gas pipeline facility. The commission may set charges for costs of printing or
11 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
12 publication requirement, as it pertains to regulations, does not supersede the
13 requirements of AS 44.62 (Administrative Procedure Act).

14 **Sec. 42.08.250. Application of Administrative Procedure Act.** (a) The
15 administrative adjudication procedures of AS 44.62 (Administrative Procedure Act)
16 do not apply to adjudicatory proceedings of the commission under this chapter, except
17 that final administrative determinations by the commission are subject to judicial
18 review under AS 44.62 (Administrative Procedure Act) as provided in AS 42.08.530.

19 (b) AS 44.62 (Administrative Procedure Act) applies to regulations adopted
20 by the commission.

21 **Sec. 42.08.260. Annual report.** The commission shall include in its annual
22 report under AS 42.05.211 and AS 42.06.220 a review of its activities under this
23 chapter during the previous fiscal year and notify the legislature that the report is
24 available. The report must address the regulation of in-state natural gas pipeline
25 facilities in the state as of June 30 of each year and must contain details about the
26 commission's compliance with the performance measures in this chapter.

27 **Article 3. Contract Review; Contract Carriage Certificate; Open Seasons.**

28 **Sec. 42.08.300. Open seasons.** (a) An in-state natural gas pipeline carrier shall
29 publish reasonable public notice in advance of an open season. The notice shall
30 contain the proposed recourse tariff, precedent agreement, firm transportation service
31 agreement, and other information sufficient to show the proposed route, capacity,

1 operating pressures, in-service date, quality specifications, and other operating
2 conditions that the pipeline carrier determines are relevant to an evaluation of the
3 proposed service. The notice shall also state the methods for awarding capacity and
4 whether presubscription agreements have been executed. An in-state natural gas
5 pipeline carrier shall provide a mechanism for providing additional relevant
6 information requested by potential shippers.

7 (b) An open season shall be conducted and firm transportation service shall be
8 awarded without undue discrimination or preference.

9 (c) An in-state natural gas pipeline carrier shall conduct an open season for
10 firm transportation service when it has existing uncommitted firm transportation
11 capacity and has received a request for firm transportation capacity from one or more
12 potential shippers that meet the pipeline's creditworthiness requirements.

13 (d) An in-state natural gas pipeline carrier shall conduct an open season for an
14 expansion of its pipeline system when it has received one or more requests for firm
15 transportation service from potential shippers that meet the pipeline's creditworthiness
16 requirements and that, in the aggregate, would enable the expansion of the pipeline's
17 system on a commercially reasonable basis. An expansion of the pipeline system is not
18 commercially reasonable if the expansion would cause the pipeline to be a competing
19 natural gas pipeline or project as defined in AS 43.90.440.

20 (e) A natural gas pipeline carrier may enter into presubscription agreements
21 before the start of an open season.

22 **Sec. 42.08.310. Transportation service.** (a) Firm transportation service shall
23 be made available only through a presubscription agreement or an open season
24 conducted in accordance with AS 42.08.300.

25 (b) The pipeline carrier shall offer a recourse tariff for firm transportation
26 service. The rates included in the recourse tariff shall be determined on a cost of
27 service basis. The recourse tariff may not preclude the pipeline carrier from collecting
28 rolled-in rates so long as the resulting rate for prior shippers does not exceed the initial
29 maximum rate allowable under agreements for capacity.

30 (c) An in-state natural gas pipeline carrier may contract to provide firm
31 transportation service on terms and for rates different than those in the recourse tariff.

1 (d) An in-state natural gas pipeline carrier shall provide interruptible
2 transportation service through capacity not used for firm transportation service. An in-
3 state natural gas pipeline carrier shall establish means for routinely advising potential
4 shippers of the availability of interruptible transportation service.

5 **Sec. 42.08.320. Review of certain contracts by the commission.** (a) An in-
6 state natural gas pipeline carrier shall submit each of its precedent agreements for firm
7 transportation service to the commission. A precedent agreement negotiated with an
8 entity that is not a public utility regulated by the commission may be filed under seal.
9 Under AS 42.08.400, the commission shall keep confidential a precedent agreement
10 filed under seal. Submission of precedent agreements to the commission is permissible
11 before construction of an in-state natural gas pipeline and before a request for
12 certification under this chapter.

