

SENATE FINANCE COMMITTEE

April 5, 2013

1:43 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 1:43 p.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair
Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mike Chenault; Rena Delbridge, Staff, Representative Mike Hawker; Senator Peter Micciche; Frank Richards, Manager, Pipeline Engineering, Alaska Gasline Development Corporation; Angela Rodell, Deputy Commissioner, Treasury Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Joe Dubler, Alaska Gasline Development Corporation, Anchorage.

SUMMARY

CS SS HB 4(FIN)

ALASKA GASLINE DEVELOPMENT CORP; RCA

CS SS HB 4 (FIN) was HEARD and HELD in committee for further consideration.

#hb4

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 4(FIN)

An Act relating to the Alaska Gasline Development Corporation; establishing the Alaska Gasline Development Corporation as 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 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; repealing the statutes relating to the Alaska Natural Gas Development Authority and making conforming changes; 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."

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REPRESENTATIVE MIKE CHENAULT, introduced the legislation. He explained that he had worked with Representative Hawker's office to draft the legislation. He stated that the bill was meant to bring gas to all Alaskans. He shared that HB 4 would set up a corporation that had Alaska's interests in mind. He pointed out that the best people should be a part of making important decision based on financing, bonding, or engineering for the project. He

understood that many legislators were capable of making these important decisions. He explained that the bill allowed for an open season that would allow for buyers and sellers to make bids. He felt that the bill would advance Alaska's interests. He pointed out that the project was within statute. He shared that there was similar legislation that was introduced by the governor, but he did not feel that the other legislation was not advancing. Therefore, this legislation was relevant and imperative.

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Co-Chair Meyer shared that there was a rumor that the bill was duplicating the governor's bill, and asked for comment. He also wondered if Alaskans could afford the gas that the project would utilize. Representative Chenault responded that the governor's bill was different than HB 4. He also voiced that the Office of the Governor was in support of HB 4. He remarked that HB 4 would get gas to Alaskans very soon.

Senator Dunleavy queried the proposed diameter of the gasline. Representative Chenault responded that diameter of the proposed pipeline was 36 inches, at a 1440 pci line, which would move up to 500,000 cubic feet of gas per day.

Senator Dunleavy wondered if there was an export component to the proposed gasline. Representative Chenault responded that if there were leftover gas, there would be potential for an export component.

Vice-Chair Fairclough queried the average size of a gas pipeline in the world. Representative Chenault replied that Alaska was the only place in the world that considered the proposed pipeline as "small." He furthered that he did not know the average size of a gas pipeline, but stated that the United States had pipelines that ranged from 12 inches to 48 inches. He felt that the standard size pipes were 12 inches, 24 inches, 36 inches, and 48 inches. He stressed that the size was based on whether the project was moving gas or oil and the pressure of the pipe.

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Vice-Chair Fairclough wondered if the pipeline diameter proposal had increased, because the decrease in pressure

would reduce the cost for Alaskans in small communities to receive gas. Representative Chenault responded that //

Senator Hoffman wondered what provisions were included in the legislation that would assure the rural residents that they could benefit from the proposed gasline. Representative Chenault responded that the project was originally proposed to carry natural gas liquid. In order to ship natural gas liquid, it must be put under high pressure. In order to stay within the constraints of the Alaska Gasline Inducement Act (AGIA), the original proposal was 24 inch pipeline. He stated that the proposal required a straddle plant to strip the liquids from the gas to send utility grade gas. He stated that the estimated cost of the straddle plant was approximately \$250 million. The Alaska Gasline Development Corporation (AGDC) stated that the consumer would cover the cost of the straddle plant. He stated that the great difference in cost between Fairbanks and Anchorage was too great to be deemed fair.

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Senator Hoffman wondered if there could be a consideration to include the construction of tankers in the bond cost, which would deliver gas to rural Alaska. Representative Chenault deferred to AGDC.

Senator Hoffman wondered if the terminus had been predetermined. Representative Chenault replied that the terminus outside of Big Lake, but furthered that the buyers and sellers were the payers of the project.

Senator Hoffman wondered why a terminus is determined, if the language was included in the presentation. Representative Chenault responded that the objective of the project was to bring gas to Alaskans at the cheapest cost.

Senator Olson surmised that Representative Chenault would support an amendment to finance the transportation of the gas to rural Alaska. Representative Chenault responded that he was interested to discussing the amendment.

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RENA DELBRIDGE, STAFF, REPRESENTATIVE MIKE HAWKER, displayed that PowerPoint, "An Alaska Natural Gas Future for Alaskans" (copy on file).

Ms. Delbridge discussed slide 2:

By 2010, frustration with a lack of progress on a big line

- Trying to make others develop a pipeline for Alaska, on our terms, wasn't delivering the results Alaskans wanted

Fresh approach: Decide what Alaska wants, and do it ourselves

- In-state energy as primary driver

- Use the state as a catalyst

- Make use of existing work, investment

- Provide opportunities for private sector partners

Legislature in 2010 passed HB 369: AGDC charged with the mission of getting Alaska gas to Alaskans

- Electric and home heating costs

- Economic development for communities

- Industrial development opportunities - jobs

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Ms. Delbridge looked at slide 3

House Bill 369 of 2010 goals:

1. Build a team under AHFC leadership

2. Consolidate state's gas pipeline work to date

3. Fill in data gaps; decide optimal route

4. Report back to the Legislature with a project plan

House Bill 369 passed with broad, bipartisan support

Ms. Delbridge highlighted slide 4:

AGDC delivered with the July 2011 Project Plan

- A pipeline for Alaskans is possible; an in-state line could deliver competitively priced gas

- Projects will require firm, long-term contracts to support financing

Including recommendations for legislative action:

- AGDC to determine pipeline ownership structure;

- work confidentially with private sector partners;

- operate as contract carrier; decide rates and

- terms

- State to waive property taxes and state land lease fees; provide sufficient funding and create a pipeline fund; limit judicial review

Ms. Delbridge explained slide 5:

Now, House Bill 4:

- Provides further direction for AGDC
- Provides the framework for AGDC to serve as Alaska's natural gas pipeline corporation
- Maximizes state's efforts in gas pipeline development
- Resolves regulatory uncertainties while supporting future development of Alaska resources
- Includes AGDC recommendations
- Maintains momentum - delays hurt!
- AGDC estimates \$200 million per year inflation
- Southcentral gas supply (and costs) increasingly uncertain
- Fairbanks energy costs and air quality - no end in sight
- As urban costs increase, rural communities hurt more
- Continuing expectation for state to offset high cost

Ms. Delbridge displayed slide 6:

HB 4: Establishes AGDC as Alaska's gas pipeline entity

- Section 3; transition language in Section 1, Section 25
- HB 4 moves AGDC from its present location as a subsidiary of Alaska Housing Finance, to a stand-alone state corporation
- Locates AGDC under Department of Commerce, Community and Economic Development for administrative purposes only
 - AGDC will be governed by a 7-member board with expertise in relevant fields, appointed by the governor, confirmed by the legislature. 5 public members, two commissioners
- Provides clear transition language

Ms. Delbridge explained slide 7:

Clearly states AGDC's purpose (Section 3):

- To advance an instate gas pipeline as described in the July 2011 project plan, with modifications as appropriate, making gas available to Fairbanks, Southcentral, and other communities in the state at the lowest rates possible;
- To develop pipelines serving utility and industrial customers, at commercial reasonable rates;
- To develop pipelines offering commercial rates to shippers and that offer access for shippers producing gas in Alaska
- Once a mainline is complete, to consider additional pipelines to extend the reach of gas to other communities, industrial users
- Pipelines should also be developed to make propane and other non-oil, gas-related materials available to Alaskans

Ms. Delbridge addressed slide 8:

Provides statutory abilities to AGDC to function as a corporation and to accomplish its purpose (Sec. 3)

AGDC may:

- Enter into ownership and operating partnerships
- Create subsidiaries, including a subsidiary to market gas
- Issue revenue bonds limited to AGDC's own backing to finance a pipeline
- Enter into confidentiality agreements necessary to participate with private sector shippers, partners, financiers
- Keep confidential information like field studies and tariff models that are assets AGDC is developing for the state
- Exercise the state's existing power of eminent domain

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Ms. Delbridge highlighted slide 9:

House Bill 4 also:

- Exempts AGDC from the state procurement code and state personnel act (Section 3; and Sections 4 and 14)

- (AGDC is currently exempt from the procurement code as an AHFC subsidiary (per HB 369 of 2010)
- (Subjects) AGDC's operating budget only from the Executive Budget Act (Section 3)
- Applies public official disclosure rules to AGDC board members (Section 15)

Ms. Delbridge displayed slide 10:

HB 4: Maximizes state's efforts in gas pipeline development

Additional state support for a project in the public's interest will help reduce delays and keep costs as low as possible

- Limits judicial review of state permitting decisions and authorizations to avoid delays (Section 13)
- Directs DNR to waive annual fees on a state right-of-way lease for AGDC (Section 3; Section 12)
- Waives state and local property taxes during pipeline construction (Section 22)
- Sunsets the Alaska Natural Gas Development Authority, per a 2010 Leg Audit recommendation

Ms. Delbridge discussed slide 11:

- Directs AGDC to avoid duplicating other state work
- Requires state entities to cooperate and share information with AGDC (Section 3)
 - AGDC requests receive priority (except for AGIA requests)
 - AGDC and state entities can enter into confidentiality agreements if necessary to protect third-party information in the state's possession
- Calls on the state to provide water, sand, gravel, and other non-hydrocarbon natural resources to AGDC (Section 3)
- AGDC will pay usual prices; cost cannot be included in tariff base and passed on to pipeline shippers

Ms. Delbridge highlighted slide 12:

Resolves regulatory uncertainties

-Regulatory uncertainties add risk, which adds costs and can deter private sector participation. AGDC needs to know how a pipeline will be regulated before soliciting private sector partners

House Bill 4:

-Allows natural gas pipelines to operate as contract carriers through changes to the Right-of-Way Leasing Act and through Regulatory Commission of Alaska oversight

-Reinforces state policy that pipelines should be fair; offer reasonable access to new/future shippers; and encourage future development of Alaska's oil and gas resources

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Ms. Delbridge explained slide 13:

Why a contract carrier?

-Shippers need to know that the space they are 'reserving' by signing long-term commitments will be available

-Those firm, uninterruptible contracts are the way gas pipelines are usually financed: future income promised through contracts secures revenue bonds

-Ensures gas customers (utilities, industry) their shipments are reliable and will not be curtailed

-House Bill 4 establishes contract carrier status while providing for expansions in the future

Ms. Delbridge discussed slide 14:

Interfaces

-Key common carriage principles - expansions, access - are retained

-Contract carriage is allowed

-Interface between right-of-way leasing act and new regulatory chapter for instate contract carrier natural gas pipelines:

-Both require expansions on commercially reasonable terms

- Both allow that expansions cannot make an initial shipper pay more than is allowed per the shipper's contract with the pipeline
- Both sections require a pipeline to offer service without undue discrimination
- Open season oversight by the RCA ensures that new entrants have opportunity
- Capacity availability notification rules in Sec. 21 ensure new entrants have opportunity

Ms. Delbridge displayed slide 15:

Right-of-Way Leasing Act

- Section 11: Sections 6, 8, 9 and 10 are conforming
- Includes a set of 14 covenants a lessee must agree to
- HB 4 modifies covenants reflecting common carrier principles, to allow for contract carriage
- Covenants (a) (3), (4), (6), (7), (8), (9), (10), (11), (12), (13), and (14) apply to both common carrier pipelines and to contract carrier natural gas pipelines
- Covenants (a) (1), (2) and (5) are rebuilt to retain the general policy principle while allowing for contract carriage
- Contracts govern terms for connections, facilities
- Expansions required on commercially reasonable terms
- Ship without discrimination

Ms. Delbridge discussed slide 16:

Regulatory Commission of Alaska oversight for a contract carrier gas pipeline

- Section 21 is new regulatory chapter; Section 18 is related. Sections 19, 20, 5 are conforming)
- New kind of regulation for Alaska, for a new kind of pipeline
- Multiple-stage review by RCA
- Contract carrier concepts derived from federal process
- Provisions built in for Alaska concerns
- Provides certainty and protection for public utilities

-Sets timelines for thorough review that also support commercial process

Ms. Delbridge highlighted slide 17:

Terms (Not official definitions ... but practically speaking)

Tariff: A package of the rates and the terms and conditions that a pipeline offers. Rates may be a 'schedule' of rates distinguishing different classes of service.

Recourse tariff: A tariff that is kept on file as the pipeline's official 'offering'. The recourse rate is available to customers who do not negotiate rates with the pipeline.

Just and reasonable: A concept; generally, just is fair to all, reasonable is within a range of acceptableness.

