

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 4, 2013

1:08 p.m.

MEMBERS PRESENT

Representative Eric Feige, Co-Chair
Representative Dan Saddler, Co-Chair
Representative Peggy Wilson, Vice Chair
Representative Mike Hawker
Representative Craig Johnson
Representative Kurt Olson
Representative Paul Seaton
Representative Geran Tarr
Representative Chris Tuck

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 4

"An Act relating to the Alaska Gasline Development Corporation; making the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance Corporation, an independent public corporation of the state; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation and its subsidiaries exempt from inspection as a public record; relating to the Joint In-State Gasline Development Team; relating to the Alaska Housing Finance Corporation; relating to the price of the state's royalty gas for certain contracts; relating to judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way for a gas pipeline transportation corridor, including a corridor for a natural gas pipeline that is a contract carrier; relating to the cost of natural resources, permits, and leases provided to the Alaska Gasline Development Corporation; relating to procurement by the Alaska Gasline Development Corporation; relating to the review by the Regulatory Commission of Alaska of natural gas transportation contracts; relating to the regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline project developed by the Alaska Gasline Development Corporation; relating to the regulation by the Regulatory

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

- MOVED CSSSHB 4(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 4

SHORT TITLE: ALASKA GASLINE DEVELOPMENT CORP; RCA

SPONSOR(S): REPRESENTATIVE(S) HAWKER, CHENAULT

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	RES, FIN
01/30/13	(H)	SPONSOR SUBSTITUTE INTRODUCED
01/30/13	(H)	READ THE FIRST TIME - REFERRALS
01/30/13	(H)	RES, FIN
02/04/13	(H)	RES AT 1:00 PM BARNES 124
02/04/13	(H)	Heard & Held
02/04/13	(H)	MINUTE(RES)
02/06/13	(H)	RES AT 1:00 PM BARNES 124
02/06/13	(H)	Heard & Held
02/06/13	(H)	MINUTE(RES)
02/13/13	(H)	RES AT 1:00 PM BARNES 124
02/13/13	(H)	Heard & Held
02/13/13	(H)	MINUTE(RES)
02/15/13	(H)	RES AT 1:00 PM BARNES 124
02/15/13	(H)	Heard & Held
02/15/13	(H)	MINUTE(RES)
03/01/13	(H)	RES AT 1:00 PM BARNES 124
03/01/13	(H)	Heard & Held
03/01/13	(H)	MINUTE(RES)
03/04/13	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

FRANK RICHARDS, Manager
Pipeline Engineering & Government Affairs
Alaska Gasline Development Corporation (AGDC)
Alaska Housing Finance Corporation (AHFC)
Department of Revenue (DOR)

Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions related to SSHB 4.

RENA DELBRIDGE, Staff
Representative Mike Hawker
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the joint prime sponsors, answered questions related to SSHB 4.

KEN VASSAR, Legal Counsel
to Alaska Gasline Development Corporation (AGDC)
Birch, Horton, Bittner, & Cherot
Anchorage, Alaska

POSITION STATEMENT: On behalf of the Alaska Gasline Development Corporation (AGDC), answered questions related to SSHB 4.

DARYL KLEPPIN, Manager
Commercial Team
Alaska Gasline Development Corporation (AGDC)
Alaska Housing Finance Corporation (AHFC)
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified related to SSHB 4.

DAN FAUSKE, President
Alaska Gasline Development Corporation (AGDC)
CEO/Executive Director
Alaska Housing Finance Corporation (AHFC)
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified related to SSHB 4.

CORI BADGLEY MILLS, Assistant Attorney General & Legislative
Liaison
Legislation & Regulations Section
Civil Division (Juneau)
Department of Law (DOL)
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SSHB 4.

BONNIE HARRIS, Senior Assistant Attorney General
Oil, Gas & Mining
Civil Division (Anchorage)
Department of Law (DOL)
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SSHB 4.

BILL WARREN
Kenai, Alaska

POSITION STATEMENT: Testified during the hearing of SSHB 4.

REPRESENTATIVE MIKE CHENAULT
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As joint prime sponsor, testified in regard to SSHB 4.

ACTION NARRATIVE

[1:08:27 PM](#)

CO-CHAIR DAN SADDLER called the House Resources Standing Committee meeting to order at 1:08 p.m. Representatives Hawker, Johnson, Olson, Seaton, P. Wilson, Tarr, Feige, and Saddler were present at the call to order. Representative Tuck arrived as the meeting was in progress.

[1:08:44 PM](#)

HB 4-ALASKA GASLINE DEVELOPMENT CORP; RCA

[1:08:56 PM](#)

CO-CHAIR SADDLER announced that the only order of business is SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 4, "An Act relating to the Alaska Gasline Development Corporation; making the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance Corporation, an independent public corporation of the state; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation and its subsidiaries exempt from inspection as a public record; relating to the Joint In-State Gasline Development Team; relating to the Alaska Housing Finance Corporation; relating to the price of the state's royalty gas for certain contracts; relating to judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way for a gas pipeline transportation corridor, including a corridor for a natural gas pipeline that is a contract carrier; relating to the cost of natural resources, permits, and leases provided to the

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

[1:09:42 PM](#)

CO-CHAIR SADDLER advised that the committee will not review any amendments which have not been prepared by Legislative Legal and Research Services.

[1:10:16 PM](#)

REPRESENTATIVE HAWKER moved to adopt Amendment 2, labeled 28-LS0021\0.34, Bullock, 3/2/13, which read:

Page 43, line 31, as amended by adopted amendment 0.9:
Delete "on terms and conditions and"

Page 43, line 31, following "rates":
Insert "and containing provisions"

Page 43, line 31, following "tariff.":
Insert "For purposes of this subsection, "provisions" are limited to those terms and conditions that directly relate to the rate and are distinct from the general operating terms and conditions of the recourse tariff."

CO-CHAIR FEIGE objected for discussion purposes.

REPRESENTATIVE HAWKER explained proposed Amendment 2 addresses the terms and conditions that were discussed by the committee on [3/1/13].

[1:11:18 PM](#)

CO-CHAIR FEIGE removed his objection to the amendment. There being no further objection, Amendment 2 was adopted.

[1:11:40 PM](#)

CO-CHAIR SADDLER moved to adopt Amendment 3, labeled 28-LS0021\0.1, Bullock, 2/6/13, which read:

Page 6, line 25, following "construction.":

Insert "The procurement procedures must provide for an Alaska veterans' preference that is consistent with the Alaska veterans' preference in AS 36.30.175."

REPRESENTATIVE HAWKER objected for discussion purposes.

CO-CHAIR SADDLER explained proposed Amendment 3 allows for veterans' bidder preference, which is only subsequent to the Alaska bidder preference, and is for a 5 percent preference, with a maximum value of \$5,000. He pointed out that it already exists in statute and said it could be beneficial for veterans to obtain these contracts.

[1:12:49 PM](#)

REPRESENTATIVE HAWKER stated he has no problem with the context of the proposed amendment, and pointed out that the proposed bill contains exemptions for Alaska Gasline Development Corporation (AGDC) from these procurement act preferences. He suggested this be included with findings and intent, but said thought could also be given to this during further iterations of the proposed legislation.

REPRESENTATIVE HAWKER removed his objection to Amendment 3.

[1:13:59 PM](#)

FRANK RICHARDS, Manager, Pipeline Engineering & Government Affairs, Alaska Gasline Development Corporate (AGDC), Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), agreed the veterans' preference in the procurement code allows for the aforementioned allowance. He pointed out that there are few veterans with major construction or engineering companies.

[1:14:34 PM](#)

REPRESENTATIVE SEATON, addressing the point raised by Representative Hawker, inquired whether this would be the only bidder preference allowed in the proposed bill.

CO-CHAIR SADDLER explained the veterans' preference was a subset of the Alaska preference, so there would be both an Alaska bidder preference and a veterans' preference.

REPRESENTATIVE SEATON requested further clarification.

REPRESENTATIVE HAWKER deferred to his staff, Rena Delbridge.

[1:15:42 PM](#)

RENA DELBRIDGE, Staff, Representative Mike Hawker, Alaska State Legislature, stated the current proposed legislation would allow AGDC to write its own procurement procedures, although the bill has an Alaska preference on page 3, lines 4-8.

REPRESENTATIVE SEATON asked if the definition for "competitive" would be for the low bid, as there is not any mention for dollars or percentages toward an Alaska preference.

MS. DELBRIDGE replied there is not a dollar amount, as the proposed bill indicates the preference to Alaskans only if the bid is competitive with non-Alaskans. She noted the importance of keeping project costs under control, and stated that the most responsible and competitive offering should be considered.

CO-CHAIR SADDLER asked if proposed Amendment 3 presumes an Alaska bidder preference.

MS. DELBRIDGE offered her understanding that there is not an Alaska bidder preference in the current proposed bill, and said she is unclear whether the proposed amendment would insert this. She reported that AGDC may or may not develop procurement procedures for every type of contract that would enable a bidding preference, as AGDC could sole source certain aspects. "By the findings and intent language that is in the legislation it sort of more broadly opens that, then, regardless of the particular procurement or process, to an Alaska preference," she said.

[1:18:04 PM](#)

The committee took an at-ease from 1:18 p.m. to 1:20 p.m.

[1:20:25 PM](#)

CO-CHAIR SADDLER sought to clarify whether the proposed bill allows other bidder preferences, stating that the bill language allows AGDC to craft its own procurement policies, while proposed Amendment 3 would specifically allow a veterans' preference as written in statute.

REPRESENTATIVE SEATON surmised that the typical Alaska bidder preference is not written in the proposed bill.

CO-CHAIR SADDLER expressed agreement that there is not the intent to have an additional separate Alaska bidder preference, only the veterans' preference.

[1:21:02 PM](#)

REPRESENTATIVE HAWKER, directing attention to page 3, lines 4-18 of the proposed bill, stated that there is strong intent language in the proposed bill for AGDC to procure its services from Alaska owned businesses. He again removed his objection to the proposed amendment.

REPRESENTATIVE P. WILSON [objected to the amendment and] requested Representative Hawker to clarify whether he is saying the amendment is unnecessary or that the amendment is needed along with the intent language.

REPRESENTATIVE HAWKER replied that proposed Amendment 3 would put in place "specific reference that the policies and procedures governing procurement that AGDC must create their own regulatory provisions pursuant to, on page 6, lines 24 and 25, that the board of AGDC 'shall adopt and publish procedures to govern the procurement by the corporation of supplies, services, professional services, and construction.'" He said the amendment further states that that process must include an Alaska veterans' preference that is consistent with the procurement provisions of AS 36.30.175.