13 (b) In the review of a precedent agreement submitted under (a) of this section
14 or a related contract submitted under AS 42.05.433(b) or (c), the commission shall

15 (1) conclude that any precedent agreement or related contract
16 negotiated at arm's length between the parties is just and reasonable unless the
17 commission finds that there was unlawful market activity connected to the contract
18 rate or there was unfair dealing, such as fraud or duress, at the contract formation
19 stage;

20 (2) review and may conduct an investigation and hearing to determine
21 whether a contract submitted under (a) of this section is just and reasonable; the
22 commission shall either approve the contract as presented or, if the commission finds
23 that a contract is unjust or unreasonable, disapprove the contract; if the commission
24 has not acted within 180 days after the submission of a contract, the contract shall be
25 considered approved and shall take effect immediately; a contract that is approved or
26 considered approved under this paragraph is not subject to further review by the
27 commission.

28 (c) For purposes of (b)(1) of this section, a precedent agreement or related
29 contract is arm's length

30 (1) if it incorporates the recourse tariff; or

31 (2) if it does not incorporate the recourse tariff,

1 (A) the precedent agreement or related contract is between two
2 state-owned parties;

3 (B) the parties are unaffiliated; or

4 (C) if the parties are affiliated, the precedent agreement or
5 related contract is substantially similar to a precedent agreement or related
6 contract between unaffiliated parties.

7 (d) If a precedent agreement or related contract is not arm's length, the
8 commission shall determine whether the precedent agreement or related contract is
9 just and reasonable using the standards normally applied under AS 42.06.140. The
10 natural gas pipeline carrier shall provide a cost of service study to the commission that
11 shall be used solely for the purpose of this subsection. When considering whether to
12 approve a contract as just and reasonable under this subsection, the commission shall
13 consider the consequences of failing to approve the contract.

14 **Sec. 42.08.330. Contract carriage certificate.** (a) The owner of an in-state
15 natural gas pipeline subject to this chapter may not engage in the transportation of
16 natural gas or undertake the construction of a natural gas pipeline facility for that
17 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
18 certificate of public convenience and necessity by the commission authorizing contract
19 carriage is in force with respect to that owner. A certificate shall describe the nature
20 and extent of the authority granted, including, as appropriate for the services involved,
21 a description of the authorized area and scope of operation for the in-state natural gas
22 pipeline facility.

23 (b) Application for a certificate shall be made in writing to the commission
24 and verified under oath. The commission by regulation shall establish the
25 requirements for the form of the application and the information to be contained in the
26 application. Notice of the application shall be provided to interested parties in the
27 manner provided by regulation.

28 (c) Within 180 days after receiving an application under this chapter, a
29 contract carriage certificate shall be issued to a qualified applicant, authorizing the
30 whole or any part of the operation, service, construction, or acquisition covered by the
31 application, if the commission finds that the applicant is fit, willing, and able properly

1 to do the acts, perform the service proposed, and conform to the provisions of this
2 chapter and the requirements of the commission, and that the proposed service,
3 operation, construction, extension, or acquisition, to the extent authorized by the
4 certificate, is or will be required by the present or future public convenience and
5 necessity. Otherwise, the application shall be denied.

6 (d) Consistent with the terms of this chapter, the commission may attach to a
7 contract carriage certificate terms and conditions that are in the best interest of the in-
8 state natural gas pipeline facility and the public.

9 (e) Operating authority may not be transferred by sale or lease of the contract
10 carriage certificate or by the sale of substantially all of the stock or assets of a pipeline
11 carrier holding a certificate without prior approval by the commission. A transfer not
12 involving a substantial change in ownership shall be summarily approved. The
13 commission's decision under this subsection shall be based on the best interest of the
14 public.

