

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 2, 2013

3:31 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Lesil McGuire
Senator Hollis French

MEMBERS ABSENT

Senator Click Bishop
Senator Anna Fairclough

COMMITTEE CALENDAR

CS FOR SS FOR HOUSE BILL NO. 4(FIN)

"An Act relating to the Alaska Gasline Development Corporation; establishing the by the Regulatory Commission of Alaska of natural gas transportation contracts; Alaska Gasline Development Corporation as an independent public corporation of the relating to the regulation by the Regulatory Commission of Alaska of an in-state natural state; establishing and relating to the in-state natural gas pipeline fund; making certain gas pipeline project developed by the Alaska Gasline Development Corporation; relating information provided to or by the Alaska Gasline Development Corporation and its to the regulation by the Regulatory Commission of Alaska of an in-state natural gas subsidiaries exempt from inspection as a public record; relating to the Joint In-State pipeline that provides transportation by contract carriage; repealing the statutes Gasline Development Team; relating to the Alaska Housing Finance Corporation; relating to the Alaska Natural Gas Development Authority and making conforming relating to judicial review of a right-of-way lease or an action or decision related to the changes; exempting property of a project developed by the Alaska Gasline Development development or construction of an oil or gas pipeline on state land; relating to the lease Corporation from property taxes before the commencement of commercial operations; of a right-of-way for a gas pipeline transportation corridor, including a corridor for a and providing for an effective date." 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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 4

SHORT TITLE: IN-STATE GASLINE DEVELOPMENT CORP

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 RPT CS(RES) 6DP 1NR 2AM (CS FORTHCOMING)
03/04/13	(H)	DP: JOHNSON, HAWKER, P.WILSON, SEATON, OLSON, SADDLER
03/04/13	(H)	NR: TUCK
03/04/13	(H)	AM: TARR, FEIGE
03/04/13	(H)	RES AT 1:00 PM BARNES 124
03/04/13	(H)	Moved CSSSHB 4(RES) Out of Committee
03/04/13	(H)	MINUTE(RES)
03/05/13	(H)	CS(RES) NT RECEIVED
03/20/13	(S)	RES AT 3:30 PM BUTROVICH 205
03/20/13	(S)	-- MEETING CANCELED --
03/21/13	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/21/13	(H)	Heard & Held

03/21/13 (H) MINUTE(FIN)
 03/26/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/26/13 (H) Heard & Held
 03/26/13 (H) MINUTE(FIN)
 03/27/13 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/27/13 (H) Heard & Held
 03/27/13 (H) MINUTE(FIN)
 03/28/13 (H) RLS TO CALENDAR PENDING REPORT
 03/28/13 (H) IN FINANCE
 03/28/13 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/28/13 (H) Heard & Held
 03/28/13 (H) MINUTE(FIN)
 03/28/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/28/13 (H) Heard & Held
 03/28/13 (H) MINUTE(FIN)
 03/29/13 (H) RLS TO CALENDAR PENDING REPORT
 03/29/13 (H) IN FINANCE
 03/29/13 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 03/29/13 (H) -- MEETING CANCELED --
 03/29/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/29/13 (H) Heard & Held
 03/29/13 (H) MINUTE(FIN)
 04/01/13 (H) RLS TO CALENDAR PENDING REPORT
 04/01/13 (H) IN FINANCE
 04/01/13 (H) FIN RPT CS(FIN) NT 7DP 2NR 2AM
 04/01/13 (H) DP: HOLMES, MUNOZ, NEUMAN, THOMPSON,
 T.WILSON, COSTELLO, AUSTERMAN
 04/01/13 (H) NR: EDGMON, STOLTZE
 04/01/13 (H) AM: GARA, KAWASAKI
 04/01/13 (H) TRANSMITTED TO (S)
 04/01/13 (H) VERSION: CSSSHB 4(FIN)
 04/01/13 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 04/01/13 (H) Bill Postponed To 4/1/13 @ 1:30 Meeting
 04/01/13 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/01/13 (H) Moved CSSSHB 4(FIN) Out of Committee
 04/01/13 (H) MINUTE(FIN)
 04/02/13 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE MIKE HAWKER
 Alaska State Legislature
 Juneau, Alaska
POSITION STATEMENT: Co-sponsor of HB 4.

REPRESENTATIVE MIKE CHENAULT
 Speaker of the House

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Co-sponsor of HB 4.

RENA DELBRIDGE, staff to Representative Hawker
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 4.

DARYL KLEPPIN, Commercial Manager
Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided supportive testimony for HB 4.

BONNIE HARRIS, Assistant Attorney General
Civil Division
Oil, Gas and Mining
Alaska Department of Law
Anchorage, Alaska

POSITION STATEMENT: Provided legal testimony for HB 4.

CORI MILLS, Assistant Attorney General
Legislative Liaison
Civil Division
Alaska Department of Law
Juneau, Alaska

POSITION STATEMENT: Provided legal testimony for HB 4.

JOHN HUTCHINS, Assistant Attorney General
Civil Division
Oil, Gas and Mining
Alaska Department of Law
Juneau, Alaska

POSITION STATEMENT: Provided legal testimony for HB 4.

STUART GOERING, Assistant Attorney General
Civil Division
Alaska Department of Law
Anchorage, Alaska

POSITION STATEMENT: Provided legal testimony for HB 4.

JOE DUBLER, Vice President and CFO
Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided supportive testimony for HB 4.

DAN FAUSKE, President

Alaska Gasline Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided supportive testimony for HB 4.

ACTION NARRATIVE

[3:31:21 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators French, Dyson, McGuire and Chair Giessel.

HB 4-IN-STATE GASLINE DEVELOPMENT CORP

[3:32:07 PM](#)

CHAIR GIESSEL announced HB 4 to be up for consideration [CSSSHB 4(FIN), version 28-LS0021\I, was before the committee].

[3:33:08 PM](#)

REPRESENTATIVE MIKE HAWKER, Alaska State Legislature, Juneau, Alaska, co-sponsor of HB 4, thanked the committee members for having the bill before the committee in an expeditious manner. He stated that the committee truly allowed the sponsors a fair and open opportunity to present HB 4.

[3:33:48 PM](#)

SENATOR MICCICHE joined the committee.

[3:33:56 PM](#)

REPRESENTATIVE HAWKER said HB 4 was a complex bill and an important piece of legislation. He said HB 4 would provide a very important "box of tools" for the state to move forward to see Alaska's North Slope natural gas into the hands of Alaskans, both in Fairbanks and the entire Railbelt. He stated that once gas was available, the limits were only restricted by the vision of Alaska's entrepreneurs. He asserted that Alaska could not realize the benefits from natural gas until a pipeline was built.

[3:35:10 PM](#)

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, Juneau, Alaska, co-sponsor of HB 4, thanked the committee members for allowing the bill to come forward. He informed the committee that the upcoming presentations on HB 4 would address the bill's workings and how it operated. He asserted that the bill's critical issues had been addressed. He affirmed that HB 4 was a "box of tools" and continued Alaska down the path that the

sponsors started a couple years back with HB 369. The Alaska Gasline Development Corporation (AGDC) had accomplished the tasks that were put before it and it was not just through the hard work that he and Representative Hawker had put forth. He commended the efforts made by Senator McGuire and others. He said the collective vision was how to bring gas to Alaskans. He emphasized that it was important to look at all aspects, but noted the statutes that were passed a number of years ago presented limitations and the bill was a way to move forward. He noted that many attempts had been made over the last 30 or 40 years with a number of projects that promised to bring gas to Alaskans and help drive down fuel costs for Fairbanks, the Railbelt, and the Kenai Peninsula. He said HB 4 would ultimately provide options for the rest of Alaska and help drive down exorbitant energy costs in rural Alaska.