[1:23:05 PM](#)

REPRESENTATIVE P. WILSON removed her objection to the amendment. There being no further objection, Amendment 3 was adopted.

[1:23:44 PM](#)

REPRESENTATIVE JOHNSON moved to adopt Amendment 4, labeled 28-LS0021\0.2, Bullock, 2/14/13, which read:

Page 2, lines 7 - 8:

Delete "relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority;"

Page 2, line 10, following "operations;":

Insert "repealing the establishment of the Alaska Natural Gas Development Authority and making conforming changes;"

Page 25, line 12:

Delete "new paragraphs"

Insert "a new paragraph"

Page 25, lines 13 - 14:

Delete all material.

Re-number the following paragraph accordingly.

Page 35, line 3, through page 38, line 9:

Delete all material.

Re-number the following bill sections accordingly.

Page 52, lines 6 - 7:

Delete "AS 41.41.030, 41.41.040, 41.41.050, 41.41.080, 41.41.100, and 41.41.990(4)"

Insert "AS 39.25.110(11)(G); AS 39.50.200(b)(57); AS 41.41.010, 41.41.020, 41.41.030, 41.41.040, 41.41.050, 41.41.060, 41.41.070, 41.41.080, 41.41.090, 41.41.100, 41.41.110, 41.41.120, 41.41.130, 41.41.140, 41.41.150, 41.41.200, 41.41.300, 41.41.310, 41.41.320, 41.41.330, 41.41.340, 41.41.350, 41.41.360, 41.41.370, 41.41.380, 41.41.390, 41.41.400, 41.41.410, 41.41.450, 41.41.500, 41.41.900, and 41.41.990"

Page 52, line 8:

Delete all material and insert:

"* **Sec. 24.** Sections 1 and 5, 2002 Ballot Measure No. 3, are repealed."

REPRESENTATIVE HAWKER objected for discussion purposes.

[1:23:52 PM](#)

REPRESENTATIVE JOHNSON explained that proposed Amendment 4 would remove the Alaska Natural Gas Development Authority (ANGDA) from the proposed bill. He directed attention to the special report from the Division of Legislative Audit, Report Digest #04-30054-10, titled "A Special Report on the Department of Revenue (DOR), Alaska Natural Gas Development Authority (ANGDA), Selected Operational Issues, October 8, 2010" [included in members' packets]. He said the Division of Legislative Audit concluded that ANGDA had conducted activities that stretched the boundaries of its statutory authority, did not successfully coordinate efforts with agencies pursuing a small diameter pipeline, and that ANGDA should be considered for sunset after resolution of uncertainties, as it was at the risk of outliving its public purpose. While well intended, ANGDA has some baggage that he does not want attached to this new venture.

[1:25:11 PM](#)

REPRESENTATIVE TARR noted that during the committee's discussion of contracts, ANGDA was described as being a part of that. She inquired how the proposed amendment would affect that in terms of negotiating contracts going forward.

REPRESENTATIVE JOHNSON responded it was also discussed that ANGDA certainly needs to do that but could form its own marketing arm. He said he prefers that ANGDA form their own than to be saddled with a "tarnished name" and a bad reputation.

REPRESENTATIVE TARR understood, then, that it would be AGDC that would create the marketing arm and it would be considered appropriate and AGDC would be able to negotiate contracts that would be considered to be arms' length.

REPRESENTATIVE HAWKER requested Representative Tarr to clarify her question.

REPRESENTATIVE TARR asked, if ANGDA is removed from the relationship, would AGDC create a new subsidiary or would AGDC create a marketing arm within the corporation to fulfill the role previously designated to ANGDA.

REPRESENTATIVE HAWKER answered the proposed bill empowers AGDC to create subsidiaries for necessary and appropriate purposes.

[1:27:22 PM](#)

CO-CHAIR SADDLER inquired whether there would be any loss of assets.

REPRESENTATIVE HAWKER replied he had listened to concerns of the committee as the proposed bill was discussed and subsequently had his staff research the issue with various state agencies. It was found that all of the ANGDA board terms had expired without reappointment, that ANGDA had no employees, no office space, and no debts or liabilities. According to the Department of Revenue (DOR), all of the ANGDA work product/assets have been either returned to ANGDA's contractors or retained by the State Pipeline Coordinator office. He declared there is no continuing necessity for this entity to remain in corporate existence.

[1:29:00 PM](#)

REPRESENTATIVE TUCK expressed his agreement with the Division of Legislative Audit report. Drawing attention to the project labor agreement language in the bill beginning on page 37, line 31, he advised he will be presenting an amendment for removal of this language.

[1:29:33 PM](#)

REPRESENTATIVE HAWKER withdrew his objection to the Amendment 4. There being no further objection, Amendment 4 was adopted.

[1:30:29 PM](#)

REPRESENTATIVE HAWKER moved to adopt Amendment 5, labeled 28-LS0021\0.3, Bullock, 2/25/13, which read:

Page 1, line 1:
Delete "**making**"
Insert "**establishing**"

Page 1, lines 2 - 3:
Delete "**, a subsidiary of the Alaska Housing Finance Corporation,**"
Insert "**as**"

Page 10, line 11:
Delete "may"
Insert "shall"

Page 12, line 22, through page 13, line 4:

Delete all material.

REPRESENTATIVE TARR objected for discussion purposes.

[1:30:50 PM](#)

MS. DELBRIDGE, speaking for the amendment's sponsor, explained Amendment 5 is a housekeeping amendment. She noted the first change on page 1, line 1, would delete "making" and insert "establishing" in order to clarify that AGDC is not supposed to be a subsidiary of Alaska Housing Finance Corporation (AHFC), but is instead intended to be an independent public corporation of the state. She said the second change, page 1, lines 2-3, serves the same purpose. Directing attention to the third change, page 10, line 11, which deals with confidentiality and inner agency cooperation, she explained the change would give the corporation access to information from state departments and agencies. The last change, which would delete all the material from page 12, line 22, through page 13, line 4, would remove the international borrowing clause, which is an ability AGDC is not expected to need.

[1:32:32 PM](#)

REPRESENTATIVE TARR asked whether removing the provision for international borrowing would affect the project, as she understands there is interest from international financiers.

MS. DELBRIDGE replied this deletion would have no impact on foreign investment because it merely eliminates the ability for AGDC to have foreign banks underwrite its bonds, which is not anticipated as a necessity. Should the necessity arise, AGDC could ask the legislature for that ability at that point in time.

REPRESENTATIVE TUCK asked if there would be a problem with leaving that provision in the proposed bill.

MS. DELBRIDGE responded the sponsor is trying to "keep the bill as clean as possible." She said there is no intent to prohibit foreign investment in an Alaska project; it would only prohibit access to foreign capital markets to borrow money.

[1:34:48 PM](#)

CO-CHAIR SADDLER moved to adopt Conceptual Amendment 1 to Amendment 5, as follows:

Page 10, line 17:

Delete "facilities and loans"

Insert "and facilities"

CO-CHAIR SADDLER explained that this would remove loans as an action for the corporation. He reported he has already spoken to the bill sponsor regarding this conceptual amendment. Responding to Representative Tarr, recapped the proposed conceptual amendment.

REPRESENTATIVE TARR asked why the language had been included in the proposed bill.

MS. DELBRIDGE answered the language is a carryover from early versions of House Bill 369, as there had been the potential for a gasline subsidiary which would need to rely more heavily on other state entities. She reported that AGDC does not feel it necessary to have these loans since it is now proposing to be a stand-alone corporation.

There being no further objection, Conceptual Amendment 1 to Amendment 5 was adopted.

[1:37:10 PM](#)

REPRESENTATIVE TUCK, referring to the third change in proposed Amendment 5 which would delete "may" and insert "shall", asked whether a private entity would then have access to information from state agencies if it bought the corporation.

MS. DELBRIDGE replied the provision would only apply to AGDC and its access to the information.

REPRESENTATIVE TUCK inquired whether AGDC could be sold.

MS. DELBRIDGE replied that an asset developed by AGDC could be sold; however, AGDC, as a public corporation, can only exist as long as the state allows.

REPRESENTATIVE TUCK asked whether this proposed amendment would only apply to AGDC, and would not apply to its subsidiaries.

MS. DELBRIDGE answered that this is her understanding.

[1:38:41 PM](#)

[Representative Tarr removed her objection to Amendment 5.]
There being no further objection, Amendment 5, as amended, was adopted.

[1:39:03 PM](#)

REPRESENTATIVE HAWKER moved to adopt Amendment 6, labeled 28-LS002\0.4, Bullock, 2/25/13, which read:

Page 1, lines 7 - 8:

Delete "**relating to the price of the state's royalty gas for certain contracts;**"

Page 2, lines 20 - 23:

Delete "it is the policy of the state to make the state's share of royalty natural gas available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline Development Corporation;

(4)"

Page 13, lines 5 - 6:

Delete "**; sale of natural gas by a subsidiary**"

Page 13, line 6:

Delete "(a)"

Page 13, lines 20 - 26:

Delete all material.

REPRESENTATIVE TARR objected for discussion purposes.

MS. DELBRIDGE explained that proposed Amendment 6 would affect the proposed bill in two places. First, it would delete the legislative intent finding that it is "the policy of the state to make the state share of royalty gas available for shipment in an AGDC pipeline." The next affect would be in Section 3 of the proposed bill, where the corporate powers and duties of AGDC are listed, and would delete a provision that says a subsidiary of AGDC and the commissioner of the Department of Natural Resources (DNR) could work together to pledge, as necessary, the state's royalty gas in order to honor the contracts and commitments made by the subsidiary. She related that concerns were expressed that both of these provisions could be construed to usurp the ability of the DNR commissioner and the Alaska Royalty Oil and Gas Development Advisory Board to dispose of the state's royalty gas in the manner in which they see fit.

[1:40:51 PM](#)

REPRESENTATIVE TARR inquired whether the overall price would be impacted.

MS. DELBRIDGE asked whether Representative Tarr is referring to the royalty gas.

REPRESENTATIVE TARR offered her understanding that the overall price of gas would be lower because of negotiation for the price of royalty gas.

MS. DELBRIDGE replied there is nothing that would prohibit the negotiation of that first, as the proposed amendment would merely remove the presupposition that the commissioner would act in any particular way related to the royalty gas, and would allow for retention of full discretion to manage the royalty gas, although the Alaska Royalty Oil and Gas Development Advisory Board would still have to approve the contracts.

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REPRESENTATIVE TUCK requested further clarification of what Amendment 6 would do and asked whether the DNR commissioner would have definitions taken away and would have greater autonomy to make decisions on what to do with the royalty gas.