15 (f) After receiving a complaint or on its own motion, the commission, after
16 notice and hearing and for good cause shown, may amend, modify, suspend, or
17 revoke, in whole or in part, a certificate. Good cause for amendment, modification,
18 suspension, or revocation of a certificate is

19 (1) misrepresentation of a material fact in obtaining the certificate;

20 (2) unauthorized discontinuance or abandonment of all or part of a
21 service that is the subject of the certificate;

22 (3) wilful failure to comply with the provisions of this chapter or a
23 regulation or order of the commission; or

24 (4) wilful failure to comply with a term, condition, or limitation of the
25 certificate.

26 (g) Service or use of all or a portion of an in-state natural gas pipeline
27 certificated under this chapter may not be abandoned or permanently discontinued
28 without permission and approval by the commission, after due notice and hearing, and
29 a finding by the commission that continued service is not required by public
30 convenience and necessity. Any interested person may file a protest or memorandum
31 of opposition to or in support of discontinuance or abandonment with the commission.

1 The commission may order a temporary suspension of a service or of part of a service.

2 **Sec. 42.08.340. Tariffs, contracts, filing, and public inspection.** (a) An in-
3 state natural gas pipeline carrier shall file with the commission all recourse tariffs,
4 rules, regulations, terms, and conditions pertaining to service provided under the
5 certificate, and copies of all contracts with shippers that in any way affect or relate to
6 the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and
7 conditions to service provided under the certificate. The in-state natural gas pipeline
8 carrier shall maintain copies on file at its principal business office and at places
9 designated by the commission and make the copies available to, and subject to
10 inspection by, the general public on demand. Rules, regulations, terms, and conditions
11 not included in the tariff of an in-state natural gas pipeline carrier shall be included in
12 the contract with each shipper.

13 (b) The terms and conditions under which an in-state natural gas pipeline
14 carrier offers its services and facilities to the public shall be governed strictly by the
15 provisions of the tariffs and filed contracts that are in effect. A change in tariff rate,
16 charge, rule, regulation, or condition of service is not effective until filed under (a) of
17 this section. If more than one tariff rate or charge may reasonably be applied for
18 billing purposes, the tariff, rate, or charge most advantageous to the shipper shall be
19 used.

20 **Sec. 42.08.350. Uniform system of accounts.** An in-state natural gas pipeline
21 carrier operating under this chapter shall maintain its records and accounts in
22 accordance with the uniform system of accounts for class A natural gas pipelines in 18
23 C.F.R. 201 (Federal Energy Regulatory Commission regulations, as amended).

24 **Sec. 42.08.360. Expansion; dispute resolution.** (a) A contract entered into by
25 an in-state natural gas pipeline carrier may provide for expansion unless the expansion
26 would cause the pipeline to be a competing natural gas pipeline or project as defined
27 in AS 43.90.440.

28 (b) A contract entered into by an in-state natural gas pipeline carrier shall
29 include dispute resolution procedures.

30 **Sec. 42.08.370. Regulatory cost charge.** (a) An in-state natural gas pipeline
31 operating under this chapter shall pay to the commission an annual regulatory cost

1 charge in an amount not to exceed the sum of the following percentages of gross
2 revenue derived from operations in the state: (1) not more than 0.7 percent to fund the
3 operations of the commission, and (2) not more than 0.17 percent to fund operations of
4 the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the
5 Department of Law. A regulatory cost charge may not be assessed on a pipeline under
6 this chapter unless the pipeline is subject to this chapter and has used the commission's
7 services under this chapter in the prior fiscal year.

8 (b) The commission shall by regulation establish a method to determine
9 annually the amount of the regulatory cost charge. If the amount the commission
10 expects to collect under (a) of this section, AS 42.05.254(a), and AS 42.06.286(a)
11 exceeds the authorized budgets of the commission and the Department of Law public
12 advocacy function under AS 42.04.070(c) and AS 44.23.020(e), the commission shall,
13 by order, reduce the percentage determined under (e) of this section so that the total
14 amount of the fees collected approximately equals the authorized budgets of the
15 commission and the Department of Law public advocacy function under
16 AS 42.04.070(c) and AS 44.23.020(e) for the fiscal year.