[3:38:35 PM](#)

CHAIR GIESSEL announced that the committee would stand at ease.

[3:40:47 PM](#)

RENA DELBRIDGE, staff to Representative Mike Hawker, Alaska State Legislature, Juneau, Alaska, said she would review the sectional analysis for HB 4.

[3:41:12 PM](#)

CHAIR GIESSEL announced that the committee would stand at ease.

[3:41:59 PM](#)

MS. DELBRIDGE said it helped to talk about the bill by segregating it into three sections that related to certain concepts. She explained that most of the bill could be separated into three areas as follows:

1. Sections that established AGDC as a standalone state corporation that gave it its authorities and responsibilities: bonding power, its mission, and its charge to go forward. She added that standard boilerplate things were addressed that included meetings and minutes.
2. Sections that try to resolve regulatory uncertainties and the need to know upfront how a pipeline would be regulated. She said the legislation created a new regulation chapter under the Regulatory Commission of Alaska (RCA) for in-state natural gas pipeline carriers. She explained that the sections were extensive and included RCA's regulatory authority. She added that the ability to empower contract carriage was a change to the state's Right-of-Way Leasing Act, particularly through the covenants that were included

in that act relating to common carriage. The bill would add the ability to lease with promises to abide by the new contract carrier covenants. She said relating to certainty and regulatory issues, judicial review of state permitting, leasing, and authorization decisions were addressed. The sponsors believed that reasonable boundaries would be put into place that provided an opportunity for Alaska to challenge decisions and to have their voices heard, but prohibit lawsuits that delayed or stalled a project during the sensitive pipeline construction period.

3. Sections that address additional ways the state could help facilitate the pipeline to keep rates down for Alaskans. Included would be a waiver on state and local property taxes during construction and to call upon cooperation from other state agencies to provide priority assistance.

MS. DELBRIDGE said she would proceed with the sectional analysis. Section 1 included findings and intent language. She said the section found that an AGDC pipeline was in the best interest of the state and required for the public convenience and necessity. The finding came into play through the RCA when they look at awarding a building permit or a certificate of public convenience and necessity to a pipeline carrier. The legislature's finding and action in setting AGDC out on the mission supported the finding being made. The RCA would not be required to make a redundant finding by double checking that the legislature's intent was as intended.

[3:46:17 PM](#)

She said the findings and intent language also related to the repositioning of AGDC from its current status as a subsidiary corporation of the Alaska Housing Finance Corporation (AHFC). The bill would move AGDC as an intact, standalone public corporation of the state. She explained that it was on legal guidance that the legislative intent was made very clear that AGDC would be dissolved and reinstated. She specified that AGDC would be located under the Alaska Department of Commerce, Community and Economic Development (DCCED) for administrative purposes only. DCCED would help advance AGDC's mission and provide specific intent that the transfer would be treated as a repositioning and not as a new entity creation. The intent and findings also expressed the legislature's will that AGDC would procure services, labor, products, and Alaskan resources from: Alaska businesses, Native Corporations, and municipal organizations when prices were competitive. AGDC would, to the extent possible, hire Alaskans, establish hiring facilities, and

use the existing Department of Labor and Workforce Development (DLWD) systems for training.

MS. DELBRIDGE said Section 2 was conforming as AGDC would be its own standalone state corporation and AHFC no longer required the ability to create a gas pipeline subsidiary.

She said Section 3 created the new corporation, providing the statutory authority and duties. AGDC's location in DCCED would be for administrative purposes only; that clearly meant only for the need to work a future potential appropriation request through DCCED. There would not be regular oversight or involvement from DCCED. She explained that a seven member board of directors would be created as the governing body. The governor would appoint five public members with specific areas of expertise in natural gas pipeline construction, operations, marketing, finance, and large project management.

[3:48:50 PM](#)

She said the remaining two board members would be commissioners or heads of departments. The governor would decide which commissioner would be appointed to the board. She explained that as long as the commissioners of revenue and natural resources were signatories to a valid contract under AGIA, they may not serve. The public board members would serve staggered five year terms, require legislative confirmation, be removed at the governor's pleasure, and vacancies would be filled in the same way. Board members would receive \$400 in compensation per day, an amount that was in-line with most other state corporations. The board would be required to meet on a regular basis, keep minutes, hire an executive director, and hire legal counsel. The corporation's personnel would be exempt from the State Personnel Act. She said the section clearly spells out AGDC's purpose in advancing in-state natural gas pipelines, as described in AGDC's July 2011 project plan as follows:

- Making gas and associated non-oil hydrocarbons, such as propane, available as soon as possible to Fairbanks, Southcentral, and other communities.
- Attempt to develop projects that ship and deliver gas at commercially reasonable rates.

She explained that as soon as AGDC was given its powers and duties they could determine the following:

- Pipeline ownership and operating structure;
- Plan finance, ownership, and pipeline system operations;

- Exercise the state's existing right of eminent domain if needed, only under the same terms as the state itself required;
- Transfer or dispose of assets;
- Operated as a contract carrier;
- Invest funds.

MS. DELBRIDGE explained that once the initial pipeline was laid out in accordance to the project plan, AGDC would be required to analyze additional potential lines that connect to more Alaskans. She said the section required disclosure of open season results and specified the following:

- Company or entity names that signed up;
- How much capacity commitment each company or entity made;
- Length of individual contracts.

She said the section also related to confidentiality and interagency cooperation. Other state agencies would assist AGDC and give priority, except for requests made under AGIA due to existing prioritization. She explained that AGDC was not to duplicate the state's existing work, another way to try and maximize that value that the state was getting out of the gasline agency. She said AGDC would be able to withhold certain information that it generated confidentially and treat the information as an asset for the state; AGDC's tariff model, field data, and route information would be considered assets. She noted that once a pipeline was operational, the confidential information would need to be disclosed as it may benefit other Alaskans. She specified that AGDC would be able to sign confidentiality agreements with private entities in order to conduct commercial transactions, negotiate shipping terms, and consider potential ownership models. She noted, per the governor's request, intention to discuss with TransCanada and other companies pursuing a large diameter export pipeline about the possibilities of project alignment. She said the section allowed AGDC to create subsidiaries, create the in-state natural gas pipeline fund, and direct management. She stated that AGDC's operating budget would be subject to the Executive Budget Act, but financing and bonding finances would be exempt. She noted that AGDC, in HB 369, was already exempt from the State Procurement Code and the legislation would carry the exemption over into AGDC's new corporate statutes. She said AGDC would be able to issue bonds that were limited to their own backing. The faith and credit of the state may not be pledged.

[3:52:55 PM](#)

MS. DELBRIDGE summarized sections as follows:

- Section 4 reiterated the procurement code exemption within the actual procurement code;
- Sections 5 and 6 were conforming;
- Section 7 included definitions;
- Sections 8, 9, and 10 were all conforming and related to right-of-way lease changes; those changes were made in Section 11.

She explained that there were 14 covenants within the existing state right-of-way lease statute and a lessee had to agree to abide by those covenants. She detailed that all but three of the 14 covenants were very standard and would carry over to either common or contract carriers. She said three covenants had very strong common carrier language. The sponsors retained the principal behind the three covenants, but removed the language that required common carriage and therefore enabled contract carriage as an alternative.

She disclosed that Section 12 directed the Alaska Department of Natural Resources (DNR) to issue a state right-of-way lease at no cost to AGDC. She explained that AGDC currently had a state right-of-way lease and was paying the state \$180,000. The cost could be rolled into a tariff and the sponsors believed the act was another way the state could make sure the eventual cost of gas from the pipeline was as low as possible for Alaskans.