MS. DELBRIDGE responded the proposed amendment would not take anything away from the commissioner. The bill is structured to pave the way for the commissioner to commit gas to contracts for shipment in the pipeline. However, there was still some ambiguity that was open to interpretation for any limitations to the commissioner's discretion. Since this was not the intent of the bill sponsor, these sections would be removed from the proposed bill to ensure the full discretion of the commissioner in managing the royalty gas.

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REPRESENTATIVE SEATON inquired whether it is the last sentence that is problematic, which reads: "A pledge made under this subsection shall be treated as a disposal of gas other than by sale or exchange for purposes of AS 38.05.183."

MS. DELBRIDGE answered no one has expressed concern about that sentence; the concern was for a situation that the commissioner

might retroactively be committing gas to a marketing subsidiary that had already promised the gas to someone else.

[1:44:15 PM](#)

CO-CHAIR SADDLER asked whether the state would have any price advantage with its royalty share, specifically for shipping it in the pipeline.

MS. DELBRIDGE explained the state, if it chose to actually ship its gas rather than sell it to a shipper, would be able to negotiate a contract with AGDC similar to any other shipper. She drew attention to the Regulatory Commission of Alaska (RCA) provision which states that a contract between two state entities for shipment on a gas pipeline is automatically just and reasonable.

[1:45:00 PM](#)

REPRESENTATIVE TARR removed her objection to the Amendment 6. There being no further objection, Amendment 6 was adopted.

[1:45:25 PM](#)

REPRESENTATIVE HAWKER moved to adopt Amendment 7, labeled 28-LS0021\0.5, Bullock, 2/25/13, which read:

Page 45, line 28, through page 46, line 6:

Delete all material and insert:

"(c) Within 180 days after receiving an application under this chapter, the commission shall issue a contract carriage certificate authorizing, in whole or in part, the operation, service, construction, or acquisition covered by the application to a qualified applicant if the commission finds that the applicant is fit, willing, and able to do the acts, perform the proposed service, and conform to the provisions of this chapter and the requirements of the commission, and that the proposed service, operation, construction, extension, or acquisition, to the extent authorized by the certificate, is or will be required by the present or future public convenience and necessity. The commission may, by order, extend the 180-day period for considering an application by the duration of a delay caused by the failure of the applicant to provide additional information reasonably required by the commission. If,

within the 180-day period and any extension of the period for considering the application, the commission fails to issue a contract carriage certificate and does not make a finding that the applicant is not fit, willing, and able under this subsection, the application shall be considered approved and the contract carriage certificate shall take effect immediately."

REPRESENTATIVE TARR objected for discussion purposes.

MS. DELBRIDGE explained Amendment 7 responds to an omission from the regulatory section, whereby the RCA is allowed 180 days for a finding on a certificate of public convenience and necessity. However, no default is included, so the proposed amendment would provide a default to automatic approval if the RCA does not act within the time frame. She clarified extensions are permitted if requests for supporting information are not forthcoming from the applicant.

[1:46:21 PM](#)

REPRESENTATIVE TARR offered her belief that the language that would be deleted by proposed Amendment 7 would automatically deny rather than approve.

MS. DELBRIDGE answered it does not address the actions if the RCA fails to act.

REPRESENTATIVE TARR surmised the proposed amendment is just slightly different language to accomplish the same thing.

MS. DELBRIDGE agreed.

REPRESENTATIVE TUCK offered his understanding that under the current language an application would be automatically denied if it was not granted within 180 days. He expressed concern for adequate staffing for RCA to meet certain deadlines, although RCA could grant an extension. He asked whether the proposed amendment would continue to allow this.

REPRESENTATIVE HAWKER referred to line 11 of the amendment which states that the commission may, by order, extend the 180-day period for considering an application. He opined that this is a very broad standard that will allow the RCA to collect enough information.

[1:49:14 PM](#)

REPRESENTATIVE JOHNSON expressed his appreciation for proposed Amendment 7 because the last thing wanted is for an applicant to stall for 180 days and then automatically get approval.

[1:49:37 PM](#)

REPRESENTATIVE SEATON referred to page 46, lines 4-6, of the proposed bill, which state that the "application must be denied if the commission fails to find that the applicant is fit, willing, and able under this subsection." He asked whether the intent of Amendment 7 is to remove this.

MS. DELBRIDGE offered her belief the intent is to ensure that the RCA's failure to act within 180 days goes to a default approval as opposed to no action.

REPRESENTATIVE HAWKER confirmed that is the sponsors' intent.

REPRESENTATIVE SEATON inquired whether Amendment 7 would still allow for an application to be denied if the applicant is not fit, willing, or able.

MS. DELBRIDGE offered her belief that this is the sponsors' intent and deferred to Representative Hawker.

REPRESENTATIVE HAWKER drew attention to line 6 of Amendment 7, which states "if the commission finds that the applicant is fit, willing, and able" This allows the RCA to determine if the applicant is able and if s not, there is no affirmative obligation that the applicant receive the contract carriage certificate.

REPRESENTATIVE SEATON expressed his appreciation for this clarification on the record.

REPRESENTATIVE HAWKER assured committee members that it is not the sponsors' intent to in any way game the system.

[1:52:11 PM](#)

REPRESENTATIVE TARR asked whether continual extension is a possibility and suggested a limit to the number of extension periods.

MS. DELBRIDGE replied the commission could only extend the period for the duration of the delay caused by an applicant not providing the necessary required information; it does not trigger another 180 day period. She referred to lines 11-12 of Amendment 7, which state that the commission can extend the period for consideration by the duration of the delay. She said this offers a balance to the RCA to not allow an applicant to delay and "run out the clock" while applying pressure to the RCA to be responsive during the allocated time frame.

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REPRESENTATIVE SEATON presumed that even if the time period is extended for the applicant to provide additional information, the RCA will have sufficient time to analyze the submitted materials.

REPRESENTATIVE HAWKER responded the language in Amendment 7 is not the circumstance being described by Representative Seaton.

[1:55:12 PM](#)

REPRESENTATIVE TARR removed her objection to the Amendment 7. There being no further objections, Amendment 7 was adopted.

[1:55:33 PM](#)

REPRESENTATIVE HAWKER moved to adopt Amendment 8, labeled 28-LS0021\0.6, Bullock, 2/26/13, which read:

Page 12, line 13, following "pipeline.":

Insert "On the date that the in-state natural gas pipeline project becomes operational, the corporation shall make available to the public information that would otherwise be exempt from public disclosure under this subsection or (g) of this section, unless the corporation determines that

(1) maintaining the confidentiality of the information is necessary to protect the economic interests of the corporation or the state; or

(2) disclosure of the information will violate the terms of a confidentiality agreement or other agreement to which the corporation is a party or that is binding on the corporation."

REPRESENTATIVE SEATON objected for discussion purposes.

[1:55:44 PM](#)

MS. DELBRIDGE explained Amendment 8 is a response to concerns for the accountability of the confidentiality provisions in the proposed bill. The amendment would require that AGDC release confidentially held information once a pipeline is operational, provided the release will not adversely affect the economic interests of the state and is not covered by third party confidentiality agreements.

REPRESENTATIVE SEATON removed his objection to the Amendment 8. There being no further objection, Amendment 8 was adopted.

[1:56:48 PM](#)

CO-CHAIR FEIGE moved to adopt Amendment 9, labeled 28-LS0021\0.10, Bullock, 3/1/13, which read:

Page 9, following line 25:

Insert a new subsection to read:

"(b) Upon commencement of construction of an in-state natural gas pipeline, the corporation shall analyze potential natural gas pipelines connecting to industrial, residential, or utility customers in other regions of the state. If the corporation finds that a natural gas pipeline analyzed under this subsection is in the best interest of the state and can meet the needs of industrial, residential, or utility customers at commercially reasonable rates, the corporation shall finance, construct, or operate the natural gas pipeline as necessary. When developing or constructing a connecting line, the corporation shall, to the maximum extent feasible, use existing land, structures, real or personal property, rights-of-way, easements, or other interests in land acquired by the corporation."

Reletter the following subsections accordingly.

REPRESENTATIVE HAWKER objected for discussion purposes.

[1:57:00 PM](#)

CO-CHAIR FEIGE explained the purpose of Amendment 9 is to define for AGDC that, upon commencement of pipeline construction, AGDC begin looking at how to connect other parts of the state to that in-state gasline. It is his intention that this be directed at

wholesale customers, not for AGDC to analyze hooking up to everybody's house all over Alaska, but simply to look at particular regions that could benefit from the wholesale shipment of gas through "whatever size pipeline" to address the energy needs of those particular areas. For example, if a pipeline comes down to Valdez, perhaps a connecting line from Glennallen over to Palmer is a logical choice; if a line comes down to the Point MacKenzie area, perhaps a line connecting the ENSTAR grid over to the Glennallen area is logical. Once a main line is constructed, AGDC should start looking at possible spur lines to industrial users and as much of the state as possible.

REPRESENTATIVE TARR requested the sponsor to comment on whether "upon commencement of construction" would come too late in the process to accomplish the intended goals of the amendment. She suggested that a more appropriate time would be "upon commencement of design."

MS. DELBRIDGE offered her belief that the timing is perfect in the proposed amendment, as AGDC will be 100 percent focused on the gasline during the construction phase. Once the pipeline is complete, opportunities will occur both immediately and many years later for industrial users to look at other pipelines.

[2:00:26 PM](#)

CO-CHAIR FEIGE concurred with Ms. Delbridge. Putting it at the point of construction eliminates any potential changes that could occur up to that point because there could be several iterations of pipeline design. Once construction is started, a decision has been arrived at as to where the pipeline is going, wherever that is, and that will be a much better point in the engineering process for deciding where to make connections.

REPRESENTATIVE TARR expressed agreement for maximizing in-state opportunities, and explained that her concern was for any limitation to other opportunities during the design phase.

[2:01:43 PM](#)

REPRESENTATIVE SEATON requested clarification as to whether the proposed amendment's intent is for completion of construction or for commencement of construction.

MS. DELBRIDGE replied she misspoke; the amendment's intent is for commencement of construction. After construction begins, AGDC would be available to work on other aspects of the project.

2:03:24 PM

REPRESENTATIVE TUCK offered his belief that obtaining reasonable commercial rates might be better achieved prior to commencement, because upon commencement the volume should already be sold. He therefore inquired whether looking at connections should be done prior to commencement.

CO-CHAIR FEIGE responded that "commencement of construction works out just fine." He said AGDC should be able to deal with the relative volumes compared to the overall capacity of the pipeline, as AGDC would be selling to specific customers.