17 (c) The commission shall administer the charge imposed under this section.
18 The Department of Revenue shall collect and enforce the charge imposed under this
19 section. The Department of Administration shall identify the amount of the operating
20 budgets of the commission and the Department of Law public advocacy function
21 under AS 42.04.070(c) and AS 44.23.020(e) that lapse into the general fund each year.
22 The legislature may appropriate an amount equal to the lapsed amount to the
23 commission and to the Department of Law public advocacy function under
24 AS 42.04.070(c) and AS 44.23.020(e) for operating costs for the next fiscal year. If the
25 legislature does so, the commission shall reduce the total regulatory cost charge
26 collected for that fiscal year by a comparable amount.

27 (d) The commission may adopt regulations under AS 44.62 (Administrative
28 Procedure Act) necessary to administer this section, including requirements and
29 procedures for reporting information and making quarterly payments. The Department
30 of Revenue may adopt regulations under AS 44.62 (Administrative Procedure Act) for
31 investigating the accuracy of filed information and for collecting required payments.

1 (e) The commission shall by regulation establish a method to determine
2 annually the maximum percentage of gross revenue that will apply to each regulated
3 public utility sector, the maximum percentage of gross revenue that will apply to the
4 regulated pipeline carrier sector under AS 42.06, and the maximum percentage of
5 gross revenue that will apply to pipelines regulated under this chapter in accordance
6 with AS 42.05.254(h).

7 **Sec. 42.08.380. Nothing to alter the calculation of taxes and royalty.**
8 Nothing in this chapter shall alter the calculation of production taxes under
9 AS 43.55.011 - 43.55.180 or the calculation of royalty due for leases issued under
10 AS 38.05.180.

11 **Article 4. Records; Investigations.**

12 **Sec. 42.08.400. Public records.** (a) Except as provided in (b) and (c) of this
13 section or prohibited from disclosure under state or federal law, records in the
14 possession of the commission are open to public inspection at reasonable times.

15 (b) The commission may by regulation classify records received from an in-
16 state natural gas pipeline carrier or in-state natural gas pipeline as privileged records
17 that are not open to the public for inspection.

18 (c) A record filed with the commission that is a precedent agreement between
19 an in-state natural gas pipeline carrier and an unregulated entity is a privileged record
20 that is not open to the public for inspection. For a record that relates to a precedent
21 agreement, or is or relates to a contract other than a precedent agreement between an
22 in-state natural gas pipeline carrier and an unregulated entity, an in-state natural gas
23 pipeline carrier shall identify the provisions of the record that contain information that,
24 if disclosed, could adversely affect the competitive position of the shipper, and the
25 information shall be treated by the commission as confidential.

26 (d) A person may make written objection to the public disclosure of
27 information contained in a record filed under this chapter or of information obtained
28 by the commission or by the attorney general under this chapter, stating the grounds
29 for the objection. When an objection is made, the commission shall order the
30 information withheld from public disclosure if the information adversely affects the
31 interest of the person making written objection and disclosure is not required in the

1 interest of the public.

2 (e) A commissioner may certify as to all official records of the commission
3 under this section and may certify as to all official acts of the commission under this
4 chapter.

5 **Sec. 42.08.410. Investigations.** The commission may investigate any matter
6 for which an investigation is authorized under this chapter. An investigation may be
7 public, nonpublic, or both. In conducting an investigation, the commission may
8 compel the attendance and testimony of witnesses and the production of records and
9 testimony before the commission or its designee. In the course of an investigation, the
10 commission may, subject to AS 44.23.020(e), exclude from attendance at the taking of
11 investigative testimony all persons except a person compelled to attend, that person's
12 attorney, members of the commission or the commission's staff, and a person
13 authorized to transcribe the proceedings.

14 **Article 5. General Provisions.**

15 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
16 carrier shall file with the commission a written appointment of a named permanent
17 resident, which may be a corporation, of this state as its registered agent in this state
18 upon whom service of all notices, regulations, and requests of the commission may be
19 made. The appointment shall specify the address in this state of the appointed agent.
20 The address may be changed from time to time by filing a new address in the state
21 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
22 registered agent, service of notices, regulations, and requests may be made by posting
23 a copy in the main office of the commission and filing a copy in the office of the
24 lieutenant governor.

25 **Sec. 42.08.520. Effect of regulations.** Regulations adopted by the commission
26 under this chapter have the effect of law.