She summarized sections as follows:

- Section 13 limited the judicial review of state lease permits and other authorizations;
- Section 14 was the personal act exemption;
- Section 15 subjected AGDC's officers and board to the Public Official Financial Disclosure rules;
- Section 16 stated that if AGDC had information that was allowed to keep confidential, that information was not subject to release under the Public Records Act;
- Section 17 was conforming to the new RCA section.

She said Section 18 was related to the new RCA section and acted as an additional backstop for the state's public utilities. It would allow utilities to be preapproved for contracts that they might have, not for shipment on the pipeline, but related to. An example would be if a utility purchased gas that was shipped on the

pipeline, or they stored gas and they had contracts for that, they would be able to recover those costs before they sign those contracts, that then relate to the contract someone shipping the gas was paying.

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MS. DELBRIDGE noted that Sections 19 and 20 were conforming to Section 21, which was a new chapter of state law. She said the new regulatory framework applied to in-state natural gas contract carrier pipelines. She said the bill's sponsors believed that the regulatory framework was structured to provide appropriate checks and balances to protect people that sign contracts for gas shipped on the pipeline, the pipeline itself, public utilities, and Alaskan rate payers. She detailed that the chapter had a number of boilerplate, RCA authorizations that were needed in order for the RCA to carry out the specifics as a general overview. She said the section would require the RCA to regulate and oversee an in-state contract carrier gas pipeline regarding permits, disputes about open season conduct or terms of an expansion, and gas supply to utilities. She explained that if a public utility was not receiving the gas it required for some odd reason, malfunction, or dispute where public health and safety was threatened, the RCA could step in and takeover to make sure the public utilities get what they needed to protect the public. She noted an example if Fairbanks was not receiving gas in January. She explained that the section required the following for awarding pipeline service:

- Open seasons for awarding pipeline service;
- Certain elements that a carrier would need to put forth when they were noticing and having an open season;
- Defined the three ways that someone could get pipeline service: taking the initial tariff that the pipeline puts out that was available to anybody, negotiate a rate, or opting to sign a presubscription agreement before an open season that generates the same kind of precedent agreement that undergoes RCA review;
- Carriers file an initial recourse tariff before signing contracts with potential shippers;
- Revisions are approved by the RCA.

She said in dealing with recourse tariffs, the carrier would need to provide all of their cost data to the RCA to verify that their rates were in fact cost based. She explained that the RCA would then look to three very key elements within the rates as follows:

- Important levers for Alaskans in conjunction with pipeline tariffs;
- Make sure that the rate of return, capital structure, and depreciation method were reasonable as evidence by being within a range of similar pipeline findings by the RCA or Federal Energy Regulatory Commission (FERC);
- Weigh the risks of the pipeline.

MS. DELBRIDGE explained that a new pipeline would probably generate a higher rate of return because it was riskier than a pipeline expansion. She summarized that the RCA would review recourse tariffs and grant approval or denial. Ongoing revisions would be appropriate once a pipeline starts operations. The carrier would be required to submit their current cost data to the RCA for review on a tri-annual basis to ensure actual cost data was supported.

[3:58:57 PM](#)

She said it was highly unlikely that a pipeline would earn a rate of return in excess of what was allowed. However, there was nothing that explicitly prohibited a higher rate of return and some changes were made in the House to accommodate that. If the pipeline was earning a higher rate of return than the RCA had said it could, the excess profit would be required to be put into a segregated operating reserve account to help fund things in other years when operations were not generating what was needed. The segregated operating reserve account would be allowed to grow until it reached 20 percent of the pipeline's annual average operating cost. If extra profits were generated beyond what was allowed, the money would be used to immediately pay down the rates that contractual shippers were paying. She stated that once shippers in an open season were through the presubscription agreement and sign a precedent agreement, those agreements would go to the RCA for review. The standard of review was whether or not those were just and reasonable. The evidence of the contract between two willing parties that were unaffiliated, being just and reasonable was defined in HB 4 as being at "arm's length." The principal was that if two people, two entities were willing to settle on a fair price amongst them, and there was no fraud or duress, and they were not affiliated, then that was a reasonable price. If the parties were affiliated, the bill required a much deeper level of review and extra scrutiny. She said at the RCA, a pipeline would need to go out and get a Certificate of Public Convenience or Necessity (CPCN), similar to a building permit for pipelines. The RCA required a CPCN for most infrastructures that they

regulated and for pipelines it was an important marker as to whether or not an applicant had what was needed in place to provide the service that the RCA was granting them the authority to provide. She said there were a few special findings made for an AGDC applicant for a CPCN in HB 4. She reiterated Section 1 regarding findings and intent, finding a pipeline that AGDC does as required by the public convenience and necessity, a finding that was typically made by the RCA, would be made through the bill for the RCA. She asserted that the legislature had created AGDC to do pipelines, equipped it with a strong governing structure, and presumably funded the corporation to do its jobs. She explained that the bill made the finding for the RCA that AGDC was managerially and financially fit, willing, and able to provide said service. She summarized that the RCA, for an AGDC pipeline, would have to determine the technical fitness and ability of AGDC to carry out the service and do the pipeline. For a non-AGDC applicant, they would have to go through the entire findings process.

[4:02:13 PM](#)

MS. DELBRIDGE summarized sections as follows:

- Section 22 addressed property tax exemption, if AGDC owned or financed any part of a pipeline project, state and local property taxes would be exempt during construction.
- Section 23 was a rather length repealer. When HB 369 passed, that became AS 38.34, much of that statute transitioned into AGDC's corporate structure and some parts were repealed. The repealer would also repeal the Alaska Natural Gas Development Authority (ANGDA).
- Section 24 was an additional repealer related to the ANGDA's repeal.
- Section 25 expressed transition language and legislative intent. AGDC already had the right-of-way lease from the state and the intent was clearly there that if the legislature changed the covenants to allow contract carriage; the right-of-way lease would be amended to reflect that. The intent was also clear that the legislature expects the governor to appoint his new board of directors for AGDC within 90 days. The intent was that the repositioning of AGDC would not interfere with or delay AGDC's work. AHFC would remain intact as the leadership of AGDC until the new board was up and running. AHFC and DCCED should provide all possible assistance to AGDC's new board as it gets up and running in order to not add to delay in work.

- Section 26 was revisor's instructions.
- Section 27 was an immediate effective date.

MS. DELBRIDGE said the legislator in 2010 passed HB 369 and charged AGDC with the mission of getting Alaska gas to Alaskans that was clean, reliable, and reasonably priced. She remarked that electric and home heating costs were very high in parts of the state. She noted that costs were increasing and security was now challenged. She emphasized that gas to Alaskans would mean economic and industrial development for the state.

[4:05:13 PM](#)

She said the specific goals of HB 369 were to build a team under AHFC's leadership and to consolidate the gas pipeline work that the state had done to date on an in-state option. She explained that the team was to fill in the gaps, figure out what was missing in order to actually get a pipeline project going, figure what the optimal route was that would benefit the greatest number of Alaskans, and then report back to the legislature with a plan on how to get that done. She said AGDC delivered the report in July 2011, and found that an in-state gas pipeline, even with the size constraints put forth under the Alaska Gasline Inducement Act (AGIA) of 500 million cubic feet per day (500 MCFD), was actually possible. AGDC looked at the potential price of gas to customers in Fairbanks and Southcentral. The findings showed Fairbanks' cost could be significantly lower and Southcentral's rates would be competitive at the point in time the pipeline arrived.

SENATOR FRENCH asked what the initial price estimates were.

[4:06:41 PM](#)

DARYL KLEPPIN, Commercial Manager, Alaska Gasline Development Corporation, Anchorage, Alaska, asked if the Senator's question was in reference to the tariff.

SENATOR FRENCH replied no. He said he was referring to Ms. Delbridge's reference to the fact that gas would be cheaper in Fairbanks and competitive in Anchorage. He asked what the all-in consumer price was.