REPRESENTATIVE TUCK expressed his support for the availability of gas to Alaskans prior to any export.

2:05:07 PM

CO-CHAIR SADDLER drew attention to lines 5-7 of Amendment 9, which state: "If the corporation finds that a natural gas pipeline ... is in the best interest of the state" He asked whether this is standard language and whether AGDC is equipped to make this finding.

MR. RICHARDS answered that "in the best interest" is applicable to AGDC as the corporation would analyze the potential needs, including those of the citizens of the state.

REPRESENTATIVE TARR requested clarification that AGDC does have the authority to make a best interest finding as written into Amendment 9.

MR. RICHARDS deferred to a legal opinion as to whether AGDC has that ability.

2:06:30 PM

KEN VASSAR, Legal Counsel to Alaska Gasline Development Corporation (AGDC), Birch, Horton, Bittner, & Cherot, replied that with the adoption of Amendment 9 AGDC would have the authority to make this finding.

CO-CHAIR SADDLER questioned whether the language regarding commencement or completion of construction is workable.

MR. RICHARDS responded it is workable language, saying that AGDC is currently in the design phase of the project and it is premature to make any determinations on other needs. He noted that during open season anyone can request access to the pipeline and said this is another decision point that AGDC should make before it analyzes new access points.

CO-CHAIR SADDLER inquired whether Mr. Richards is saying that during open season AGDC will entertain requests for buyers at destinations other than the one main terminus of the spur line.

MR. RICHARDS answered that AGDC is currently in the design process, and analyzing the routes from the North Slope to Fairbanks and to the Cook Inlet. During open season, AGDC will be able to identify the cost for shipment and operation of the pipeline. This will be the point where it will become a viable project for meeting the needs and intent for providing energy to Alaskans, and it is after this point that it will be the time to analyze other connection points. In further response, he confirmed that upon commencement of construction is the best time to begin the analysis.

[2:08:38 PM](#)

REPRESENTATIVE TARR asked how difficult it is to add additional pipeline to the main pipeline at a later time.

MR. RICHARDS replied it is relatively easy under the current plan for lean gas composition to design and construct take-offs from the main pipeline. He explained more gas can be flowed through the pipeline by adding additional compression, up to the limitation set by the Alaska Gasline Inducement Act (AGIA) of 500 million cubic feet.

CO-CHAIR SADDLER expressed his understanding that the intent of Amendment 9 is that AGDC make progress toward the mainline, and after construction has commenced that AGDC is to determine whether it will provide gas at other terminuses.

[2:10:16 PM](#)

REPRESENTATIVE HAWKER removed his objection to the Amendment 9. There being no further objection, Amendment 9 was adopted.

[2:10:40 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 10, labeled 28-LS002\O.13, Nauman/Bullock, 3/2/13, which read:

Page 1, line 4, following "**fund;**":

Insert "**requiring legislative approval before construction of an in-state natural gas pipeline developed by the Alaska Gasline Development Corporation;**"

Page 10, following line 9:

Insert a new subsection to read:

"(e) The corporation may not begin to construct an in-state natural gas pipeline before project sanction and before receiving authorization by law to proceed with the construction. In this subsection,

(1) "authorization by law" means a law passed by the legislature and enacted into law or an appropriation for the construction of the pipeline that is not entirely vetoed;

(2) "sanction" means having financial commitments that are adequate to proceed with the construction of the in-state natural gas pipeline."

REPRESENTATIVES HAWKER objected for discussion purposes.

[2:10:46 PM](#)

REPRESENTATIVE TARR explained that Amendment 10 would maintain the necessity for legislative approval before construction of the in-state pipeline, and its significant financial obligation. She referred to the original version, prior to the sponsor substitute, which had stated a need for legislative approval, but was subsequently removed by the sponsor substitute.

REPRESENTATIVE HAWKER said the language in the current bill is quite precise and the pieces not included are unnecessary. The reason for the structure of the proposed bill is to "foster and move the state forward with one goal, and that is getting Alaska's gas to the hands of Alaskans as soon as possible, at the least possible cost." He stated he will be giving this same response for each of the upcoming proposed amendments. He said his major policy objectives are to present a market based project supported by private sector commitments, reduce the risk and cost of the project, and allow AGDC to be as efficient and flexible as possible to represent Alaska's interest for any project. He declared his respect for the separation of powers between the legislative and executive branches in Alaska. He

offered his belief that history will validate his concern that legislative micro-management has led to the failure of every gasline development to date in Alaska. He offered his hope that history will not repeat itself. He argued that the proposed amendment is unnecessary as it is not possible to spend money in Alaska without legislative approval.

MS. DELBRIDGE added that the sponsors object to Amendment 10 because any sanctioning necessary by the legislature will create uncertainty for any potential customers and partners, and will increase risk and uncertainty for AGDC.

[2:15:58 PM](#)

REPRESENTATIVE SEATON understood that the previous language in the bill was reliant on state money to finance the pipeline, and that it must still come back to the legislature for financing. He asked for clarification that AGDC does not have the ability to obligate the state without legislative approval.

MS. DELBRIDGE responded that the legislature retains the ability to appropriate funding, and without an appropriation AGDC cannot commit and involve itself in a project, other than to issue revenue bonds.

[2:17:09 PM](#)

REPRESENTATIVE JOHNSON opined this needs to be a business decision, not a political decision.

[2:17:41 PM](#)

REPRESENTATIVE P. WILSON stated that involvement of the legislature raises a red flag of risk to a producer, so she will be voting against Amendment 10.

[2:18:06 PM](#)

REPRESENTATIVE TUCK offered his support for Amendment 10, saying the legislature has a fiduciary responsibility for the project. Sixty percent of the non-governmental mega-projects throughout the world have failed, he said. The legislature cannot rely on the markets to make the best decisions, or a gas pipeline would have already been started. Government needs to be involved and the legislature must make solid decisions. The amendment will allow for the legislature to sanction the project, something the

public wants. He argued the people of Alaska have elected the legislature to make these decisions, not a five-member board.

[2:19:21 PM](#)

CO-CHAIR FEIGE understood the intent of Amendment 10, but said if state money is going to be spent on a pipeline it is incumbent upon the legislature to authorize the funding. The legislature should not block any private investment in the state, he continued, and Amendment 10 could be construed as a roadblock. He said he does not support the amendment.

[2:20:29 PM](#)

REPRESENTATIVE TARR pointed out that a similar provision had been in the Alaska Stranded Gas Development Act, which protected the state from any bad decisions. She expressed her appreciation for all the work done by the bill sponsors and staff. She said the amendments that she is offering are to ensure transparency, maximum benefit for Alaskans, and an appropriate level of oversight. She reminded the committee that AGDC could issue up to \$8 billion in revenue bonds.

[2:21:38 PM](#)

MS. DELBRIDGE explained that any revenue bonds are limited to only AGDC's backing, so the State of Alaska would not be on the hook for any of them.

REPRESENTATIVE HAWKER added that only a general obligation bond voted by the people of Alaska carried the full faith and credit of the state.

REPRESENTATIVE TARR asked who would be responsible should AGDC default on the bonds and would the state have a moral obligation for payment.

MS. DELBRIDGE replied the moral obligation is for the capital reserve fund that AGDC can create to back its interest payments on those bonds. If AGDC created a capital reserve fund, then the state's moral obligation within this legislation would be to replenish whatever amount AGDC needs to draw out of that fund, but it is not to simply back the bonds entirely.

REPRESENTATIVE TARR maintained her point that it could be a substantial amount of money and therefore having some legislative oversight is a good thing.

[2:23:01 PM](#)

CO-CHAIR SADDLER directed attention to line 18, page 2, of the proposed bill, which states that development of the pipeline is in the best interest of the state. He opined that placement of any obstacle is contrary to the point of the bill.

[2:23:30 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 10.

[2:23:35 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of Amendment 10. Representatives Johnson, Olson, Seaton, P. Wilson, Hawker, Feige, and Saddler voted against it. Therefore, Amendment 10 failed by a vote of 2-7.

[2:24:31 PM](#)

REPRESENTATIVE TUCK moved to adopt Amendment 11, labeled 28-LS0021\O.18, Bullock, 3/2/13, which read:

Page 2, lines 1 - 2:

Delete "**relating to procurement by the Alaska Gasline Development Corporation;**"

Page 2, lines 7 - 8:

Delete "**relating to the procurement of certain services by the Alaska Natural Gas Development Authority;**"

Page 6, line 18:

Delete "(a)"

Page 6, lines 24 - 25:

Delete all material.

Page 15, line 8:

Delete "**the State Procurement Code and**"

Page 15, line 10:

Delete "AS 36.30 (State Procurement Code) and"

Page 25, lines 12 - 16:

Delete all material.

Renumber the following bill sections accordingly.

Page 36, lines 14 - 15:

Delete "The procurement of services under this subsection is exempt from AS 36.30, including AS 36.30.015(d) and (f)."

Page 52, line 13:

Delete "sec. 8"

Insert "sec. 7"

Delete "sec. 9"

Insert "sec. 8"

Page 52, line 14:

Delete "sec. 10"

Insert "sec. 9"

Page 52, lines 14 - 15:

Delete "sec. 11"

Insert "sec. 10"

Page 52, line 16:

Delete "secs. 3 and 8 - 11"

Insert "secs. 3 and 7 - 10"

Page 52, line 17:

Delete "secs. 3 and 8 - 11"

Insert "secs. 3 and 7 - 10"

Page 52, line 19:

Delete "sec. 8"

Insert "sec. 7"

Delete "sec. 9"

Insert "sec. 8"

Page 52, line 20:

Delete "sec. 10"

Insert "sec. 9"

Page 52, lines 20 - 21:

Delete "sec. 11"

Insert "sec. 10"

REPRESENTATIVE JOHNSON objected for discussion purposes.

[2:24:41 PM](#)

REPRESENTATIVE TUCK stated Amendment 11 would keep the state procurement code. He offered his belief that the state's procurement code meets the needs of a pipeline project because there is the ability to single source small and emergency procurements and for flexible procurement. The procurement code ensures the best price and the best deal and requires pre-qualification for certain bids. He disagreed that a project would be delayed because of the appeal process, saying it is usually the bidders appealing if there is a problem with the bid and in the past that has saved the state a lot of money.

MS. DELBRIDGE said the sponsors object to Amendment 11 because the state procurement code is not written for a project of this magnitude. She related that AGDC has concerns that the state procurement code will create delays and cost the project more. She noted AGDC was exempted from the state procurement code in 2010 with the passage of House Bill 369. The proposed bill would transition the existing exemption from a subsidiary corporation of AHFC created to do gaslines and moves it into AGDC as its new stand-alone state corporation.

