



AMENDMENT # 7

OFFERED IN THE HOUSE

BY REPRESENTATIVE TUCK

TO: HCS CSSB 138(FIN)

1 Page 2, line 22, following "project;": *(title amendment)*

2 Insert "creating an Alaska Due Diligence Task Force;"

3

4 Page 3, following line 1:

5 Insert a new bill section to read:

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

8 LEGISLATIVE FINDINGS FOR SEC. 69 OF THIS ACT. In the creation of an
9 Alaska Due Diligence Task Force under sec. 69 of this Act, the legislature finds that

10 (1) the Constitution of the State of Alaska mandates the resources of the state
11 be managed for the maximum benefit of the state's people;

12 (2) the sale of state-owned resources in a manner that maximizes the revenue
13 received by the state, adjusted for inflation, over the life of the project generates the greatest
14 economic value for residents of the state;

15 (3) the North Slope of the state holds 35,000,000,000 cubic feet of proven
16 natural gas reserves, and, for each one dollar increase in the wellhead price of 1,000 cubic feet
17 of gas, the potential state revenue increases by \$35,000,000,000;

18 (4) the state loses a potential \$35,000,000,000 for each dollar spent on
19 unnecessary resource transportation and production costs;

20 (5) the most significant means of maximizing the benefit of the state's North
21 Slope energy resources is to deliver energy produced in the state in the most economical
22 manner possible to as many residents of the state as possible;

23 (6) keeping transportation and production costs as low as possible will ensure

1 the lowest energy costs to residents of the state;

2 (7) the Alaska State Legislature finds the following strategic values to be of
3 critical importance to achieving maximum value from the natural gas reserves of the state and
4 finds that those values should be satisfied before the state considers the extraction and use of
5 its resources:

6 (A) commitments to purchase large volumes of natural gas should be
7 made from creditworthy buyers for a price at which producers are willing to sell;

8 (B) the wellhead value of natural gas must be sufficiently high to
9 provide adequate revenue to the state;

10 (C) tariffs and transportation costs must be low enough to guarantee
11 residents of the state low energy costs, now and into the future;

12 (D) if the state takes an equity position in a natural gas treatment and
13 transportation system, the state must retain the economic rights and benefits
14 commensurate with the equity contribution of the state and must maintain a
15 proportional share of the governance rights through board participation."
16

17 Page 3, line 2:

18 Delete "Section 1"

19 Insert "Sec. 2"

20

21 Renumber the following bill sections accordingly.

22

23 Page 15, line 26:

24 Delete "sec. 18"

25 Insert "sec. 19"

26

27 Page 23, line 23:

28 Delete "sec. 31"

29 Insert "sec. 32"

30

31 Page 27, line 16:

1 Delete "sec. 34"

2 Insert "sec. 35"

3

4 Page 35, line 23:

5 Delete "sec. 42"

6 Insert "sec. 43"

7

8 Page 62, line 13:

9 Delete "sec. 27"

10 Insert "sec. 28"

11

12 Page 63, line 16:

13 Delete "sec. 27"

14 Insert "sec. 28"

15

16 Page 63, following line 16:

17 Insert a new bill section to read:

18 **** Sec. 69. ALASKA DUE DILIGENCE TASK FORCE.** (a) The Alaska Gas Due
19 Diligence Task Force is established for the purposes of analyzing options to maximize oil and
20 gas revenue for the state, decreasing energy costs for residents of the state, and lowering
21 resource distribution and infrastructure costs.

22 (b) the Alaska Gas Due Diligence Task Force shall perform a 30-year cost-benefit and
23 cash flow analysis for the state, resource owners, and residents, in which it reports capital
24 costs and absorption rates, estimates the energy savings to residents in each region of the
25 state, and stress tests each of the following:

26 (1) any capital project being pursued with the expectation that the state will
27 later import natural gas for utilities in the southcentral region of the state;

28 (2) continued development and expanded gas exploration, including
29 exploration by jack-up rig, in the Cook Inlet region;

30 (3) a large-diameter pipe along the Parks Highway to multiple ports in the
31 south-central region of the state coupled with a liquefied natural gas terminal in Cook Inlet;

1 (4) a large-diameter pipe along the Richardson Highway and a liquefied
2 natural gas terminal in Valdez;

3 (5) a small-diameter pipe carrying 500,000,000 cubic feet of gas or less from
4 the North Slope to the utility grid of the south-central region of the state with remaining
5 capacity available for export or industrial projects;

6 (6) a small-diameter pipe connecting Fairbanks to the utility grid of the south-
7 central region of the state;

8 (7) a gas-to-liquid project on the North Slope with transportation of the
9 resulting product through the existing Trans Alaska Pipeline System; and

10 (8) a North Slope-oriented liquefied natural gas terminal with liquefied natural
11 gas storage facilities to accommodate seasonal shipping limitations.

12 (c) The Alaska Gas Due Diligence Task Force shall be made up of experts in the
13 various technical fields for each option investigated who are able to assist in reasonable
14 project analysis including costs, revenue, demand, and operating expenses.

15 (d) The Alaska Gas Due Diligence Task Force consists of

16 (1) two members of the senate appointed by the president of the senate,
17 including one member of the minority caucus;

18 (2) two members of the house of representatives appointed by the speaker of
19 the house of representatives, including one member of the minority caucus;

20 (3) eight public members who are residents of the state, appointed jointly by
21 the president of the senate and the speaker of the house of representatives, as follows:

22 (A) one member representing a tribal entity;

23 (B) one member representing the oil and gas industry;

24 (C) one member from an accredited university or college who
25 specializes in energy economics;

26 (D) one member from a local government or association of local
27 governments;

28 (E) one member from a conservation group;

29 (F) one member representing a Native corporation organized under the
30 Alaska Native Claims Settlement Act;

31 (G) one member representing a statewide labor organization;

1 (H) one member representing an electrical or gas utility that purchases
2 a significant amount of natural gas and is located in the Railbelt region of the state;

3 (4) one member from the executive branch appointed by the governor.

4 (e) The Alaska Gas Due Diligence Task Force may retain a nationally respected
5 contractor capable of creating the custom financial models necessary to perform the analytics
6 required by the task force and to report the results of the analysis to the legislature before
7 deliberations on commercial contracts for a large-diameter liquefied natural gas project at the
8 completion of the pre-front-end engineering and basic engineering design study."
9

10 Renumber the following bill sections accordingly.

11

12 Page 64, line 22:

13 Delete "sec. 27"

14 Insert "sec. 28"

15

16 Page 64, line 27:

17 Delete "sec. 18"

18 Insert "sec. 19"

19

20 Page 64, line 29:

21 Delete "sec. 18"

22 Insert "sec. 19"

23

24 Page 67, following line 2:

25 Insert a new bill section to read:

26 **"* Sec. 74.** Section 69 of this Act is repealed December 31, 2015."
27

27

28 Page 67, line 3:

29 Delete "Sections 1 - 18, 21, 27 - 31, 33, 34, 42, 44, and 60 - 71"

30 Insert "Sections 2 - 19, 22, 28 - 32, 34, 35, 43, 45, and 61 - 73"

31

1 Renumber the following bill sections accordingly.

2

3 Page 67, line 5:

4 Delete "Section 43"

5 Insert "Section 44"

6

7 Page 67, line 6:

8 Delete "secs. 72 and 73"

9 Insert "secs. 75 and 76"