MR. KLEPPIN replied that the revised 2012 project plan's tariffs at the Fairbanks city gate were between \$4.25 and \$6.00. He noted that the purchase price for North Slope gas was assumed to be \$2.00 with a local distribution charge of \$2.00. He said all-in, burner-tip price in Fairbanks was between \$8.25 and \$10.00.

The estimated burner-tip price in Anchorage was between \$9.00 and \$11.25.

SENATOR FRENCH asked to clarify that the estimate was for a 500 MCFD line, not a 250 MCFD line.

MR. KLEPPIN answered yes.

SENATOR FRENCH asked what the numbers would be for a 250 MCFD line.

MR. KLEPPIN replied that assuming the same capital cost, the tariffs would be roughly twice as much. He noted that redoing pipeline sizing with capital changes to compute a lean gas scenario had not been calculated.

[4:09:55 PM](#)

MS. DELBRIDGE said part of the 2011 Project Plan that was the impetus for legislation to encourage AGDC advancement was to provide AGDC with the ability to make firm, long term contracts for the pipeline's capacity in order to support financing. She explained that certain legislative action would be required to provide AGDC with the authority to do the following:

- Determine pipeline ownership structure;
- Work confidentially with private sector partners;
- Operate as a contract carrier;
- Decide rates and tariff terms.

She said AGDC further recommended the following to the state:

- Consider waiving previously specified property taxes and state land lease fees;
- Be provided with sufficient funding in order to carry out AGDC's mission it was charges with, including the creation of a pipeline fund that would allow AGDC to draw on to pay pipeline contracts with engineering, design, and commercial work companies;
- Limitation on judicial review that was similarly provided for both the Trans-Alaska Pipeline System (TAPS) and AGIA.

She explained that HB 4 was generated from a culmination of previously stated needs with additional ways the bill's sponsors believed the state might be able to support. She said HB 4 would give further direction to AGDC by transferring from the existing statute the joint in-state gasline development subsidiary

provisions that were in HB 369 and move them over to the new independent AGDC. She asserted that HB 4 would provide the framework for AGDC to serve as Alaska's natural gas pipeline corporation. The sponsors made sure that HB 4 would empower AGDC to not just do the pipeline as described in their project plan, but to have the ability to do other pipelines that were commercially reasonable and beneficial to Alaskans. She said HB 4 would maximize the state's efforts in gas pipeline development, resolves regulatory uncertainties, supports future development of Alaska's resources, includes AGDC's recommendations, and maintains the momentum.

MS. DELBRIDGE noted the following energy challenges:

- Southcentral gas supply and costs were increasingly uncertain;
- Fairbanks' energy costs were as high as ever;
- Fairbanks' significant air quality problems.

She informed the committee that AGDC's estimated 2.5 percent inflation rate would equate to \$200 million being added annually to the project's cost. She said there was continued expectation for the state to find ways to offset high energy costs and therefore the sooner the better if there was in fact a proposed solution on the table.

She said specifically under HB 4 that AGDC would keep working on the in-state pipeline as described in the project plan. Sufficient shipper support would be required as evidenced by the long term contracts signed in an open season to pipeline financing. She said should HB 4 pass during the current session with adequate funding, the target date for gas flowing would be in 2019. She affirmed that AGDC would work with TransCanada and the North Slope producers to see if in fact, as the governor requested, potential alignment for the two projects. She noted that uncertainty remained for alignment as there had not been a development commitment.

[4:13:32 PM](#)

SENATOR FRENCH asked if there were aspects of the bill that directed the two projects to talk, communicate, and try to merge.

MS. DELBRIDGE answered that there was no specific provision. She pointed out that the bill would provide the ability to sign confidentiality agreements that would be needed in order to

proceed. She inferred that AGDC had been asked to pursue alignment conversations by the governor's recent public remarks.

SENATOR FRENCH replied that the provisions were philosophical but not statutory.

MS. DELBRIDGE answered correct.

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SENATOR MCGUIRE pointed out that there had been previous bills in the Senate and the House. The Senate bill contained the language that said the AGIA line and the AGDC line would be compatible and not competitive. She explained that the bill was ultimately merged into HB 369. She asked if adding line-compatibility as a friendly amendment should be carried forward.

MS. DELBRIDGE replied that she was sure the bill's sponsors would be happy to discuss the topic with Senator McGuire. She explained that the sponsors believed that the compatibility spirit carried on. She remarked that nothing in HB 4 prohibited, blocked, or detours another project from going forward. She asserted that AGDC was tasked very clearly with getting gas to Alaskans in Fairbanks, Southcentral, and other communities as possible at the lowest possible rates. She stated that if there was another project opportunity on the table, AGDC would have the mission and be able to amend what they were doing in order to pursue an alignment opportunity that generated the greatest benefits to Alaskans.

She mentioned that under HB 4, AGDC would also be prepared to participate in other frameworks, including a possible Lower 48 pipeline. She said the Lower 48 pipeline was not currently being pursued, but AGDC would be able to tailor its efforts to a spur-line. She noted that once the mainline was complete, AGDC would evaluate other pipeline opportunities that could connect other communities, industrial developments, or another standalone pipeline in other areas of the state.

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JOE DUBLER, Vice President, Chief Financial Officer, Alaska Gasline Development Corporation, Anchorage, Alaska, addressed Senator French's question and stated that AGDC sees the formation of the board containing two commissioners and five members of the public appointed by the governor to be a very strong governing body that would address the issues that Senator French had raised as far as aligning the two projects. He said

the governor's appointed seven member board would set the direction for AGDC and lead the corporation.

MS. DELBRIDGE reiterated that Section 3 would establish AGDC as Alaska's gas pipeline corporation. She explained that HB 4 would move AGDC from its present location as a subsidiary of AHFC to a standalone corporation located under ACCED. She specified that AGDC's location under ACCED would be for administrative purposes only. She addressed the AGDC governing board and noted that the House Finance Committee added the two commissioners to the board. She explained that the bill's sponsors that adding the two commissioners was a strong step to greater AGDC accountability to Alaskans in their broader interests in pipeline development.

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SENATOR FRENCH asked to confirm that the public members of the AGDC board would be serving in a part-time capacity.

MS. DELBRIDGE answered that the public members could have a job and serve as a part-time board member. She explained that the public members may also be retired experts in their fields and noted that there were quite a few different possibilities. She noted the public board members would be required to have expertise in natural gas pipeline marketing, operations, development, general finance, or large project management.

SENATOR FRENCH asked where one would go in Alaska to find someone that has experience in natural gas pipeline construction. He noted that there had only been five or six large projects done in the state's history. He asserted that it was a fairly narrow pool of people to choose from and noted many may be currently employed in the industry. He said there would be many fascinating questions about whether the state could actually pull people into the AGDC board and ask for their service when they have fulltime day jobs.

MS. DELBRIDGE answered that some AGDC board candidates may have gained their experience in certain fields working elsewhere and have returned to Alaska. She agreed that some individuals might be in industry and might decide there was an opportunity to be a part of something bigger for the state. She said the governor would have to deal with candidate backgrounds when he makes the AGDC board appointments. She declared that the sponsors firmly believed that there were many Alaskans that had tremendous experience in a number of gas pipeline related fields.

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SENATOR FRENCH surmised that should HB 4 be passed, the earliest the AGDC board could start functioning would be after the legislative approval process for the 2014 session. He asked if the appointed AGDC board members could meet prior to approval, similar to the Alaska Department of Fish and Game and other boards that were allowed to meet before being approved.

MS. DELBRIDGE answered yes.

SENATOR FRENCH responded that the appointed board members could be taking official action on major questions that were presented before the legislature had a chance to respond. He noted a scenario where a relationship could be too close for a certain type of decision.