[2:27:24 PM](#)

REPRESENTATIVE TUCK added that 60-90 days is adequate for solicitation for a major project. He said personnel would have to be trained for any type of procurement, no matter what the project, to ensure clarity and a fair, open process. He pointed out that the state's procurement has been centralized for maximum efficiency.

[2:28:24 PM](#)

REPRESENTATIVE TARR inquired whether the state procurement code was in place when the Trans-Alaska Pipeline System (TAPS) was built.

MS. DELBRIDGE replied she is unsure, but said that since it was not a state entity that built TAPS, the private sector would not have been subject to this code.

REPRESENTATIVE P. WILSON remarked she did not have much faith in the state's procurement people and offered her belief that many of the procurements were not the cheapest available.

REPRESENTATIVE TUCK responded the state does hundreds of millions of dollars' worth of projects every year.

[2:29:51 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 11.

[2:29:56 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of adopting Amendment 11. Representatives Johnson, Olson, Seaton, P. Wilson, Hawker, Saddler, and Feige voted against it. Therefore, Amendment 11 failed by a vote of 2-7.

[2:30:58 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 12, labeled 28-LS0021\O.20, Bullock, 3/2/13, which read:

Page 46, lines 7 - 9:

Delete all material and insert:

"(d) A contract carriage certificate issued by the commission

(1) shall require that a public utility in the state have priority over other shippers if the transportation capacity of an in-state natural gas pipeline is reduced; and

(2) may include other reasonable terms and conditions that are consistent with this chapter and that are for the mutual benefit of the in-state natural gas pipeline and the public."

REPRESENTATIVE HAWKER objected for discussion purposes.

[2:31:08 PM](#)

REPRESENTATIVE TARR explained Amendment 12 would ensure that in-state gas would have priority with a contract carrier, which would ensure the maximum benefit for Alaskans.

MS. DELBRIDGE said the sponsors object to Amendment 12 as there is currently a provision in the proposed bill which directs the RCA to ensure that the public utilities have the necessary gas if there is an immediate threat for public safety, health, and welfare. She pointed out that public utilities have an equal standing for negotiation of terms with a contract carrier, and a utility can request preferential treatment in its contract. Responding to Representative Tarr, Ms. Delbridge said the public utilities have an opportunity to negotiate the provisions in the

contracts for gas shipment in the pipeline to include preferential treatment over other users, if necessary.

REPRESENTATIVE TARR requested an explanation of pre-subscription agreements which do not include utilities, and asked whether the utilities would be able to negotiate a preferential treatment after the open season.

MS. DELBRIDGE answered that the rates and operating terms are included within those agreements and that there are other provisions which are not part of these terms. She offered as an example a negotiable preference for a public utility should there be a problem in the pipeline, provided that all the similarly situated shippers have the same opportunity to negotiate similar terms. She noted that the carrier has to justify any provision that is not applicable to everyone.

[2:35:21 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 12.

[2:35:28 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 12. Representatives Johnson, Olson, P. Wilson, Hawker, Saddler, and Feige voted against it. Therefore, Amendment 12 failed by a vote of 2-6.

[2:36:23 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 13, labeled 28-LS0021\0.22, Bullock, 3/2/13, which read:

Page 12, following line 13:

Insert a new subsection to read:

"(i) Notwithstanding any contrary provision of law, a contract to sell all or a portion of an in-state natural gas pipeline is public information and may be disclosed to the public."

REPRESENTATIVE HAWKER objected for discussion purposes.

REPRESENTATIVE TARR explained Amendment 13 is offered to maintain transparency, oversight, and public disclosure.

[2:36:56 PM](#)

MS. DELBRIDGE stated the sponsors object to Amendment 13 in large part due to its broadness, as the proposed amendment is guessing the future and the relevance. She opined that future contracts could have terms and conditions that are necessary to keep confidential in order to protect re-sale values.

REPRESENTATIVE JOHNSON offered his belief that Amendment 13 has absolutely no teeth, is totally unnecessary, and is "a waste of good ink."

REPRESENTATIVE HAWKER said Amendment 13 would supersede all of the confidentiality provisions, which could well compromise the value of the state asset being sold on a commercial market. He expressed his concern for the legislature trying to micro-manage the future and to anticipate things that it has absolutely no knowledge of right now. The proposed amendment "could do the state incredible competitive harm, if we were attempting to market something of value," he argued.

REPRESENTATIVE TUCK pointed out that the legislature is attempting to get accurate information to make better decisions. He noted that, although talented people have written the proposed bill, there are also talented people elected to public office who need accurate information to make better decisions.

[2:39:31 PM](#)

CO-CHAIR FEIGE observed that Amendment 13, as written, makes no mention whether the state has an ownership interest in the pipeline; therefore, any ownership would be subject to public disclosure. He offered his belief that a requirement could be introduced should the state take any ownership in the project. He declared that the proposed amendment would be an obstacle to any investors and stated he will vote against the amendment.

[2:40:30 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 13.

[2:40:39 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 13. Representatives Johnson, Olson, P. Wilson, Hawker, Saddler, and Feige voted against it. Therefore, Amendment 13 failed by a vote of 2-6.

[2:41:26 PM](#)

REPRESENTATIVE TUCK moved to adopt Amendment 14, labeled 28-LS0021\O.24, Nauman/Bullock, 3/2/13, which read:

Page 10, following line 9:

Insert a new subsection to read:

"(e) To the maximum extent permitted by law and before the commencement of construction, the corporation or its agent shall negotiate a project labor agreement for the construction of the natural gas pipeline. In this subsection, "project labor agreement" means a comprehensive collective bargaining agreement between the corporation or its agent and the appropriate labor representatives to ensure expedited construction with labor stability by employing qualified residents of the state."

REPRESENTATIVE HAWKER objected for discussion purposes.

REPRESENTATIVE TUCK explained that Amendment 14 would reinstate the project labor agreement language, similar to the Alaska Gas Inducement Act (AGIA), so that the project would have a labor agreement.

[2:42:04 PM](#)

REPRESENTATIVE HAWKER repeated that one of his policy objectives as a sponsor of the bill is to deliver Alaska gas to Alaskans at the least possible cost because that translates into what a consumer will pay at the burner tip. Mandating the labor agreements would increase that cost to consumers, he said. He emphasized that this is not a statement of disrespect to organized labor and added that there is room for Alaska's entire workforce to go to work on this project. He declared his desire to avoid any impediment to any segment of the workforce, or to compromise the ability of AGDC to deliver a project at the least possible cost. It is best to allow the market to prevail, which will bring the greatest Alaska workforce into play and will result in the lowest possible cost to consumers.

[2:43:25 PM](#)

REPRESENTATIVE TARR voiced her support for Amendment 14, stating that this project should be for the maximum benefit to Alaskans, and should not have the numerous out of state workers that TAPS hired.

[2:44:00 PM](#)

REPRESENTATIVE TUCK declared it is an unknown that the cost would increase. He reported that a class he attended for mega-projects discussed project labor agreements and the related success for mega-projects. The class instructors said agreements offer consistency with the best trained workers. He pointed out that the State of Alaska only has a 30-day requirement for residency, whereas the U.S. Department of Labor requires a year of residency to enroll in approved apprenticeship programs. He maintained that the proposed amendment would further guarantee the training of Alaskans for this project, and would keep "the good ol' boy system out of sending our workers up on this pipeline."

CO-CHAIR SADDLER asked if there is anything in the proposed bill that would prohibit negotiation of a labor agreement.

MS. DELBRIDGE replied that there is nothing in proposed HB 4 that would prohibit a project labor agreement.

[2:45:22 PM](#)

REPRESENTATIVE TARR reminded the committee that this language was repealed in a previous amendment and offered her support for Amendment 14.

MS. DELBRIDGE clarified that the earlier language to the project labor agreement was conforming language and did not make this project subject to a project labor agreement.

[2:45:58 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 14.

[2:46:04 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 14. Representatives Johnson, Olson, P. Wilson, Hawker, Saddler, and Feige voted against it. Therefore, Amendment 14 failed by a vote of 2-6.

[2:46:46 PM](#)

REPRESENTATIVE TUCK moved to adopt Amendment 15, labeled 28-LS0021\0.25, Bullock, 3/2/13, which read:

Page 10, lines 24 - 26:

Delete "In this subsection, "state entity" means a state department, authority, or other administrative unit of the executive branch of state government, a public university, or a public corporation of the state."

Page 11, line 14, following "corporation":

Insert ", except that a successor in interest that is not a state entity is liable for any applicable appraisal or rental cost"

Page 12, following line 13:

Insert a new subsection to read:

"(i) In this section, "state entity" means a state department, authority, or other administrative unit of the executive branch of state government, a public university, or a public corporation of the state."

Page 24, following line 10:

Insert a new subsection to read:

"(c) Notwithstanding the exemption in (a) of this section, a person that is not a state entity that acquires property owned by the corporation shall pay the taxes or assessments that would have otherwise been due during the three calendar years preceding the year of acquisition had the property not been exempt under (a) of this section."

Page 51, line 28:

Delete "a new subsection"

Insert "new subsections"

Page 52, following line 5:

Insert a new subsection to read:

"(e) Notwithstanding the exemption in (d) of this section, a person that is not a state entity that acquires the natural gas pipeline project described in (d) of this section shall pay the taxes that would have otherwise been due during the three calendar years preceding the year of acquisition had the taxable property not been exempt under (d) of this section."

REPRESENTATIVE HAWKER objected for discussion purposes.

[2:47:01 PM](#)

REPRESENTATIVE TUCK explained Amendment 15 would ensure that, should the corporation or state entity be sold, any taxes waived to local municipalities and governments would be back paid for up to three years, and then municipal taxes would be instituted going forward.

REPRESENTATIVE HAWKER said he calls Amendment 15 the "make the consumers pay amendment." He repeated that the objective of the proposed bill is to reduce project risk, to make the project most efficient, and to deliver a project at the least possible cost to Alaskans. He stated he cannot see any reason to put into statute language that could impede the interest in the private sector in this project or any language that would necessarily increase the price of gas sold to Alaskans, which he argued would occur should this amendment pass.

[2:49:13 PM](#)

REPRESENTATIVE JOHNSON asked where the money would come from to pay the back taxes, as all the tariffs would be set.

REPRESENTATIVE TUCK replied it would come from the purchasers.

REPRESENTATIVE JOHNSON asked if that would increase the tariff and cause the consumer to pay more.