27 **Sec. 42.08.530. Judicial review and enforcement.** (a) Except as provided in
28 AS 38.35.200(c), a final order of the commission under this chapter is subject to
29 judicial review under AS 44.62.560 and 44.62.570.

30 (b) If an appeal is not taken from a final order of the commission within 10
31 calendar days after an investigation under AS 42.08.220(b)(2), the commission may

1 apply to the superior court for enforcement of the order of the commission. The court
2 shall enforce the order by injunction or other process.

3 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
4 from orders of the commission and applications for enforcement of orders of the
5 commission may be joined. The court may, in the interests of justice, separate the
6 actions.

7 **Sec. 42.08.900. Definitions.** In this chapter,

8 (1) "commission" means the Regulatory Commission of Alaska
9 (AS 42.04.010);

10 (2) "commissioner" means a member of the commission;

11 (3) "firm transportation service" means service by an in-state natural
12 gas pipeline carrier that is not subject to a prior claim by another shipper or another
13 class of service; service constitutes "firm transportation service" if the service receives
14 the same priority as any other class of firm transportation service;

15 (4) "in-state natural gas pipeline" or "in-state natural gas pipeline
16 facility" means a natural gas pipeline that transports natural gas in the state by way of
17 contract carriage;

18 (5) "in-state natural gas pipeline carrier" means the owner, including a
19 corporation, company, or other entity organized under the laws of the United States or
20 of any state, of an in-state natural gas pipeline or an interest in it, or any person,
21 including a corporation, company, or other entity organized under the laws of the
22 United States or of any state, that transports natural gas as a contract carrier;

23 (6) "natural gas pipeline" has the meaning given in AS 38.34.099;

24 (7) "precedent agreement" means a contractual commitment to acquire
25 firm transportation capacity, executed between an in-state natural gas pipeline carrier
26 and another person, that establishes the rates, terms, and conditions for service;

27 (8) "record" means a report, file, book, account, paper, or application,
28 and the facts and information contained in it.

29 * **Sec. 32.** AS 43.56.020 is amended by adding a new subsection to read:

30 (d) Taxable property of a natural gas pipeline project owned or financed by
31 the Alaska Gasline Development Corporation established under AS 18.56.086, or a

1 joint venture, partnership, or other entity that includes the Alaska Gasline
 2 Development Corporation, is exempt from state taxes levied or authorized under
 3 AS 43.56.010(a) and local taxes levied or authorized under AS 43.56.010(b) before
 4 the commencement of commercial operations of that natural gas pipeline project. In
 5 this subsection, "commencement of commercial operations" means the first flow of
 6 natural gas in the project that generates revenue to the owners of the natural gas
 7 pipeline project.

8 * **Sec. 33.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050,
 9 and 41.41.080 are repealed.

10 * **Sec. 34.** Section 1, 2002 Ballot Measure No. 3, is repealed.

11 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
 12 read:

13 TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a
 14 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 7 of this Act,
 15 AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11
 16 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted
 17 by sec. 13 of this Act, that is entered into between the commissioner of natural resources and
 18 the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance
 19 Corporation created under AS 18.56.086, before the effective dates of secs. 7 and 10 - 13 of
 20 this Act be amended as soon as practicable after the effective dates of secs. 7 and 10 - 13 of
 21 this Act to conform to the requirements of AS 38.34.050(c), as amended by sec. 7 of this Act,
 22 AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11
 23 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted
 24 by sec. 13 of this Act.

25 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
 26 read:

27 REVISOR'S INSTRUCTIONS. The revisor of statutes shall change the catch lines of

28 (1) AS 38.34.050 from "Cooperation and access to information" to
 29 "Cooperation; information sharing; permits, use of state resources, and leases";

30 (2) AS 38.35.120 from "Covenants required to be included in lease" to
 31 "Covenants required to be included in lease to a pipeline that is not a natural gas pipeline

1 contract carrier"; and

2 (3) AS 38.35.200 from "Judicial review of decisions of commissioner on
3 application" to "Judicial review."

4 * **Sec. 37.** This Act takes effect immediately under AS 01.10.070(c).