MS. DELBRIDGE answered that his concerns were acknowledged. She stated that the sponsors believed that the governor would be responsible in making the AGDC board appointments much as he does with most of his other appointments and be cognizant of the potential conflicts or issues that would come up in a confirmation hearing.

She said HB 4 provided very clear statutory abilities to AGDC's corporate functions. She reiterated that AGDC could enter into ownership and operating partnerships. AGDC may be a part-owner, whole-owner, non-owner, but AGDC expected to partner with a pipeline company to build and operate the pipeline. She asserted that AGDC had the ability under HB 4 to make ownership decisions in the best interests of getting gas to Alaskans at the lowest possible rates.

SENATOR FRENCH asked if AGDC could reach out and contract with TransCanada to build the gas pipeline.

MS. DELBRIDGE answered correct. She said retaining flexibility for AGDC was the sponsors' intent and not prescribing how precisely things had to work realizing that there were many eventualities and potential outcomes over the course of the next few years. She said a corporation needs to be able to handle, needs to be agile and flexible and responsive to what is happening.

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She said AGDC also had the ability to create subsidiaries. She explained that one of the potential subsidiaries that AGDC may create would be a very common thing for a pipeline carrier to do

which was to create a subsidiary that was a gas marketer or aggregator. She detailed that a gas marketer would not mean someone that goes out and tries to tell other people how great the gas was and they should buy it, not from a public relations standpoint, but from an aggregator standpoint. She remarked that the subsidiary might purchase gas at the beginning of the pipeline, ship it through pipeline, and then sell it to several customers that may not have the credit worthiness to actually sign long term shipping commitments on their own or that otherwise may want some greater flexibility than the long term contracts would provide. She noted that it was very common for transportation pipelines to have marketing subsidiary corporations.

MS. DELBRIDGE said AGDC could also issue revenue bonds. She explained that the revenue bonds would be limited to AGDC's own backing and may not pledge the faith and credit of the state. She disclosed that the bonding part of AGDC's legislation included the ability to create a capital reserved fund that was backed by the moral obligation of state. She pointed out that the moral obligation provision would only be invoked after AGDC came back to the legislature in the future for a law expressly allowing them to go and use a capital reserve fund that was backed by the moral obligation of the state. She set forth that AGDC may or may not need to create a capital reserve fund. She said the reserve fund would allow AGDC to finalize the numbers and bring the legislature the hard and fast facts behind the need and have the legislature make the determination at that point in time.

SENATOR FRENCH stated that he knew the bonding authority and capital reserve fund was a subject of a lot of discussion in the House. He asked if specific page and section references.

MS. DELBRIDGE responded that page 16 was the bonding authority and the capital reserve fund was on page 20. She specified that the capital reserve fund had language that required expressed legislative authorization for its use between pages 17 and 23.

SENATOR FRENCH replied that he recalled reading HB 4 for the first time and was shocked to see a sentence that stated, "The enactment of the section does not express that authorization." He stated that he did not know if that had ever been used before in a statute, but thought the sentence was unusual, interesting, and good.

MS. DELBRIDGE stated that AGDC would be able to enter into confidentiality agreements. She explained that confidentiality agreements were needed in order to use with potential pipeline shippers, ownership partners, operating partners, and people that you go to finance a pipeline through bond issuances. AGDC would generate a lot of information on its own using the state's money. She explained that the information would be an asset of the state, provided that the information was not released publically and went towards pipeline development.

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She said an example would be AGDC's tariff models where information would be derived from field studies and route data collection. She explained that HB 4 would allow AGDC to keep the tariff models confidential and be considered an asset of the state that should be protected while it was a value. She noted that once a pipeline was operational, the tariff models would have less value from a confidentiality standpoint and potentially could be something that other Alaskans find interest in for right-of-way purposes. She informed the committee that legislation would call on AGDC to release its confidential information after that point in time, except for anything that would hurt the state's economic interest.

She said HB 4 would allow AGDC to exercise the state's existing power of eminent domain. She explained that the state allowed eminent domain to be issued for natural gas pipeline. She emphasized that eminent domain was a last resort once good faith negotiations could be demonstrated to have unfortunately failed. She detailed that the process would go through a court system with the entity being required to supply fair compensation to the property owner in conjunction with the taking under eminent domain.

SENATOR FRENCH asked if the Alaska Railroad Corporation (ARC) had eminent domain.

MS. DELBRIDGE replied that she would have to follow up. She said she believed ARC had eminent domain, but noted that the Knik Arm Bridge and Toll Authority (KABATA) had eminent domain.

SENATOR FRENCH confirmed that KABATA had eminent domain. He asked if there were any others besides ARC and KABATA.

MS. DELBRIDGE responded that Mr. Dubler mentioned that AHFC had eminent domain.

SENATOR FRENCH asked if AHFC had ever used eminent domain. He noted a reply from the gallery that AHFC had not used eminent domain.

CHAIR GIESSEL asked if any of the attorney generals that might be online could answer Senator French's question about eminent domain.

SENATOR FRENCH announced that he knew KABATA had it and trusted Mr. Dubler to know that AHFC had it. He stated that his only question was if ARC had eminent domain.

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BONNIE HARRIS, Assistant Attorney General, Civil Division, Oil, Gas and Mining, Alaska Department of Law, Anchorage, Alaska, stated that she did not know if ARC had ever used eminent domain.

SENATOR MICCICHE asked to be directed to the section that talks about the specific confidential information and when it becomes public after operation of a pipeline.

MS. DELBRIDGE replied that the ability to keep information confidential was on pages 10, 11 and 13, lines 4 through 7. She said page 13 was the part that called on the project once operational to release certain information.

SENATOR MICCICHE stated that confidentiality agreements were important and noted that some Alaskans were concerned. He remarked that something different about HB 4 was that AGDC would essentially be operating as a state corporation. He said confidentiality agreements were very typical in pipeline projects and important in the duty of negotiating. He remarked that the pipeline was not a secret project and confidentiality agreements were just the way it was done. He asserted that what was unusual was that the information would become public afterwards.

MS. DELBRIDGE concurred with Senator Micciche. She said it was very clear that AGDC's information was self-generated. She explained that confidentiality agreements with another entity were going to determine whether or not the information that was protected between a private party and AGDC could ever be released. She informed the committee that releasing confidential information would depend on the entity and what kind of information was discussed. She said the intent of the sponsors was to make sure that the private sector was willing to engage

with AGDC. If there was any possibility that a judge might come in at some point and decide that certain information should have been released and was not, then there would be a very serious risk that the private sector would never be engaged with. She noted conversely that information that the state had paid for to be developed as an asset might benefit other Alaskans and was very important to be made available to the public.

SENATOR FRENCH stated that he would have a couple of questions for the Alaska Department of Law (DOL) about how this would work and who would be making decisions, who would be reviewing things, and what actions might happen in court under a judge's determination versus the determinations made by the corporation with respect to what was confidential and what was not.

MS. DELBRIDGE replied that the DOL had worked very closely with the sponsors on the bill's language and she noted Cori Mills might be able to discuss the topic.

[4:31:06 PM](#)

CORI MILLS, Assistant Attorney General, Legislative Liaison, Civil Division, Alaska Department of Law, Juneau, Alaska, stated that she was available to answer questions.

SENATOR FRENCH asked what would happen if someone filed a public records request to see confidential gas pipeline information that was in the hands of AGDC and AGDC said no.

MS. MILLS replied that in a typical process and the way it was outlined in the bill, the confidentiality provisions make it so that the information was not subject to Alaska's Public Records Act. Unlike other information where it may just be exempt from disclosure under certain circumstances and then a privilege log would be provided, AGDC's confidential information would not be subject to the Public Records Act and they would provide some sort of denial that the information did not fall under the Public Records Act. She said in the noted case, it would probably then be a court challenge to find out if in fact the information properly falls under the confidentiality provisions.