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Ms. Delbridge explained slide 18:

Overview: The Process

1. Pipeline puts together a project - engineering, design, and cost estimate
2. Develops tariff - a combination of rates and terms/conditions of service - to present to potential customers
3. Pipeline has to file the tariff as a 'recourse tariff' with the RCA before entering contracts, before open season
Supported by a full cost study
4. Recourse tariff is the default rate; customers can negotiate final price
HB 4 requires RCA pre-approval of recourse tariff before an open season

Ms. Delbridge explained slide 19:

When does a recourse tariff come into play?

1. Before the first open season for a new pipeline
2. After construction, when costs are about 95 percent known

3. In advance of any open season for new capacity or pipeline expansions

Why?

- Sticker price/default rate
- Terms that anyone has the option of using to get in on the pipeline, whether they choose to negotiate or not
- Everyone has had the opportunity to get in on the pipeline on the same terms (although rates in the recourse tariff may vary per shipper category)
- Commonly used for short-term interruptible capacity, when available

Ms. Delbridge highlighted slide 20:

Recourse tariff:

RCA must review and approve initial recourse tariff, and any substantial amendments

- Supported by a full cost study
- Must include procedures for conducting open seasons

RCA has 90 days to review; may suspend for additional 90 days

- Terms and conditions not unduly discriminatory
- Rates cost-based
- Proposed rate of return, capital structure, depreciation reasonable
(Reasonable = commonly accepted or used by the RCA or FERC)

Same process for revisions in the future

- RCA has 90 days to act on revisions

Ms. Delbridge discussed slide 21:

With approved initial recourse tariff, pipeline holds an open season

- RCA oversees open season
- Commercial negotiations
- Precedent agreement

Overall, 3 ways to get pipeline service:

1. Negotiated contracts in open season
2. Recourse tariff
3. Presubscription agreements

Ms. Delbridge explained slide 22:

Just and Reasonable - What does it mean?

Just and reasonable is a standard - in this case, a contract must meet this standard

Just: Everyone is treated fairly and in a reasonable way

Reasonable: Not too much, not too little: within an acceptable range and defensible

How do we know?

Was the contract made at arm's length?

Arm's length is a legal principle pulled from contract law. An agreement is arm's length if it was made by independent parties, on equal footing; if parties are connected by 'shared interests', an arm's length agreement that stands up to scrutiny is important.

Ms. Delbridge discussed slide 23:

Meeting the Arm's Length Standard Start with the contract. Does it include the recourse rate offered to everybody?

YES: Contract is at arm's length and acceptable.

NO: Next step: Was the contract made between two state entities?

YES: Contract is at arm's length and acceptable.

NO: Next step. Is the contract between two unaffiliated parties?

YES: Contract is at arm's length and acceptable.

NO: Parties are affiliated. Next step: Is the contract 'substantially similar' to one made between unaffiliated parties?

YES: Contract is at arm's length and acceptable.

NO: Next step. Triggers deeper review by the RCA to determine 'just and reasonable' by new standards, using all cost data, digging into the details - BUT, the RCA must also consider the consequences of failing to approve the contract at hand.

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Ms. Delbridge highlighted slide 24:

Certificate of Public Convenience and Necessity
CPCN required: Legislature makes special findings only
for AGDC

1. Required for the public convenience and necessity (Sec. 1)
2. In the best interests of the state (Sec. 1)
3. Per Sec. 21, 42.08.020:
 1. AGDC is financially fit willing and able (because it is a corporation of the state)
 2. AGDC's board of directors and officers are managerially fit, willing and able (because the Governor has appointed directors with the precise qualifications required by HB 4)
 3. An AGDC pipeline is required for the public convenience and necessity (evidenced by the Legislature creating a state corporation to pursue gas pipeline projects)
4. Per Sec. 21, 42.08.020(e): The RCA shall determine whether the AGDC is technically fit, willing and able

Ms. Delbridge discussed slide 25:

Once construction ends, the pipeline will know a lot more detail about costs.

At that point, the pipeline has to go back to the RCA with that 'actual' information, and update the initial recourse tariff.

The pipeline also has to update the recourse tariff in the future, whenever the pipeline plans an open season to expand the pipeline.

Revisions do not affect contractual, negotiated rates.

Ms. Delbridge displayed slide 26:

Excessive rates of return protection

Excessive rates of return are not anticipated, however:

-Detailed current cost study every three years.

- Includes calculation of 3-year average actual return on equity.
- RCA reviews: do rate elements 'match' allowable
- Excess profit into segregated operating reserve fund.
 - Capped at 20 percent average annual operating costs.
- If excess remains, reduce firm service rates for all shippers over next 3 years.
- Pipeline can draw on reserve account when operating costs are high.

Ms. Delbridge highlighted slide 27:

Disputes

- Contracts between shippers and a pipeline can include a dispute resolution method.
- Method must be in resource tariff terms and conditions, uniform.
- Notify all shippers and creditworthy potential shippers.
- Allow existing and potential new shippers to participate.
- Culminate in independent third party/panel
- When can RCA step in?
- Disputes related to things not covered in contracts.
- Complaints brought by someone who doesn't have a shipping contract
- Complaints about expansions and open season conduct
- Disputes that pose an immediate threat to the public health and safety

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Ms. Delbridge explained slide 28:

The Future

- Expansions are required on commercially reasonable terms (providing they do not violate AGIA).
 - Must include an open season.
 - Same process as initial capacity: recourse tariff, open season, negotiated contracts, precedent agreements, updated recourse tariffs.

Excess capacity at any time must be noticed and offered.

Vice-Chair Fairclough looked at slide 14, and wondered why there was a difference between "undue discrimination" and "without discrimination." Ms. Delbridge responded that "undue discrimination" allowed for legitimate reasons to offer slightly different terms or provisions to different kinds of shippers, provided that all shippers that were similarly situated received the same fair terms and conditions or service. She stated that undue discrimination would not necessarily be a bad thing, if it were entirely defensible.

Vice-Chair Fairclough noted that there was a proposal to exempt AGDC from state procurement code and the state personnel act, and she wondered if there were any new exemptions carried forward. She also wondered why AGDC would be exempt from the state personnel act. Ms. Delbridge responded that HB 369 had given Alaska Housing Finance Corporation (AHFC) to do in-state gas line development, and exempted that any corporation created to do so, from the state procurement code. She stressed that the bill did not propose a new provision, but as AGDC was recreated as a stand-alone state corporation, those provision needed to me moved in order to remove the ability for AHFC to have a corporation that does the same thing.

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Vice-Chair Fairclough wondered why it was important or AGDC to be exempt from the state procurement code. Ms. Delbridge replied that AGDC finds that an exemption from the state procurement code, because they would be moving quickly ordering pipes, supplies, and services. The procurement code generally added time and cost.