REPRESENTATIVE TUCK responded that contracts would already be secured, and, if the goal is to keep tariffs low, then the state would maintain control.

CO-CHAIR SADDLER asked what would be the effect of this amendment on the finances of any project.

[2:50:36 PM](#)

DARYL KLEPPIN, Manager, Commercial Team, Alaska Gasline Development Corporation (AGDC), Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), said the impact of retroactive taxation on the sale of a portion or the entire pipeline would make the sale financially more difficult and would lower the price due to the liability for the back taxes. He offered his belief that the provisions would also make the project more difficult to finance and result in higher interest rates. In further response to Co-Chair Saddler, he agreed there would also be a higher tariff rate.

[2:51:38 PM](#)

REPRESENTATIVE TARR offered her appreciation for Amendment 15, saying its goal is to encourage the project to remain a state entity because of the substantial investment. She offered an example of a state asset that was sold and is still not responsible for payment of any property tax.

[2:52:41 PM](#)

REPRESENTATIVE OLSON asked Mr. Fauske if he has seen anything like this on a large project.

DAN FAUSKE, President, Alaska Gasline Development Corporation (AGDC); CEO/Executive Director, Alaska Housing Finance Corporation (AHFC), Department of Revenue (DOR), replied the ad valorem tax would start after an initial waiver during the construction period. He reported that initiating a previously owed tax would make this extremely difficult.

[2:53:34 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 15.

[2:53:39 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 15. Representatives Johnson, Olson, P. Wilson, Hawker, Saddler, and Feige voted against it. Therefore, Amendment 15 failed by a vote of 2-6.

[2:54:23 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 16, labeled 28-LS0021\0.26, Bullock, 3/2/13, which read:

Page 1, lines 8 - 10:

Delete "**relating to judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land;**"

Page 31, line 28, through page 32, line 24:

Delete all material.

Renumber the following bill sections accordingly.

Page 50, lines 26 - 27:

Delete "Except as provided in AS 38.35.200(c), a"
Insert "A"

Page 53, line 29:

Delete "lines"
Insert "line"

Page 53, line 30:

Delete "(1)"

Page 54, lines 1 - 3:

Delete "carrier"; and
(2) AS 38.35.200 from "Judicial review of
decisions of commissioner on application" to "Judicial
review."
Insert "carrier."

REPRESENTATIVE HAWKER objected for discussion purposes.

[2:54:34 PM](#)

REPRESENTATIVE TARR explained Amendment 16 addresses judicial review. She drew attention to a February 12 memorandum [included in members' packets] from Legislative Legal and Research Services addressing the issue of limiting judicial review. She read from page 1, paragraph 1, of the memorandum: "Although the legislature has the power to establish jurisdiction for the courts under art. IV, sec. 1, Constitution of the State of Alaska, what the legislature categorizes as an issue of jurisdiction may be found by the courts to be a violation under the separation of powers doctrine." She declared that Amendment 16 attempts to ensure that the separation of powers is not violated by returning to the proposed bill Article IV, sec. 1, regarding judicial review.

[2:58:10 PM](#)

CORI BADGLEY MILLS, Assistant Attorney General & Legislative Liaison, Legislation & Regulations Section, Civil Division (Juneau), Department of Law (DOL), in response, said that the Legislative Legal and Research Services memorandum for judicial review expresses similar concerns to those of the Department of Law (DOL). She opined that this could be decided in either direction, should a ruling be necessitated by the courts. She stated that DOL does not have a definitive opinion, and noted

that there are other places in statute where judicial review has been limited. She expressed agreement with the memorandum.

[2:59:23 PM](#)

BONNIE HARRIS, Senior Assistant Attorney General, Oil, Gas & Mining, Civil Division (Anchorage), Department of Law (DOL), agreed with Ms. Badgley Mills that the Department of Law does not have a conclusive answer for whether a court would accept this. Generally, she said, the more restrictive a provision toward the public having access to the courts the more likely the court is to strike it down or not consider it. She said DOL agrees with Legislative Legal and Research Services.

[3:01:12 PM](#)

REPRESENTATIVE HAWKER said the sponsors absolutely believe that this is a reasonable manifestation of limitation on the judicial review. This limitation falls within the overarching policy objective of most efficiently moving a project forward, and of minimizing project risk to every environmental organization and person with an ax to grind, and everyone who does not agree with what color the pipeline is, and who steps in simply to frustrate and prevent a project from going forward on a timely basis. Every time there is a delay, every time there is a legal impediment, it costs money; every time it costs money that money is going to have to be paid for by a consumer. The sponsors want to err to the greatest extent possible on the side of the consumer on an efficient completion of any pipeline project. Both the Trans-Alaska Pipeline System (TAPS) and the Alaska Gasline Inducement Act (AGIA) had similar provisions recognizing that the public interest is a justification for reasonable limits on judicial review. He said he therefore presumes that a court looking at this will uphold the responsible level of judicial review that is in this bill that the amendment proposes to remove. He requested the committee to not approve this amendment.

[3:03:07 PM](#)

REPRESENTATIVE TUCK stated he does not like the idea of getting rid of all the checks and balances. Amendment 15 is a way of keeping consumer and public protections in place, he said, and he will be supporting it.

REPRESENTATIVE JOHNSON pointed out projects in Alaska that were slowed down by lawsuits. He said he does not want that to

happen in the future and the proposed bill ensures that that is not an option [with this project]. He reiterated that TAPS and AGIA have this same kind of language.

[3:04:15 PM](#)

REPRESENTATIVE TARR maintained that if everything is done right and in an efficient way there will never be a need to go to the courts. She said she does not want to see a law passed that is immediately open to challenge because of this provision. In an attempt to prevent that from happening and to support the bill's sponsors in this effort to be efficient and push this project along, she is hoping Amendment 16 will pass.

REPRESENTATIVE JOHNSON said the state has done things right time after time only to be sued and said there is no right when people want to slow down or stop a project.

[3:05:14 PM](#)

REPRESENTATIVE JOHNSON maintained his objection to Amendment 16.

[3:05:19 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 16. Representatives Hawker, Johnson, Olson, P. Wilson, Feige, and Saddler voted against it. Therefore, Amendment 16 failed by a vote of 2-6.

[3:06:06 PM](#)

The committee took an at-ease from 3:06 p.m. to 3:25 p.m.

[3:25:45 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 17, labeled 28-LS0021\0.32, Nauman/Bullock, 3/2/13, which read:

Page 5, line 15, following "meeting.":

Insert "The board may meet and transact business if public notice of the time and location where the meeting will be held has been given for seven days or more."

Page 5, line 28:

Delete "A"

Insert "Except as provided in (d) of this section, a"

Page 5, line 30, through page 6, line 1:

Delete all material and insert:

"(d) For purposes of this chapter, a meeting of the board must be held in a single physical location to authorize the issuance of corporate bonds or an expenditure greater than \$10,000,000."

Objection to the amendment was voiced by Representative Hawker and Co-Chair Feige.

[3:26:13 PM](#)

REPRESENTATIVE TARR, speaking to Amendment 17, noted the committee has discussed ensuring an efficient way for this project to move forward without too many delays. At the same time, she is concerned about transparency and oversight and therefore she pursued several different ways that the board could be expanded or could involve the legislature in decision making. However, Legislative Legal and Research Services informed her that because these board members would be compensated it would be a constitutional violation for a legislator to dually hold office and be compensated [as a board member]. She came up with Amendment 17 to make these board meetings more transparent. Drawing attention to page 5, line 30, of the bill, she pointed out that with just 24 hours' notice the board can hold a meeting, which concerns her given the significant decision making that could take place. Also, as the bill is currently written, just three of the five members of the board can make a decision and they can do it electronically. She expressed her concern about the security of such a system and whether it would prohibit impersonation of a board member. That only three board members can meet over the phone does not seem like enough opportunity for the public to be aware of what is happening, she opined. Amendment 17 would provide seven days' notice rather than just 24 hours because it would be difficult for anyone to be tracking that closely or be able to attend that meeting for information gathering purposes. Amendment 17 would also require that the meeting be in person for authorizing the issuance of corporate bonds or an expenditure of over \$10 million.

[3:29:34 PM](#)

REPRESENTATIVE HAWKER looped back to the overarching policy objectives the sponsors have brought forth in this bill. He said the first one is to keep AGDC or any project AGDC is potentially involved in as insulated from political interference as possible while maintaining adequate and appropriate governance restrictions. The sponsors truly believe the legislation before the committee provides that adequate governance. Second, the sponsors want to make AGDC as efficient and as flexible as possible to be responsive to facts and circumstances. The inability to act quickly is tantamount to paralysis, which does nothing but drive up costs and risk and, at the end of the day, the consumer has to pay those costs. He requested that Ms. Delbridge be allowed to provide more detail about the state's open meetings law and how it relates to this legislation.

[3:30:56 PM](#)

MS. DELBRIDGE clarified the provision for 24 hours' notice on page 5 is an emergency provision that is only adequate for meetings of the board at which the issuance of corporate bonds is to be heard. The 24 hours' notice is not acceptable under this bill for any other kind of board meeting. The board is subject to the Open Meetings Act, page 13, line 27, Section 31.25.130, which requires "reasonable public notice" for all meetings that are required to be open under this section. The reasonable public notice is not specific in state statute for any of these boards under the Open Meetings Act because reasonable depends on the circumstances in part. If the board has an action that it needs to take in an expedited manner and only has 10 days advance of needing to do that, perhaps 10 days' notice to the public or 7 days' notice is reasonable. If a board is having a regularly scheduled quarterly meeting and knows three months in advance that that is the case, two weeks or more might be reasonable public notice. Some boards are known to issue public notice of their meetings two months in advance. The reasonable allows these boards and corporations of the state under the Open Meetings Act to be flexible and to be responsive to their duties and missions.

[3:32:42 PM](#)

MS. DELBRIDGE added that the 24 hour notice for bond issues is an important provision for AGDC. She said AHFC believes it has never had to give only 24 hours' notice for issuing bonds. But sometimes there will be a regularly scheduled meeting in which taking up a bond issuance is part of the meeting that is on the

agenda and a small flaw is found during the review or circumstances might change while looking through that bond issuance in the public meeting. There is the potential that the bond folks need to come back literally the next day with a refined package so that they can actually do the issuance that they discussed at the meeting if there were any problems with it. That also prevents any delays if this is an optimal time to issue these bonds or the market circumstances are such that they do need to get on with this quickly. Regarding a physical meeting location, there is a potential that there will be multiple bond issuances, perhaps in a short frame of time or a long frame of time. Part of AGDC's ability to issue bonds in this bill is that AGDC can decide whether it is one or more series and how to do that to maximize the benefits to Alaskans and to keep the project costs as low as possible. To ask that the board meet physically in the same location for that could be very difficult for a board that has this degree of specialization and in such a fluid and dynamic environment as bond issuances.