SENATOR FRENCH asked if that was how it worked where a judge reviewed the confidential information and determined that the information was indeed confidential under the statute, or would it just not be turned over to a judge for his or her review.

MS. MILLS replied that she could not say for sure what the procedures would be. She surmised that like other public records

issues, a judge would probably review the confidential information "in camera" so that it was not disclosed and a decision would be made. She said the confidential information would not necessarily be shown to the judge unless the judge decided he needed to see it, then that would occur.

SENATOR FRENCH replied that his safety-valve was that at some point a judicial officer would review the material and sort of confirm that the confidential information was what was meant by the language in the statute to be covered and not meant to be disclosed, because it was possible that AGDC in the future could take a far more expansive view of its confidentiality provisions than what we were trying to write down here today.

MS. MILLS responded that was their understanding of how this would function.

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JOHN HUTCHINS, Assistant Attorney General, Civil Division, Oil, Gas and Mining, Alaska Department of Law, Juneau, Alaska, replied that if there were a lawsuit challenge in the adequacy of someone's response to the public records request, there would be a typical litigation discovery. He explained that if there was a discovery, the judge would have the normal powers of a judge in civil litigation to review materials and determine whether they were in fact confidential or not.

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MS. DELBRIDGE pointed out that it was on the recommendation of DOL that confidentiality be fully separated from the records act instead of subject to the logs and what not.

SENATOR MICCICHE asked if AS 40.25 was information that was available for public records requests.

MR. HUTCHINS answered yes. He explained that AS 40.25 was the Public Records Act.

SENATOR FRENCH asked on the day the pipeline becomes operational, would there be anything left that was still confidential or does everything suddenly become inspectable.

MR. HUTCHINS answered that probably the biggest category of things that still would be confidential was information obtained through confidentiality agreements.

SENATOR FRENCH asked what would suddenly be available for inspection and what would still be kept secret.

MR. HUTCHINS replied that principally what was kept secret was information that was developed by the corporation itself in the process of studying and constructing the pipeline. What was still kept secret would be information that was provided by third parties pursuant to a confidentiality agreement.

SENATOR FRENCH responded that he misunderstood. He asked if the first part was now suddenly available.

MR. HUTCHINS answered yes.

SENATOR FRENCH replied that with all of the background work the corporation did was now going to be available, what was not available were trade secrets or materials that were turned over by oil companies or gas shipping companies that were filed under a confidentiality agreement.

MR. HUTCHINS answered yes. He explained that the statute did describe the previously described circumstances on page 13, right below subparagraphs one and two.

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SENATOR FRENCH asked to verify that trade secrets or materials that were turned over under a confidentiality agreement would be kept secret.

MR. HUTCHINS answered yes.

SENATOR FRENCH read from page 13 as follows:

If it was determined that maintaining the confidentiality was necessary, protect the economic interest, the corporation, disclosure would violate another provision of state law, fair law in terms of the confidentiality agreement.

He stated that since the economic interest of the corporation was building an in-state gas pipeline, he asked for an example of something that would still be hidden. He reiterated that the economic interest of the corporation was to build a gas pipeline.

MR. HUTCHINS replied that he was probably not close enough to the business of pipeline construction to give examples.

MS. DELBRIDGE replied that she believed if AGDC developed a proprietary tariff model that they anticipated using on a future pipeline in a relatively near sense; that may be something that had commercial value that AGDC would like to protect and move forward. She said alternatively, if AGDC had collected data along the right-of-way and someone wanted to put a cellphone tower on a segment of the right-of-way and would benefit from having that information, and AGDC no longer considered it a proprietary asset because they had the right-of-way, then the intent was to make sure that that kind of information was disclosed so that Alaskans could use it.

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SENATOR MCGUIRE noted one of the issues with the pipeline's earlier bills was maintaining the legality of keeping below the 500 MCFD threshold while the sole-source contract to AGIA was still in play. She asked if the sponsors felt satisfied with HB 4 moving forward and the independence of AGDC that the state could do its due diligence. She noted that there would be two commissioners on the board itself. She inquired if the sponsors felt comfortable that DOL was able to provide enough oversight in monitoring the activities of AGDC as a quasi-public corporation in how they would carry out their business activities, their open seasons in making firm transportation offers, their compliance with the 500 MCFD limit, and the possible result in treble damages.

MS. HARRIS replied that she did know a lot about AGIA, but noted that regulating and monitoring was more of a question for the regulatory provisions that would be RCA. She explained that DOL would not monitor the AGDC pipeline to see if it was violating the AGIA 500 MCFD limit.

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STUART GOERING, Assistant Attorney General, Civil Division, Alaska Department of Law, Anchorage, Alaska, announced that he represented and advised the RCA, but noted that he was speaking to the committee in his capacity as an assistant attorney general. He explained that the RCA had no authority under either existing law or under the proposed AS 42.08 Contract Pipeline Carrier Statute, to monitor or investigate compliance with laws outside of the scope of the regulatory statutes which would be AS 42.05, AS 42.06, and the proposed AS 42.08. He explained that the RCA does actually issue pipeline certificates that list a certificated capacity and that was dependent upon what the applicant asks for. He explained that unless someone files a

complaint, you would not typically see any kind of field investigation to verify that that certificate limitation was being observed.

SENATOR MCGUIRE asked if Ms. Delbridge had an answer to the question that proves exactly her point, that the RCA would not be enforcing the 500 MCFD limit. She emphasized that she wanted to be clear about her previous statement. She stated that her second point pertained to the two projects as either merging or not merging. She commented that she was comfortable with either answers and that was why she supported the bill. She asserted that the legislature had to be careful to not put the state in legal jeopardy of treble damages. She said she wanted to be careful and have someone from Attorney General's office following AGDC as a quasi-public corporation in their activities. She noted that Dan Fauske had that "helping hand" in order to be clear that he did not overstep his boundaries and emphasize that AGDC would not exceed 500 MCFD. She reiterated her intent for clarity regarding not putting the state in legal jeopardy.

MS. DELBRIDGE replied that the Senator had an excellent question and it was one that the sponsors worked hard on to balance the competing issues. She stated that there were no less than four places in the legislation that says AGDC could not do a pipeline or expand a pipeline that would put the state in violation of AGIA; that was on AGDC's corporate mission, Section 3, page 10, lines 9-12. She addressed the Right-of-Way Leasing Act covenant section that specified the state's issuance through DNR of a right-of-way lease required that AGDC may not, the lessee, violate AGIA with the project design; page 31, lines 26-30. She referred to the regulatory section that two places required expansions on commercially reasonable terms and affirmed that expansions may not result in a violation of AGIA. She explained that the intent was to look out for the future contingencies by requiring an expansion on commercially reasonable terms without causing something to be in violation. She said the Legislative Affairs Agency (LAA) worked very hard with DOL and AGDC on how to actually word the language in the bill regarding AGIA compliance.

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She said she would read the language to the committee from page 49, line 11. She explained that the language was matched up from the bill's four instances as follows:

You cannot cause the pipeline to be a competing natural gas pipeline project as defined in AS 43.94.40, which is AGIA, unless the project for which a license is issued under AS 43.90, AGIA, has been abandoned, or is no longer receiving the inducements in AGIA.

MS. DELBRIDGE explained that the previously stated language was important because the AGIA statute might still be on the book, but you may not have a valid licensee and if you do not have a valid licensee, then it was LAA's opinion that the state was not going to be violating a license that prohibits them from supporting a project that competes.