FRANK RICHARDS, MANAGER, PIPELINE ENGINEERING, ALASKA GASLINE DEVELOPMENT CORPORATION, stated that there would be a presentation the following day regarding Vice-Chair Fairclough's concerns.

Co-Chair Kelly asked for further information regarding the recourse tariff.

Vice-Chair Fairclough referred to the passage of HB 369 in 2010 that began the project process. She noted that the

process had exempted AGDC from the state procurement code. She wondered if there was any more information regarding that exemption.

Co-Chair Meyer shared the list of people online to testify.

Mr. Richards stated the exemption was based on the expectation of expeditious work, and the ability to hire consultants to look at the contracting methodology. He stressed that the project required approximately \$7.7 billion of work.

Vice-Chair Fairclough inquired about the exemption from the state personnel act. Mr. Richards replied that AGDC needed to be able follow the procedures that were currently followed by other state corporations. He stressed that it was important to hire individuals with skills that were beyond "normal state functions", and were not in the state classification system.

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Co-Chair Kelly requested a restatement of the position on the recourse tariff. Ms. Delbridge responded that the contract carrier pipeline would allow for negotiated pipeline rates. She stressed that it was important to establish boundaries and backstops, to ensure an opportunity to participate without negotiating with the carrier. She remarked that these provisions would allow for different situated people equal access. She felt that the provision was a good way to ensure that the default rate had a strong factual foundation. Whereas, a negotiated contractual rate deferred to fairness between two parties. She stressed that the recourse tariff should be founded in actual facts. She furthered that the recourse tariff was comprised of the reams of data that would eventually become the rate elements like operating, maintenance, due taxes, recoup of debt costs, and the return on the initial construction capital.

Co-Chair Kelly inquired who would use the recourse rate. Ms. Delbridge replied that it would be someone who did not want to, or was unable to negotiate. She deferred to AGDC for further information.

Senator Bishop looked at page 40, and wondered if that focused on the detail of the current discussion. Ms.

Delbridge responded that it was a portion of what pertained to the discussion. She furthered that the regulatory chapter began on page 36, and continued through page 55 of the bill. She remarked that the initial recourse tariff review was on page 45 and addressed the filing requirements; and pages 46 through 49 addressed the requirements for initial and revised rates.

Senator Olson remarked that the bill required an open season with \$225 million to bring the state to open season. Ms. Delbridge responded that the legislation would carry Alaska through the open season, and would equip AGDC to consider other pipelines. She remarked that AGDC would need the legislative authority, and the funding for the open season to negotiate with the interests that come with the open season.

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Senator Olson surmised that the state would be required to fund the project, if the open season was not positive. Ms. Delbridge responded that the current structure allowed for the money to be in an in state gas line fund that AGDC would manage. She stressed that AGDC was an entity that was created to accomplish a specific goal. She remarked that there was a strong governance provision that included two state commissioners and legislative regulatory reporting, with the expectation that AGDC be responsible in assisting the work if the open season was unsuccessful

Senator Olson wondered if this was the last time the legislature would be asked to appropriate money for the project. Ms. Delbridge replied that there was no expectation that the legislature would need to appropriate money in the future.

Senator Olson wondered if the legislature would be faced with financing the project again. Ms. Delbridge responded that the sponsors of the bill believed that private sector groups would provide financing for the project.

Senator Olson looked at the slide 18, and asked for examples of recourse tariffs in Alaska. Ms. Delbridge responded that she was not sure if there were examples of recourse tariffs in Alaska, and furthered that Alaska had never had a significant long distance natural gas pipeline or a contract carrier pipeline. She shared that recourse

tariffs that pipelines in the lower 48 would have, and were used in their open season.

Senator Bishop wondered what might happen if two open seasons were unsuccessful Ms. Delbridge responded that all of the assets would be the property of AGDC, and therefore property of the state.

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Ms. Delbridge explained the "Sectional Analysis: CS for Sponsor Substitute for House Bill 4 (FIN) Version \I" (copy on file).

Section 1 - Findings and Intent

- Finds that an Alaska Gasline Development Corporation (AGDC) natural gas pipeline is in the best interests of the state, and required for public convenience and necessity.

The Regulatory Commission of Alaska (RCA) uses these standards in issuing a building permit to a project. Through this section, the legislature is making these findings on behalf of the RCA.

- Finds that locating AGDC under the Department of Commerce, Community and Economic Development, for administrative purposes only, will advance AGDC's mission.

Establishing AGDC as an independent state entity with a clear purpose and the statutory authority to meet its mission will make AGDC more likely to succeed.

- Provides intent that AGDC's transfer from an Alaska Housing Finance Corporation (AHFC) subsidiary to a stand-alone corporation will be treated as a repositioning and not as creating a new entity.

This intent should prevent the need to dissolve AGDC and re-create it as a new corporation; as a transfer, AGDC will need to amend bylaws and regulations.

- Provides intent that AGDC will procure services, labor, products and resources from Alaska businesses, including Alaska Native corporations and municipal organizations, when prices are competitive.

- Provides intent that AGDC will, as possible, hire Alaskans; establish hiring facilities in Alaska; and use Department of Labor and Workforce Development systems.

Section 2 (conforming) deletes from AS 18.56.086, Alaska Housing Finance Corp, Creation of subsidiaries, the ability to create a pipeline subsidiary. HB 4, Section 3, establishes AGDC as a stand-alone public corporation of the state, so it is no longer necessary for AHFC to have a subsidiary corporation related to natural gas pipelines.

Ms. Delbridge continued with the sectional analysis.

Section 3 (new corporation) adds a new chapter, Alaska Gasline Development Corporation, to AS 31, Oil and Gas. This section is the statutory authority for the stand-alone corporation.

Sec. 31.25.010, Structure, establishes AGDC as an independent public corporation of the state, located for administrative purposes in DCCED, and makes provisions for asset distribution upon termination.

Sec. 31.25.020, Governing body, establishes a seven-member board of directors, with two commissioners named by the governor and five public members. Public members serve staggered, five-year terms; are appointed by the governor; must be confirmed by the legislature; and serve at the governor's pleasure. In making appointments, the governor shall consider expertise in natural gas pipeline construction, operation and marketing; finance; and large project management. Vacancies will be filled in the same way as original appointments are made. Board members receive \$400 compensation per day spent on official board business, in addition to actual expenses.

Sec. 31.25.030, Meetings of board, directs the board to annually elect officers; defines a quorum as a majority of members; and requires meetings at least once every three months. Electronic meetings are allowed. For a meeting in which the board authorizes a bond issuance, at least 24 hours public notice is required. At least four board members are required for major votes, including bond sales; sale or disposition

of assets; determining a pipeline ownership structure; and participation in a pipeline project.