[3:34:25 PM](#)

REPRESENTATIVE TARR requested discussion in regard to having just three people on the phone making that decision.

REPRESENTATIVE HAWKER responded it is a policy call. The sponsors could have put 200 people on this board had they wanted to make sure that nothing ever got done. The sponsors could have put one person on the board and made it a very efficient operation, but it was felt that a three member board was a reasonable compromise specifically with the qualifications and requirements that are being placed upon those members.

[3:35:16 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 17.

[3:35:21 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 17. Representatives Johnson, Olson, P. Wilson, Hawker, Feige, and Saddler voted against it. Therefore, Amendment 17 failed by a vote of 2-6.

[3:36:24 PM](#)

REPRESENTATIVE TUCK moved to adopt Amendment 18, labeled 28-LS0021\0.33, Nauman/Bullock, 3/2/13, which read:

Page 7, line 7:

Delete "personnel"

Insert "president, vice-president, director of administrative services, and controller"

Page 32, lines 25 - 27:

Delete all material and insert:

"* **Sec. 14.** AS 39.25.110 is amended by adding a new paragraph to read:

(44) the president, vice-president, director of administrative services, and controller of the Alaska Gasline Development Corporation."

Objection to the amendment was voiced by Representatives Hawker and Johnson.

[3:36:37 PM](#)

REPRESENTATIVE TUCK explained Amendment 18 would exempt from the State Personnel Act only the top four employees named in the bill rather than exempting all employees.

MS. DELBRIDGE said the sponsors object to Amendment 18. The exemption from the State Personnel Act is critical for all personnel, she said, in particular for the rank file that AGDC anticipates having, which includes engineers, environmentalists, permittees, designers, and commercial analysts. It is likely these people will need to be hired quickly as needed in highly specialized areas. She noted that also exempt from the State Personnel Act are the Alaska Aerospace Corporation, AHFC, Alaska Industrial Development and Export Authority (AIDEA), the Permanent Fund Corporation, Alaska Railroad Corporation, and, through its parent corporation, the Alaska Student Loan Corporation.

[3:38:07 PM](#)

REPRESENTATIVE TARR supported Amendment 18, noting information was recently distributed about executive salaries and some of the individuals named by Ms. Delbridge are exempt from them. She related that her constituents have expressed concern about substantial salaries, some of which are \$350,000 annually. Amendment 18 would ensure there is some latitude given in terms of the high level personnel and ensure reasonable pay.

[3:38:58 PM](#)

REPRESENTATIVE HAWKER maintained his objection to Amendment 18.

[3:39:07 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 18. Representatives Olson, P. Wilson, Hawker, Johnson, Feige, and Saddler voted against it. Therefore, Amendment 18 failed by a vote of 2-6.

[3:39:52 PM](#)

REPRESENTATIVE TUCK moved to adopt Amendment 19, labeled 28-LS0021\O.35, Bullock, 3/2/13, which read:

Page 39, line 2:

Delete "AS 42.08.320(b) - (d)"

Insert "AS 42.08.320(b) - (e)"

Page 45, following line 13:

Insert a new subsection to read:

"(e) Notwithstanding (b)(1) of this section, the commission may not find that a precedent agreement or related contract is just and reasonable if the rate in the precedent agreement or related contract is less than the cost of providing the service."

Objection to the amendment was voiced by Representatives Johnson, Hawker, Olson, and Feige.

REPRESENTATIVE TUCK recounted previous committee discussion about how there can be agreements that are less than the sticker price. Amendment 19 would set a floor, ensuring the state has a fiduciary responsibility to Alaskans that it is not signing agreements that are less than the state's operating costs.

[3:40:26 PM](#)

REPRESENTATIVE HAWKER said Amendment 19 does not recognize the actual process that is undertaken when a project of this nature is moved forward. The amendment language is unnecessary and would insert financing risk, transaction risk, and project risk as the project must work with all the stakeholders that would ultimately become involved in the financing and execution of a project. It would be telling regulators, such as the RCA, that

it cannot find something just and reasonable if the rate is less than the cost of providing services. That is a second guess of RCA's overarching objective which is to provide for the good of the public. Approving a project that cannot even pay for itself would be a horrible abrogation of the regulators own responsibilities. At the very core of the regulator processes is that standard of reasonableness, whether the regulators are looking at the sponsors of a project or the contracts underlying a project. If those contracts are not reasonable and those stakeholders are not capable of performing in the best interests of the state, the RCA's responsibility is to make those judgments. Including this proposed language means it is something regulators must interpret as to what legislators are talking about, which inserts ambiguities and that is why the sponsors would prefer not to include this provision in the bill.

[3:43:09 PM](#)

CO-CHAIR SADDLER said the amendment reminds him of the hapless businessman who loses 1 percent on every transaction but makes it up on volume - it does not quite make sense.

[3:43:18 PM](#)

REPRESENTATIVE TUCK realized the amendment language may be in the wrong spot. He inquired of Ms. Delbridge as to whether this section of the bill, page 45, line 13, is for all pipeline contract carriers.

MS. DELBRIDGE replied yes, this would apply to all natural gas contract carriers.

REPRESENTATIVE TUCK clarified this was not his intent with Amendment 19. The amendment was intended just for AGDC so that AGDC would operate in the positive and a project would not be sanctioned that was below the floor. He said he did not mean to set a floor for every pipeline project in the state of Alaska. He therefore withdrew Amendment 19.

[3:44:50 PM](#)

REPRESENTATIVE TARR moved to adopt Amendment 20, labeled 28-LS0021\0.37, Nauman/Bullock, 3/2/13, which read:

Page 8, line 15, following "(6)":

Insert "subject to the approval of the legislature,"

Page 8, line 16:

Delete the first occurrence of "or"

Insert ";

(7) except as provided in (6) of this subsection,"

Renumber the following paragraphs accordingly.

Page 13, line 14:

Delete "The"

Insert "Except as provided in AS 31.25.080(a)(6),
the"

Objection was voiced by Representatives Johnson, Hawker, Olson, and Co-Chair Feige.

[3:44:57 PM](#)

REPRESENTATIVE TARR, speaking to Amendment 20, stated that upon its completion the pipeline would be worth a large sum of money. The potential exists for this asset to be sold by AGDC to another private entity. The state has been involved in and financed some projects that were not successful and that were sometimes operated at a loss. When financing comes in for a project it is because people expect it to be successful. Amendment 20 would provide that if AGDC wants to sell the pipeline to a private entity the sale would be subject to legislative approval in an effort to provide maximum benefits to Alaskans. With respect to the sponsors' goal of making this project move forward in an efficient way and not bogging it down, Amendment 20 would have no impact on the project moving forward.

[3:46:55 PM](#)

REPRESENTATIVE HAWKER disagreed with the aforementioned characterization of the amendment, saying it would also require legislative approval for the disposal of part of a pipeline or an asset, which reintroduces all of that political risk, project risk, and uncertainty that goes with it for potential investors and potential partners in a project. The sponsors' philosophy is to give AGDC a job to do, to give AGDC the assets to do the job, and to vest in AGDC the legislature's trust through a very well managed organization to accomplish the task. Very specific obligations for AGDC are being established for AGDC as an entity to accomplish a very specific mission and to look out for the

best interests of the people of Alaska in accomplishing that mission. It sets things up for failure if the legislature tries to micro-manage and if the legislature is given the opportunity to second guess responsible business decisions that are being made. This has been a policy call, he continued; for example, under House Bill 369 a great deal of authority was given to a project development team at AHFC to let the team go forward without legislative interference. Facts and very recent history have demonstrated this effort is extremely well managed. Nothing in SSHB 4 authorizes a project per se; rather, this bill is about advancing the effort to get Alaska's gas in the hands of Alaskans as quickly as possible at the least possible cost. Provisions that create second guessing and uncertainty are not needed and this amendment is unnecessary at this time.

[3:49:40 PM](#)

REPRESENTATIVE TARR allowed she can see the concern regarding the disposal of part. She inquired whether the sponsor would maintain the same concern if it was only the complete disposal of the pipeline.

REPRESENTATIVE HAWKER responded he might have even more concern about interfering in the economics of getting a pipeline moving forward.

[3:50:17 PM](#)

REPRESENTATIVE TUCK maintained that with this corporation a lot of public securities are being removed. This corporation is being given the ability to acquire a lot of tremendous advantages that would not normally be seen in the private markets - eminent domain, clear path for right-of-ways, tax exemptions, not as much public accountability as he feels comfortable with, and no definition of what is the best interest of Alaskans. If those tremendous assets being created by this bill are going to be sold, there should be some legislative oversight. Many irresponsible decisions have been made in the past in private industry as well. It is better to have more eyes on this than fewer eyes. He said he will be supporting the amendment.

[3:51:17 PM](#)

CO-CHAIR FEIGE said Amendment 20 assumes that the state is an owner of the pipeline project that goes forward, which has been contemplated and perhaps it will come to that, at which time

[the legislature] can address how much inference as a potential owner [the state] would like to have in the process. Under the proposed bill, it is a project that will go out to the market and the market will provide the capital that will build the project. Putting something subject to the approval of the legislature when the state does not have a direct fiscal interest or even an ownership in the pipeline seems to be overly restrictive.

[3:52:26 PM](#)

REPRESENTATIVE JOHNSON maintained his objection to Amendment 20.

[3:52:39 PM](#)

REPRESENTATIVE TARR stated Amendment 20 is not intended to slow down any project because the amendment is intended to be at the point where the project will be completed and the transfer of ownership will be happening and will make sure that that is in the best interest of the state.

[3:53:04 PM](#)

A roll call vote was taken. Representatives Tarr and Tuck voted in favor of the adoption of Amendment 20. Representatives P. Wilson, Hawker, Johnson, Olson, Feige, and Saddler voted against it. Therefore, Amendment 20 failed by a vote of 2-6.

[3:53:49 PM](#)

CO-CHAIR SADDLER set aside Conceptual Amendments 2 and 3, saying they were not properly vetted by Legislative Legal and Research Services [as per committee policy].

REPRESENTATIVE TUCK noted mistakes were made by the amendment drafters. He surmised that in the future the best thing to do is to submit [the amendments as they are with the mistakes]. He said he does not want to further limit any reasons to not accept an amendment, so in the future he will submit amendments with mistakes and then just do an amendment to the amendment, although that would slow things down. He inquired as to the co-chair's preference or intention is in this regard.