She said she would be happy to supply the committee with LAA's opinion related to AGIA, parts of it dealt with the concept that the state may not support a project designed to carry more than the AGIA limit. She emphasized that AGDC was clear that they were statutorily not to design a project that would put them in potential violation of AGIA. She summarized that the sponsors, DOL and AGDC's attorneys felt very comfortable with the language in the bill.

SENATOR MCGUIRE appreciated Ms. Delbridge's response and noted that it answered her first question. She stated that there was absolutely no need to put the language that was contained in the merger of SB 287 and HB 369 in the bill that says that any project should be compatible and not competitive because it was stated even more clearly on page 49, lines 11-13, and other parts as well.

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She noted that AGDC's board would be a separate corporation and the state would be "letting go of the reins." She asked at what point the AGDC board would have the ability to let go due to the recognition that the Alaska Pipeline Project (APP) was not compatible due to various constraints and simply move forward with the plan that was crafted by Mr. Fauske and his team. She said she wanted AGDC to continue merger consideration. She stated that Alaskans would love to see the value, even if we did not vote for AGIA, for the fair value of the \$500 million to be realized and certainly to have more from a larger pipeline. She recognized that there were timeline considerations and asked how AGDC would be able to move forward.

MS. DELBRIDGE replied that AGDC's purpose was to continue advancing the line as described in their project plan. She

explained the project's plan was to go with an open season next year and conclude the end of 2014 or 2015. She specified that at the end of open season, AGDC would have precedent agreements with shipping commitments on the table and at that point AGDC would probably need to make some choices. She said the sponsors' point of view had repeatedly been stated that an in-state pipeline needed to continue. She explained that the sponsors realized that a merged or larger project could be even more beneficial, but the sponsors had not seen any firm commitments to date. She noted that the sponsors had repeatedly stated that they were not willing to wait forever. AGDC was on a strong timeline and either APP was clearly going forward or the alternative was getting Alaska gas to Alaskans in addition to providing an export opportunity for large volumes to other markets in the future when the producers decide that was an option they would want to pursue.

SENATOR MCGUIRE asked if the aggressive timelines were the timelines that were in the original bill that was merged and sent forward, but modified and updated.

MS. DELBRIDGE answered that she believed AGDC tried very hard to meet the timelines. She explained that AGDC found out very quickly that if they allowed a project to be timeline or schedule driven, the project would be placed at real risk from a large project management prospective. AGDC appreciated the legislature's sense of urgency, but wanted to make sure that it was also done with the greatest chance of success as possible. When AGDC issued their project plan in July 2011, they did amend the date and were candid about the fact that unfortunately there was not a way to be getting gas to Alaskan at that original timeframe. She stated that AGDC was quite confident that through their use of stage-gated approaches and large project expertise, they would be able to deliver gas starting in 2019.

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She said Senator McGuire pointed out a desire to realize the value of the half billion dollars that the state committed to its licensee under AGIA. She stated that her understanding was that a large part of the work that the state had reimbursed TransCanada to date was focused on the northern section of the route. She noted that the initial consideration was on a line to the Lower 48 and it would veer off from where the AGDC pipeline would be. Therefore a lot of TransCanada's work on a piece of the pipeline route would be applicable to another project as well. She said if AGDC was able to enter into confidential agreements and share information, it was the sponsors' hope that

TransCanada and others would be supportive in sharing the air quality data or whatever with AGDC. She said Mr. Dublar could fill the committee in on the extent of any discussions to date. She explained that the sponsors also did not want to see the state chalking up the investment as a loss and believed that the projects could be very compatible and leverage each other.

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MS. DELBRIDGE continued on page 11 and said AGDC under HB 4 would be exempt for the State Procurement Code. She asserted that AGDC believed that following the State Procurement Code procedures would add significant time and cost to its process. She noted that HB 369 did exempt AHFC's subsidiary for gaslines from the State Procurement Code, so HB 4 would be a repositioning of the provision. She said AGDC would be exempt from the Alaska's State Personnel Act and noted the anticipation to hire a great number of people through contracts for project-specific time bounded work. She noted that AGDC would need to be flexible and have the greatest ability to get the expertise onboard as soon as they need it.

SENATOR FRENCH stated that the salaries for some of the AGDC employees had been in the public eye recently because they were fairly high. He asked what oversight the legislature would have if AGDC continued down the path of highly rewarding employment contracts.

MS. DELBRIDGE asked that Mr. Dubler come forward to respond about the AGDC salaries. She said she believed generally speaking that AGDC would have the same level oversight it currently had as a subsidiary of AHFC. She explained that AGDC was part of a public corporation of the state and was governed by a board that was appointed by the governor, including commissioners that always retained some level of oversight into that.

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MR. DUBLER replied that the salaries Senator French noted were indicative of the market salary for specific types of employees and one of the reasons AGDC was looking for exemptions from the state Procurement Code. He explained that going out to find a candidate that could work on engineering or run an engineering plan for a major facility on the North Slope to process natural gas, the low bidder probably would not be one's first or wisest choice. He stated that candidates share their compensation levels and negotiations proceed from that point. He noted coming from a state-background and was shocked when he first saw some

of the rates, but conceded that was what the industry compensation levels were. He said an intention to hire the best in order to make sure the pipeline project moved forward meant competing with ExxonMobil, BP, and ConocoPhillips.

SENATOR FRENCH asked how much of the salaries were going to be paid with state money, how much would be paid eventually with the pipeline's proceeds, where the breaking point was, and how folks who eventually buy the gas would benefit from the high salaries.

MR. DUBLER replied that the \$400 million requested by AGDC would get them to "sanction" by 2015. He explained that when project-sanction occurred after a successful open season, AGDC would look for a buyer or a builder owner-operator for the pipeline. At that point the cost would come from either bond proceeds from the builder owner-operator that takes over the project or the state could decide to move forward without an outside agency and continue to fund the project. He explained that the benefit from hiring expertise was comparable to the expense of education versus the higher cost of ignorance.

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SENATOR FRENCH replied that he used the same argument as Mr. Dublar noted and could not get more money for education, but he appreciated the sentiment. He asked for clarification on the \$400 million and referred to the fiscal note that showed a \$225 million request. He inquired if there was another \$150 million that had been set aside. He queried where the \$400 million came from and when it would come.

MR. DUBLER answered that there had been approximately \$70 million appropriated and not all of it had been spent, but the remainder had been committed. He explained that the remaining \$330 million would be required to bring the project to full sanction. He detailed that the fiscal note came through the House Finance Committee and they added \$225 million to the governor's \$25 million for a total of \$250 million.

SENATOR FRENCH commented that there was an \$80 million shortage and no one had written down the last \$80 million in order to make HB 4 work. He asked if there was a plan.

MS. DELBRIDGE answered that the House Finance Committee did not feel the need to insert another requirement into the bill for AGDC to actually comeback to the legislature for some kind of approval to keep going on what they were doing. She explained

that the House Finance Committee thought that withholding part of an appropriation request for a future point in time would serve as a way to pull AGDC back into the political run of the legislature to justify going forward with the additional funds. She said the sponsors had some concerns that without the full amount in the in-state gas pipeline fund, AGDC would need to reevaluate its work plan with the possibility of running into some contracting issues regarding engineering and design.

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SENATOR FRENCH said the AGIA enabling legislation was carefully crafted so that the \$500 million state assistance flowed through to a lower tariff. He asked if the \$400 million would work in the same way to assure that the spending resulted in a lower tariff.

MR. DUBLER replied that the \$400 million was not included in the tariff calculation with the numbers presented to the committee. He said the \$400 million was assumed to be an initial contribution by the state and did not affect the tariff.

MS. DELBRIDGE added that the \$400 million investment was also something that AGDC may be able to leverage in a joint ownership agreement as essentially an in-kind state equity contribution to a pipeline upon which the state could theoretically be earning a rate of return back to the state. She explained that there was potential out there to make even greater use of the \$400 million then simply as an initial upfront investment that does not go into the tariff.