Sec 31.25.035, Minutes of meetings, requires the board to keep minutes.

Sec. 31.25.040, Administration of affairs, allows the board to manage the assets and business of the corporation; the board may adopt, amend, and repeal bylaws and regulations; and the board will delegate corporation administration to the executive director. Requires the board to adopt formal procedures for procurement processes; requires a preference for Alaska veterans.

Sec. 31.25.045, Executive director, requires an executive director who is appointed by and serves at the pleasure of the board. The director may not be a board member.

Sec. 31.25.050, Legal counsel, directs the corporation to retain legal counsel.

Sec. 31.25.060, Employment of personnel, allows the board to engage professional and technical consultants, and allows the executive director to hire corporation employees and contract with consultants. The board sets duties and compensation for corporation personnel.

Sec. 31.25.065, Personnel exempt from State Personnel Act, exempts AGDC from the State Personnel Act.

Vice-Chair Fairclough wondered if she was on page 6 of the bill. Ms. Delbridge explained that the affirmative vote requirement was at the top of page 6, lines 1 through 13.

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Vice-Chair Fairclough looked at page 7, and wondered if the executive director was charged to determine adequate personnel. Ms. Delbridge replied that the personnel would be responsible to the executive director, who would then answer to the board.

Ms. Delbridge continued to discuss Section 3.

Sec. 31.25.070, Purpose, directs AGDC to advance an instate natural gas pipeline as described in AGDC's July 2011 project plan, with modifications as necessary, making gas and associated, non-oil hydrocarbons such as propane, available as soon as practicable to Fairbanks, Southcentral, and other communities where possible; and attempt to develop projects that ship and deliver gas at commercially reasonable rates.

Sec. 31.25.080, Powers and duties, lists 21 powers of the corporation, including the abilities to determine pipeline ownership and operating structures; plan, finance, construct and operate a pipeline system; lease, rent, acquire and manage property; exercise eminent domain; transfer or dispose of all or part of a pipeline system; operate as a contract carrier; conduct hearings; sue and be sued; adopt bylaws; borrow money; and invest funds. Directs AGDC to analyze other connecting lines once the main pipeline is under construction. Prohibits development of a pipeline that competes under the terms of the Alaska Gasline Inducement Act (AGIA). Requires publication of open season results.

Sec. 31.25.090, Confidentiality; interagency cooperation, requires state agencies to share information with AGDC; requires state agencies to cooperate with AGDC and give priority to AGDC requests, except for requests from the AGIA coordinator; and directs AGDC to avoid duplicating state work on a pipeline. State entities must provide non-hydrocarbon resources like water, sand and gravel to AGDC at usual cost, but those costs may not be passed on to pipeline customers. DNR will grant AGDC a right-of-way lease at no appraisal or rental cost if certain conditions are met; the fee waiver carries with the lease in case of a transfer, which must be approved by the commissioner. AGDC may enter into confidential agreements as necessary, including with other state entities; information covered by a confidentiality agreement is not subject to disclosure under the Public Records Act. AGDC may also keep other information confidential, including the results of field studies; technical information; trade secrets; and commercial negotiations. AGDC may waive confidentiality of some information. Once a gas

pipeline is operational, AGDC must release confidential information, providing doing so does not hurt the state's economic interests and does not violate confidentiality agreements.

Sec. 31.25.100, In-state natural gas pipeline fund, establishes the instate-natural gas pipeline fund within AGDC; directs AGDC to administer the fund and allows AGDC to contract with the Department of Revenue for fund management. Costs to administer the fund are to be drawn from the fund.

Sec. 31.25.120, Creation of subsidiaries; sale of natural gas by a subsidiary, allows AGDC to create subsidiary corporations to meet AGDC's mission, including subsidiaries to acquire and ship natural gas.

Sec. 31.25.130, Administrative procedure; regulations, exempts AGDC from the Administrative Procedure Act, except for the Open Meetings Act portion. Provides board direction related to bylaws, regulations, and public notice of meetings.

Sec. 31.25.140, Exemption from the State Procurement Code; application of the Executive Budget Act; corporation finances, exempts AGDC and its subsidiaries from the State Procurement Code. Subjects the corporation's operating budget to the Executive Budget Act. Requires an annual independent audit. AGDC is already exempt from the procurement code as an AHFC subsidiary; this transitions the exemption to AGDC as a stand-alone corporation.

Sec. 31.25.160, Bonds and notes, allows the corporation to issue bonds and notes in one or more series, limited to the corporation's own backing.

Sec. 31.25.170, Independent financial advisor, allows the corporation to retain a financial advisor in negotiating the private sale of bonds or notes to an underwriter.

Sec. 31.25.180, Validity of pledge, declares as valid and binding any pledge of assets or revenue of the corporation to payment or interest.

Sec. 31.25.190, Capital reserve funds, allows AGDC to, contingent on future legislative approval, establish capital reserve funds to secure its obligations. Directs fund management. Requires annual reports to the governor and legislature.

Sec. 31.25.200, Remedies, permits enforcement of rights by those holding AGDC obligations.

Sec. 31.25.210, Negotiable instruments, declares that obligations are promises to pay an amount of money.

Sec. 31.25.220, Obligations eligible for investment, AGDC obligations as legitimate investments.

Sec. 31.25.230, Refunding obligations, permits the corporation to refund obligations and provides direction for managing refunds.

Sec. 31.25.240, Credit of state not pledged, prohibits AGDC from pledging the state's credit. AGDC obligations are limited to AGDC's backing.

Sec. 31.25.250, Limitation on personal liability, protects corporation officers from personal liability.

Sec. 31.25.260, Tax exemption, exempts AGDC from paying state and local taxes on corporation property or property income.

Senator Olson looked at page 9, and wondered who they were borrowing money from. Ms. Delbridge deferred to AGDC.

Ms. Delbridge looked at page 10, lines 9 through 12, of the bill, and explained that the corporation was specifically prohibited from developing or constructing a pipeline that would be competing project under the license granted to TransCanada under AGIA. She addressed lines 16 through 24, which stated that if AGDC had a successful open season, they needed to report the results within ten days.

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Senator Dunleavy wondered if the AGIA language was based on a competing pipeline size, and further queried what was determined "competing." Ms. Delbridge responded that, in conjunction with the state issuing the license under AGIA,

the state agrees that it will not financially support or give preferential treatment to a project that might be a competing project by carrying more than one-half billion cubic feet a day of gas from the North Slope south.