[3:54:35 PM](#)

CO-CHAIR SADDLER responded the intention, as established in the first committee meeting, is to ensure that amendments are

presented to Legislative Legal and Research Services with enough time for the work and vetting to be done that ensures the language is correct and aligned to prevent conforming errors. He said amending them in committee can be done, but getting amendments into Legislative Legal and Research Services early should avoid this kind of problem.

REPRESENTATIVE TUCK commented that this requirement is unusual and new to this legislature, although not new to this committee. He agreed that in the future he will submit them as written with the errors.

CO-CHAIR SADDLER asserted that it is standard practice in other committees.

CO-CHAIR FEIGE added that this policy was established early on and said reasonable latitude was granted prior to this, but said there has been plenty of warning about when bills would be heard and when amendments would be issued. It is the responsibility of committee members to get those amendments to Legislative Legal and Research Services and the rest of the committee members with sufficient notice and 24 hours is a reasonable requirement.

[3:55:56 PM](#)

REPRESENTATIVE TUCK asked when conceptual amendments can and cannot be offered; for example, is a conceptual amendment only allowed when it is an amendment to an amendment.

CO-CHAIR SADDLER answered it will be the rule of the chair. He said conceptual amendments are things that do not occur to a person in advance and are not something that a person is trying to get in through the back door. An amendment to an amendment would be appropriate when something comes up during debate or discussion. A totally brand new amendment might be considered, but the preference is not to. For legislation that is large and complicated, there must be the chance to think it over and ensure that it conforms to the legislation.

[3:56:44 PM](#)

CO-CHAIR SADDLER resumed the public testimony that was opened on 2/15/13.

[3:57:12 PM](#)

BILL WARREN, a 61-year resident of Alaska, told the committee he is a retired pipefitter who worked on the Trans-Alaska Pipeline System. Noting the votes have been 2-6, he said he hopes the committee is right. He recalled the Alaska Stranded Gas Development Act under Governor Frank Murkowski, the Alaska Natural Gas Development Authority (ANGDA), the Denali Project, the Alaska Gasline Inducement Act (AGIA), and now the AGDC. He said he really hopes that AGDC succeeds. He has a daughter living in Fairbanks who cries while telling him it is almost impossible to live there. He recalled that Governor Egan wanted [the state] to own TAPS and opined that if the state had done that it would be money ahead. The least possible cost is like buying a Ford truck without a radio or a heater; the state can do better than the least possible cost. A good job needs to be done so that the state can be proud of it 100 years from now. He pointed out that AGDC does not even have a route; the state is in the same boat it was in 40 years ago. A route should be able to be determined. For some reason, ENSTAR Natural Gas Company and the powers that be want it down the Parks Highway. He then noted that a deep draft tanker cannot make its way into Cook Inlet. He urged that the pipeline be done the right way and doing it the right way means starting now and building a line to Fairbanks, likely a 24-inch high pressure line with no open seasons. Alaska is not under a free market, it is a monopoly. There is nothing wrong with state ownership of the pipeline in partnership with a pipeline company.

[4:00:32 PM](#)

CO-CHAIR SADDLER closed public testimony after ascertaining no one else wished to testify.

[4:00:49 PM](#)

CO-CHAIR SADDLER noted that intent language designed to get the RCA to review the legislation was distributed earlier. However, he continued, it may be somewhat problematic as this might not be the kind of thing the RCA does ordinarily and the RCA may not be able to meet the deadline for noticing its next available meeting. Therefore, he withdrew his intent language and sought commitment from the sponsors and cosponsors that they will send SSHB 4, as amended, to the RCA with an accompanying letter requesting the RCA provide technical review and feedback on the legislation in as expeditious a manner as possible.

[4:01:31 PM](#)

REPRESENTATIVE HAWKER, as prime sponsor, replied that this is exactly the appropriate methodology. When one approaches the RCA there are a number of protocols to observe and that original draft letter caused some unanticipated consequences. The approach being suggested is exactly the right approach.

[4:02:19 PM](#)

CO-CHAIR SADDLER invited joint prime sponsor, Representative Mike Chenault, to the witness stand and opened committee discussion on SSHB 4.

[4:03:05 PM](#)

REPRESENTATIVE TUCK remarked he is unsure whether SSHB 4 is premature or too late. Alaskans want a gas pipeline. It is a little bit too late due to the AGIA process that is ongoing for a large diameter pipeline. Alaskans would be best served with a large diameter pipeline with outtakes to keep that cost as minimal as possible, to prevent competing pipelines, and to build only one pipeline. It is a little bit premature because of the ongoing AGIA process as well as all the incentives that have been given to the Cook Inlet. Cook Inlet has the opportunity to serve the short-term needs in the hope of getting the big line. There has been talk that maybe these two pipelines can somehow get together, which is his hope. However, he noted he is a bit uncomfortable with some of the provisions. He does not want to give away too much, but at the same time he understands the need to expedite. Part of frontend loading is to ensure that there is public buy-in and that the stakeholders and shareholders are aligned. He said he does not think SSHB 4 gets there because it is too quick to achieve public buy-in and alignment. While he has concerns, he does appreciate having something for delivering natural gas in case other things fail.

[4:04:56 PM](#)

REPRESENTATIVE SEATON offered his appreciation for the work done on SSHB 4 and for the sponsors being so receptive to the concerns brought forth by the committee. The sponsors did a good job addressing the RCA concerns, which were problematic earlier. The concern about confidentiality being for a period of forever was addressed so that now when that confidentiality is no longer required everything that can be will be publicly released. The modifications made by the committee has made the bill stronger, better, and more acceptable to people across the state. The alignment is provided for in the structure of

coordination of this bill with the AGIA process. Moving forward is what the committee needs to do. Not moving forward will not progress the other line either. That there is an alternative is what makes the process for a gasline much more viable, more certain, and that there will be a commercially viable product.

4:07:22 PM

CO-CHAIR FEIGE opined that, regrettably, AGDC is still tied to the concept of a bullet line - a line that goes directly from the North Slope, through Fairbanks, to the Anchorage Bowl, leaving out a significant section of his district. An excellent framework has been created that someday may be combined with the AGIA process, resulting in a true export line that can be utilized for the benefit of the state and the people in his district. However, on behalf of his district, he said he will not currently support SSHB 4.

4:08:08 PM

REPRESENTATIVE JOHNSON stated that if a joint of pipe had been laid for each meeting that has been held for getting energy to Alaska, the globe could probably be circled. It is time to stop talking, Alaskans demand it, and it is time to start doing projects that are going to answer some of the questions that Fairbanks has. If the legislators do not act on something in this legislature to actually do something and quit talking about it, no legislator deserves to be here in two years.

4:08:58 PM

REPRESENTATIVE TARR echoed her support for the hard work done by the bill sponsors. As a new member she has been trying to get up to speed and does not have the advantage of having worked on this issue for the last several years. She said she is very supportive of an effort going forward. However, her concern has been to ensure maximum benefit for Alaskans with transparency and oversight. She offered her hope that in the next committee or on the floor there will be discussions to look at other ways to address her concerns, which would help her know the state is not going to get into a situation that obligates it to a failing project, a situation in which the state has history. As has been heard over the past several weeks, the oil and gas market is a rapidly changing market and it is very hard to predict what the circumstances will be even a few years forward.

4:10:31 PM

CO-CHAIR SADDLER related that his constituents have been asking what the legislature is doing to provide affordable energy to Alaskans. The answer is largely carried in this legislation. As mentioned by Representative Seaton, there are two projects, preceding and parallel, and that gives advantages and improves the options. Alaska has lots of gas; it is just to deliver it. Is it premature? Representatives from Fairbanks might say it is not premature whatsoever. He appreciates that the market forces will be allowed to operate and said the market forces will respond to the changing market conditions better than any well-intentioned legislative actions. He thanked the sponsors and their staff for their years of work on this issue.

[4:11:32 PM](#)

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, as a joint prime sponsor, responded to whether this is premature or too late by saying, "If you never start, you will never finish." With regard to projects, pipelines, economics, he stated that nowhere in the world that he is aware of would a 36-inch pipeline running 800 miles ever be considered a small pipeline. Alaskans for some reason have it in their minds that the only pipeline that can ever be built is a 48-inch pipeline. Some people have it in their mind that they are willing to do anything they can to kill any viable project that is moving forward. He reminded members that just a week ago the governor received a letter from "the big three plus the pipeline corporation" and they are talking about a 42-inch line. So, as far as size, there is not a whole lot of difference. Regarding comments about how millions of dollars have been invested in the Cook Inlet to take care of the Southcentral gas grid, which he agrees has been done, he noted that a few hours ago ConocoPhillips Alaska, Inc. stated publicly that it is not going to seek an extension on its liquefied natural gas (LNG) facility for export. If Alaska had all the gas in the world in Cook Inlet, Conoco would not be shutting down, nor would Agrium have shut down a few years back.

[4:14:09 PM](#)

REPRESENTATIVE CHENAULT continued, saying that times change and this is the only project that he and the other joint prime sponsor see moving forward. Permits have been issued [to AGDC] and he believes that [AGDC] is helping to spur the conversation with "the big three producers" on the North Slope as far as a project. He said he can hope that it goes and added that he

does not care whether it goes to Valdez, Cook Inlet, or even to Bristol Bay. Alaska needs a long-term energy supply for the Railbelt and that takes care of Fairbanks and a number of other areas around the state. It provides opportunities that are not currently had and that will not be had until a pipeline is built. Opportunities include Donlin Creek Mine, which would provide 1,500 jobs, as well as the opportunity to provide lower cost energy to rural Alaskans. This project will not happen if it is not economically viable. If the state cannot get buyers and sellers together to make a deal in which they are willing to invest billions of dollars of their money into a project for which the return is 30 years, this project is not going to happen. Representative Chenault said he will not say [the project] is premature or too late, but the longer the state waits the less opportunities there are for Alaskans to receive a benefit from their resources. He thanked the committee for its work on SSHB 4.

[4:16:54 PM](#)

REPRESENTATIVE HAWKER moved to report SSHB 4, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

CO-CHAIR FEIGE objected.

[4:17:16 PM](#)

A roll call vote was taken. Representatives Tarr, Hawker, Johnson, Olson, Seaton, P. Wilson, and Saddler voted in favor of reporting SSHB 4, as amended, from committee. Representatives Tuck and Feige voted against it. Therefore, CSSSHB 4(RES) was reported out of the House Resources Standing Committee by a vote of 7-2.

[4:18:04 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 4:18 p.m.