Senator Dunleavy surmised that the pipeline that HB 4 proposed could be a 40 inch line, as long as it did not exceed the amount capped by AGIA. Ms. Delbridge replied that it was not, theoretically, the size of the pipe that could potentially violate the terms; but whether a project was designed to carry more than one-half billion cubic feet of gas per day.

Senator Dunleavy felt that her response was contradictory, because his focus was on whether the pipe actually carried more gas rather than if it was "designed" to carry more gas. Ms. Delbridge stated that a pipeline project was designed to carry a certain capacity, so that capacity was put out for bids. She furthered that almost any pipeline, from an engineering standpoint, could be expanded to more than the original project design.

Senator Dunleavy surmised that the project could be a 40 inch pipeline, which could handle high pressure gas. Ms. Delbridge replied that AGDC was required to get gas to Alaskans at the lowest rates possible.

Senator Dunleavy felt that, theoretically, the pipeline could be 8 inches in diameter. Ms. Delbridge explained that the initial commercial analysis, under HB 369, determined that the pipeline needed to be a competitive project. The commercial analysis determined that an 8 inch line did not carry enough gas to meet the instate demand.

Senator Dunleavy felt that the size of the pipe volume of the gas would have an effect on the burner tip. He queried the constraints on determining the size of the pipeline. Ms. Delbridge responded that the pipe would be built to the size that they have commitments to ship gas toward. She stated that the cost of the pipe would be placed on the consumer, through the tariff.

Vice-Chair Fairclough pointed out that there were fixed costs related to the construction of the pipeline, which drove the economics to make the pipeline at a larger capacity. Ms. Delbridge responded that the size of the pipe was based on capacity. She remarked that AGDC had studied

what tariffs might look like, and what size pipeline would be required if only a small amount of gas were shipped at one time.

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Co-Chair Meyer wondered what would happen to the \$330 million, if open season was unsuccessful. Ms. Delbridge replied that the \$330 million would carry to the point of sanctioning.

Co-Chair Meyer wondered if the legislation would remove the obligation of \$500 million. Ms. Delbridge replied that the AGIA license was valid, and there was nothing in the bill that would take the project away from AGIA.

Vice-Chair Fairclough wondered if the fee could be considered an interest payment to remain in development. Ms. Delbridge replied that the sponsors of the bill felt that the project was an investment to see if Alaska could do for itself what it requires in state, as far as taking care of the in state energy solutions.

Ms. Delbridge looked at page 10 of the bill. She explained that the sections on that page dealt with confidentiality and interagency cooperation. She explained that it required state agencies to share information with AGDC, and gave priority treatment to the AGDC requests, except for those made under AGIA. She furthered that it specifically required that AGDC not duplicate other state studies, plans, and designs that were already provided or completed.

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Vice-Chair Fairclough noticed that the bill stated that AGDC "shall avoid duplicating studies." She wondered if that term was qualified in order to deal with out of date studies. Ms. Delbridge replied that if studies needed to be updated, they would not be considered duplicates. She remarked that there was a concern in the section that dealt with work that state hand funded through AGIA. She stressed that the intent was that AGDC and TransCanada would work together to share information when and where possible so the state could not make duplicates.

Vice-Chair Fairclough wondered if the interest earned in the fund was housed in GF. Ms. Delbridge replied that she

believed the interest would be returned to GF, and then reappropriated.

Vice-Chair Fairclough wondered if the fund was a subset of GF. Ms. Delbridge deferred to DOR.

ANGELA RODELL, DEPUTY COMMISSIONER, TREASURY DIVISION, DEPARTMENT OF REVENUE, explained that the fund was housed in the general fund (GF), unless AGDC determines another fund management.

Vice-Chair Fairclough asked where the money was housed, and wondered where the interest would be specifically housed. Ms. Delbridge agreed to provide further information.

Senator Bishop referred to the Sectional Analysis, and remarked that the fund would be placed in AGDC, and allowed AGDC to administer the funds. Ms. Delbridge replied that AGDC wanted to ensure that whoever had the greatest expertise in managing the fund would be who they could administer the funds toward.

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Senator Bishop surmised that AGDC had the flexibility to go to a financial institution to administer the funds. Ms. Delbridge agreed.

Vice-Chair Fairclough noted that any remaining interest would lapse to GF.

JOE DUBLER, AGDC, ANCHORAGE (via teleconference), addressed the concern related to line 13, page 13 of the bill. He stated that the instate gas pipeline fund would be established within AGDC, so it would not be a part of GF. He furthered that the language about DOR managing the fund for AGDC was added to be clear that AGDC could use DOR as the fund was currently invested in AHFC.

Vice-Chair Fairclough expressed that she was unsure if she was supportive of that policy decision, and felt that the fund should continue to be managed by DOR. She wondered what AHFC fund was managed by an outside entity. Mr. Dubler responded that the GeFonsi (General Fund and other Non-segregated Investments) was managed by DOR, not an outside entity.

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Vice-Chair Fairclough wondered if AGDC had to manage the fund inside GeFonsi. She felt that there needed to be control and oversight on the \$330 million, but wanted to be sure that the money went, at least, indirectly to Alaska. Ms. Delbridge responded that there was built in accountability.

Ms. Delbridge looked ahead to page 15, and stated that the corporation's assets were to be annually reviewed by the legislature, including the assets of the fund.

Senator Hoffman agreed with Vice-Chair Fairclough and felt that the interest should go back for further scrutiny, and the legislature should be the appropriating agency. He felt that the expended dollars should be justified to the state.

Co-Chair Meyer remarked that there were other funds that were set up in a similar manner.

Ms. Delbridge agreed that most of the state corporations were, at least, partially exempt from the executive budget act, when they have the ability to do bond related financing.

Ms. Delbridge looked at page 13 of the bill.

Sec. 31.25.100, In-state natural gas pipeline fund, establishes the instate-natural gas pipeline fund within AGDC; directs AGDC to administer the fund and allows AGDC to contract with the Department of Revenue for fund management. Costs to administer the fund are to be drawn from the fund.

Sec. 31.25.120, Creation of subsidiaries; sale of natural gas by a subsidiary, allows AGDC to create subsidiary corporations to meet AGDC's mission, including subsidiaries to acquire and ship natural gas.

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Vice-Chair Fairclough wondered if it was considered a protection, if there was a subsidiary developed on the financing side to insulate the state from any potential

liability. Ms. Delbridge replied that AGDC's ability to finance and issue bonds were limited only to AGDC's backing.

Ms. Delbridge looked at pages 14 and 15 of the bill.

Sec. 31.25.130, Administrative procedure; regulations, exempts AGDC from the Administrative Procedure Act, except for the Open Meetings Act portion. Provides board direction related to bylaws, regulations, and public notice of meetings.

Sec. 31.25.140, Exemption from the State Procurement Code; application of the Executive Budget Act; corporation finances, exempts AGDC and its subsidiaries from the State Procurement Code. Subjects the corporation's operating budget to the Executive Budget Act. Requires an annual independent audit. AGDC is already exempt from the procurement code as an AHFC subsidiary; this transitions the exemption to AGDC as a stand-alone corporation.

Vice-Chair Fairclough wondered what was not exempt. Ms. Delbridge replied that the corporation's bond related finances were not exempt.

Ms. Delbridge looked at pages 16 through 20.

Sec. 31.25.160, Bonds and notes, allows the corporation to issue bonds and notes in one or more series, limited to the corporation's own backing.

Sec. 31.25.170, Independent financial advisor, allows the corporation to retain a financial advisor in negotiating the private sale of bonds or notes to an underwriter.

Sec. 31.25.180, Validity of pledge, declares as valid and binding any pledge of assets or revenue of the corporation to payment or interest.

Sec. 31.25.190, Capital reserve funds, allows AGDC to, contingent on future legislative approval, establish capital reserve funds to secure its obligations. Directs fund management. Requires annual reports to the governor and legislature.

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Vice-Chair Fairclough looked at page 20, and queried the liability that would be created related to the validity of a pledge. Ms. Delbridge agreed to provide that information.

Ms. Delbridge looked at pages 22 through 25.

Sec. 31.25.200, Remedies, permits enforcement of rights by those holding AGDC obligations.

Sec. 31.25.210, Negotiable instruments, declares that obligations are promises to pay an amount of money.

Sec. 31.25.220, Obligations eligible for investment, AGDC obligations as legitimate investments.

Sec. 31.25.230, Refunding obligations, permits the corporation to refund obligations and provides direction for managing refunds.

Sec. 31.25.240, Credit of state not pledged, prohibits AGDC from pledging the state's credit. AGDC obligations are limited to AGDC's backing.

Sec. 31.25.250, Limitation on personal liability, protects corporation officers from personal liability.

Sec. 31.25.260, Tax exemption, exempts AGDC from paying state and local taxes on corporation property or property income.

Sec. 31.25.270, Annual report, requires an annual report to the governor, legislature and public, including an independent audited financial statement.

Sec. 31.25.390, Definitions.

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Ms. Delbridge explained Sections 4 through 19.

Section 4 (procurement code exemption), adds new paragraphs to AS 36.30.850(b), Public Contracts, State Procurement Code, Application of this chapter, exempting AGDC and its subsidiaries from the state

procurement code. The exemption is reinforced in AGDC's statutes (HB 4 Section 3, 31.25.140).

Section 5 (RCA accounting, conforming) amends AS 37.05.146(c)(22), Public Finance, Fiscal Procedures Act, Definition of program receipts and non-general fund program receipts.

Section 6 (gas or electric utilities, conforming) amends AS 38.05.180 (bb)(1), Public Land, Alaska Land Act, Oil and gas and gas only leasing, to conform with Section 11 creating covenants specific to a contract carrier pipeline.

Section 7 (definitions) repeals and reenacts AS 38.34.099, Public Land, In-State Natural Gas Pipeline, Definitions, to refer to the definitions in the new 31.25 (HB 4, Section 3).

Section 8 (right-of-way leases, conforming) amends AS 38.35.100(d), Public Land, Right-of-Way Leasing Act, Decision on application, to conform to Section 11, right-of-way leasing for a contract carrier.

Section 9 (right-of-way leases, conforming) amends AS 38.35.120(a), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease, to conform to Section 11, right-of-way leasing for a contract carrier.

Section 10 (right-of-way leases, conforming) amends AS 38.35.120(b), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease, to conform to Section 11, right-of-way leasing for a contract carrier.

Section 11 (contract carrier covenants) adds a new section to AS 38.35, Public Land, Right-of-Way Leasing Act, to establish covenants for a contract carrier gas pipeline. This section does not alter the existing covenants in the Right-of-Way Leasing Act for a common carrier. A carrier must agree to abide by the covenants in order to receive a state right-of-way lease. Of 14 existing covenants for common carriers, 11 also apply to a contract carrier. The others are adapted to reflect contract carrier principles, while retaining the policy that pipelines on state rights-

of-way should encourage broader development of oil and gas resources by expanding when commercial opportunities exist and shipping without unreasonable discrimination.

Section 12 (right-of-way leases, costs) adds a new subsection to AS 38.35.140, Public Land, Right-of-Way Leasing Act, Payment of rental and costs, requiring a right-of-way lease to be issued at no cost to AGDC. This reinforces in the Right-of-Way Leasing Act the provision in HB4, Section 3 (31.25.090, Interagency cooperation; confidentiality) that leases should be made at no rental fee/cost to AGDC.

Section 13 (judicial review) adds new subsections to AS 38.35.200, Public Land, Right-of-Way Leasing Act, Judicial review of decisions of commissioners on application, limiting judicial review of state lease, permit or other authorization decisions. Claims challenging this provision must be brought within 60 days of the effective date of HB 4; future claims alleging a constitutional violation must be brought within 60 days of the action and must be filed in superior court. The court may not grant injunctive relief.

Section 14 (personnel act exemption) exempts AGDC and subsidiaries from AS 39.25.110, Public Officers and Employees, State Personnel Act, Exempt service. This exemption is reinforced in AGDC's corporate statutes.

Section 15 (public officials disclosures) makes the board of directors of AGDC and subsidiaries subject to public official financial disclosure rules in AS 39.50.200, Public Officers and Employees, State Personnel Act, Definitions.

Section 16 (confidentiality) amends AS 40.25.120(a), Public Records and Recorders, Public Record Disclosures, Public records; exemptions; certified copies, to exempt eligible information and information covered by an AGDC confidentiality agreement from disclosure under the state Public Records Act. This relates to HB 4, Section 3 (31.25.090) allowing AGDC to keep certain information confidential.

Section 17 (RCA, conforming), amends AS 42.04.080(a), Public Utilities and Carriers and Energy Programs, Regulatory Commission of Alaska, Decision-making procedures, to allow the RCA to appoint a panel for hearing matters under the new 42.08. The RCA needs the statutory authority to appoint a panel and hear a matter that comes before them under one of two existing regulatory statutes. This adds the new regulatory chapter created in HB 4, Section 21, 42.08, so the RCA will be able to act on matters that come up under the new regulatory chapter.

Section 18 (RCA review of public utility contracts), amends AS 42.05, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act, by adding a new section related to RCA review of contracts entered into by a public utility with AGDC for transportation or for contracts that public utilities sign to purchase gas or store gas transported on an instate natural gas pipeline regulated under 42.08. Public utility contracts with AGDC may include a covenant for public utilities to collect rates sufficient to meet contractual obligations. Contracts to buy or store gas to be shipped on an instate natural gas pipeline regulated under 42.08 must be submitted to the RCA before they take effect. The RCA has 180 days to approve contracts as presented or, if contracts are found not just or reasonable, to disapprove the contracts. Contracts approved are not subject to further RCA review. The RCA may extend the 180 day review period if a public utility fails to provide supplemental information that is available to the public utility. This section provides an interface between regulation of public utilities, and regulation of a contract carrier natural gas pipeline. If the RCA approves a contract involving a utility and the pipeline carrier, the utility has assurances it will be able to pass along the costs in power rates.

Section 19 (RCA conforming) amends AS 42.05.711, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act, Exemptions, to exempt a pipeline subject to regulation under 42.08 from regulation under 42.05.

Co-Chair Meyer surmised that FERC was not involved in this project. Ms. Delbridge responded that the Federal Energy Regulatory Commission (FERC) regulated gaslines that a built beyond state lines.

Co-Chair Meyer wondered if the Regulatory Commission of Alaska was the only regulating body for the bill.

[4:14:10 PM](#)

Ms. Delbridge discussed Sections 20 through 25.

Section 20 (RCA conforming) amends AS 42.06, Public Utilities and Carriers and Energy Programs, Pipeline Act, by adding a new section to article 7 exempting a pipeline subject to regulation under 42.08 from regulation under 42.06.

Section 21 (RCA natural gas pipeline contract carrier) adds a new chapter to AS 42, Public Utilities and Carriers and Energy Programs, to create Chapter 08, In-state Pipeline Contract Carrier. Chapter 08 applies to an instate natural gas pipeline providing contract carriage, and exempts an in-state natural gas pipeline subject exclusively to federal jurisdiction. The new 42.08 is a shift from traditional cost-based regulation, and directs the Regulatory Commission of Alaska to instead evaluate whether negotiated contracts are fair and reasonable. Checks and balances are included to set basic rules ensuring fair and open processes; to promote exploration and development of Alaska's gas basins; to protect the public welfare; to promote accountability to Alaska ratepayers; to protect against rates of return in excess of those allowed by the RCA; to ensure access for all affected parties in pipeline disputes; and to heighten scrutiny for contracts entered into by affiliated parties.

Section 22 (property tax exemption) adds a new subsection to AS 43.56.020, Revenue and Taxation, Oil and Gas Exploration, Production and Pipeline Transportation Property Tax, Exemptions, exempting an AGDC-owned or financed project from state and local property taxes during construction.

Section 23 (repealer) repeals 39 sections of statute.

- Repeals AS 36.30.850(b)(45) Public Contracts, State Procurement Code, Application of this chapter, a prior exemption that applied to an AHFC pipeline.

- Repeals AS 38.34.030, Public Land, In-State Natural Gas Pipeline, Joint In-State Gasline Development Team; 38.34.040, Duties of the Development Team; 38.34.050, Cooperation and access to information; and 38.34.060, Conflicts of interest, all of which were part of HB 369 in 2010 and relate to the Joint In-state Gasline Development Team.

- Repeals AS 39.25.110(11)(G), Public Officers and Employees, State Personnel Act, Exempt Service, related to ANGDA; and AS 39.50.200(b)(57), Public Officers and Employees, Public Official Financial Disclosure, Definitions, related to ANGDA.

- Repeals all of the Alaska Natural Gas Development Authority: AS 41.41.010 through AS 41.41.990.

Section 24 (repealer) repeals Sections 1 and 5 of 2002 Ballot Measure No. 3, the findings of which are no longer necessary with the sunset of ANGDA.

Section 25 (transition and intent) expresses the legislative intent that the existing state right-of-way lease between AGDC and DNR is amended to reflect the contract carrier covenants in HB 4 (the Alaska Constitution bars the Legislature from passing laws that apply retroactively to contracts in place). Also expresses intent for a smooth transition for AGDC from its status as a subsidiary of AHFC, to an independent corporation.

Specifically, this section includes:

- The intent is that this repositioning does not interfere with, delay or disrupt AGDC's work.

- The intent that the governor should appoint the new AGDC board within 90 days of the effective date.

- The AHFC board will remain in place until a new board is appointed; and will cooperate with the new board in a smooth transition.

- The intent is that the transition is a change in placement only, and will not require dissolving AGDC and creating a new corporation.

- The intent is that AGDC, including employees and directors, continue in-place while the boards are transitioning. This is not explicitly stated but rather is implied.

Senator Bishop remarked that the recourse tariffs made reference to FERC in their applicability to the rates of the tariffs. Ms. Delbridge agreed, and furthered that Regulatory Commission of Alaska looked at recent comparable rates of return and capital structures and methods of depreciation that either FERC or Regulatory Commission of Alaska used.

Senator Olson wondered if there would be experts or consultants present on the bill. Co-Chair Meyer replied that the focus was on the structure of the bill.

Ms. Delbridge added that the intent was that the shipper commitments would finance the project.

Co-Chair Meyer handed the gavel to Vice-Chair Fairclough.

[4:19:30 PM](#)

Senator Hoffman remarked that the project could require constant reexamination. He felt that Harold Hinds and Bill Walker could share provisions to ensure that rural Alaska had access to the gas. Ms. Delbridge responded that she would provide that information to her colleagues, and the sponsors of the bill.

Senator Hoffman felt that a timeline was important for understanding the outline of financing for the project. Ms. Delbridge agreed to provide information regarding a timeline.

Vice-Chair Fairclough looked at page 56, and expressed a desire for more conversation related to why the fund was a part of AHFC.

Vice-Chair Fairclough handed the gavel to Co-Chair Meyer.

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Senator Hoffman requested information regarding work that had been done to get the gas to rural Alaska. Ms. Delbridge responded that there were studies related to the feasibility of propane, but there was not a commercial opportunity.

Senator Hoffman stressed that those individuals that are furthest from the Railbelt have the highest energy costs in the state.

Co-Chair Meyer discussed housekeeping.

CS SS SB 4(FIN) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

4:32:12 PM

The meeting was adjourned at 4:32 p.m.