SENATOR FRENCH stated that he misunderstood and thought the \$400 million was what AGDC needed to get to a sanction. He said it sounds like AGDC thinks it might have some leftover funds to invest in the pipeline itself.

MS. DELBRIDGE replied that she may not have been very clear. She said the work being done to date could be viewed as an in-kind contribution by the state in exchange for an equity contribution.

SENATOR FRENCH asked who the in-kind contribution would be made to and who would own this pipeline.

MS. DELBRIDGE responded that the legislature would give AGDC the authority to determine the ownership and operating structure of the pipeline. She explained that AGDC would need to understand specifically at some point in time what the lay of the land was

and how they could best meet their mission of getting a gas pipeline built that gets gas to Alaskans at the lowest possible rates. She said there could be interested private sector entities in being an all-owner or part-owner. She stated that AGDC looked at various mechanisms and noted that it would come down to the art-of-the-deal to negotiate something like an ownership structure that resulted in getting Alaskans gas at the lowest possible rates.

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MR. DUBLER commented that Ms. Delbridge had a very good description regarding in-kind contribution. He said AGDC proposed a 75/25 percent debt-to-equity strategy to get the lowest possible tariff. The 25 percent equity on \$8 billion would end up to be about \$2 billion in equity. He explained that AGDC could negotiate that the \$400 million was going in as part of a contribution towards the \$2 billion in a form of an in-kind equity contribution by the state for partial ownership.

SENATOR FRENCH commented that there was nothing in the bill that described what the ownership structure of the pipeline. He remarked that the pipeline could wind up being that the state was a part-owner, a non-owner, or ExxonMobil could own the pipeline all by itself if it brought the lowest cost gas.

MR. DUBLER answered correct. He explained that the idea was AGDC did not currently know if anybody was interested in buying the pipeline or if the state was interested in owning the pipeline. He asserted that prescribing something in law was something that the sponsors were hesitant to do. He stated that the intent was to leave flexibility to a strong governed board to make determinations after an open season determined project viability and then put the pipeline on the market to see who was interested.

SENATOR MICCICHE asked to clarify that the \$400 million would be an intellectual asset if it blended with AGIA. He summarized that the asset would entail intellectual property, design property, permitting property, and right-of-way agreements. He said the asset would be marketable and could off-set the cost of an agreement with another entity.

MS. DELBRIDGE answered correct. She explained that another key aspect was the Federal Environmental Impact Statement (EIS). She noted that the EIS was another asset on which key federal permitting and other decisions were going to be made. She disclosed that AGDC was already building assets by leveraging

its investment. She stated that the sponsors had repeatedly said there were different ownership scenarios and they were hopeful that the private sector stepped up to own the pipeline. She reiterated that it did not matter who owned the pipeline or what the ownership mix was, as long as Alaskans received gas at the lowest possible rates.

SENATOR MICCICHE commented that it was key for Alaskans to understand that we were buying a real asset with what we were investing in the pipeline project. He noted that there had been waste in the past, but it was imperative that Alaskans understand the importance of the project and HB 4.

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MS. DELBRIDGE proceeded on page 11 and explained that AGDC's operating budget would be subject to the Executive Budget Act. She said the stipulation was another way to make sure AGDC was accountable to Alaskans for the money it received from the state and accountable back to the state treasury. She revealed that the bill would make AGDC's board members subject to the public official disclosure rules that were currently in state statute, an action that would provide an appropriate check-and-balance that was addressed by Senator French regarding individuals that could come from industry jobs.

She explained page 12 regarding the way the legislation tried to maximize the state's efforts in gas pipeline development. She said the legislation would provide additional state support for a project that the legislature determined to be in the public's interest by evoking whatever the state could do to keep costs as low as possible, reduce delays, and benefit Alaskans. She reiterated that HB 4 would limit judicial review of state permitting decisions and lease authorizations in order to avoid delays and injunctive relief that could be crippling to a project, especially once construction had started. She noted that the judicial review limitations were in Section 13 of the bill. She said the legislation would tell the DNR to not charge AGDC the annual fees on the state right-of-way lease. She noted that AGDC was currently paying \$180,000 annually to the state for the right-of-way lease. She explained that HB 4 would waive state and local property taxes during pipeline construction. She noted that HB 4 would sunset the Alaska Natural Gas Development Authority (ANGDA) per an audit recommendation.

SENATOR MICCICHE addressed a question he had received from constituents regarding how to reconcile the fact that ANGDA was created from a voter initiative. He asked how it would be

explained to Alaskans that we were moving forward with the intent of the initiative.

MS. DELBRIDGE replied that she thought the sponsors would very much agree with Senator Micciche and do respect very much what the voters attempted to do through the 2002 initiative. She said the sponsors believed that the resounding message from Alaskans was the need for the state to step up and do something to develop a gas pipeline that would benefit Alaskans. She commended ANGDA for their good work over the years and their development of some plans. She noted that much of ANGDA's work was contingent upon other things going forward that were not within their control. She referenced the Division of Legislative Audit's 2010 audit that recommended sun-setting ANGDA. She explained that the audit found ANGDA was duplicating the state's efforts at developing gas pipelines, may have exceeded some of its statutory authorities, and no longer served the kind of purpose that it was created to serve. She asserted that the sponsors believed that AGDC would be able to carry on what the voters in 2002 intended by having the state step up and assist by developing the pipelines.

SENATOR MICCICHE asked if the legislative findings and intent in Section 1 largely met the voters' desires when ANGDA was created.

MS. DELBRIDGE replied that the legislative findings and intent in HB 4 related very specifically to the bill. She remarked that ANGDA had a very long host of findings to begin the ballot measure when they were created. She said it was interesting to note the things that were happening in the state regarding gas availability from different sources and the crisis mode at the time, circumstances that did not necessarily apply anymore at present.

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She addressed page 13 regarding the requirement for state entities to cooperate with AGDC and share information. She said the section also required that AGDC not duplicate work that the state was already doing on gas pipelines. She explained that the legislation set forth that the state would need to provide water, sand, gravel, and other non-hydrocarbon natural resources to AGDC. She said AGDC would compensate the agencies the usual prices for the natural resources, but the costs could not be included in the tariff base and passed on to pipeline shippers. She explained that passing on costs to the pipelines shippers would increase costs to the rate payers. She declared that using

state resources to support what the state was doing and not passing costs onto rate payers would be what the state would want to step up and do. She said the door was open to a future legislature to appropriate money directly to cover the natural resource costs with AGDC reimbursing a state agency for materials.

MS. DELBRIDGE addressed page 14 regarding the way legislation would resolve regulatory uncertainties. She said regulatory issues were very important because it was uncertain how one would be regulated, under what kind of time frames, under what kind of standards, and whether or not the kind of financial deal that was needed would be allowed. She emphasized that regulatory uncertainties created tremendous uncertainty and risk. She asserted that potential private sector partners involved in a pipeline project were risk adverse. She said uncertainty could add costs and delay timelines. She stated that AGDC had been very clear that it needed to know how it was going to be regulated before it went out to solicit private sector partners. She added that AGDC would also require being able to operate as a contract carrier pipeline. The legislation would allow contract carriage through two key ways: by adding a new type of state right-of-way lease covenants that strictly applied to contract carriers gas pipelines, and through the RCA's oversight. She said the sponsors took great steps in both cases to make sure that the legislation reinforced a very long standing state policy that applied when using a state land grant or resource. She explained that pipelines need to be fair, offer reasonable access to new and future shippers, and encourage future development of oil and gas basins in Alaska. She asserted that there was broad opportunity on a number of levels.

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SENATOR MICCICHE asked why the RCA would regulate a gas transmission pipeline. He inquired if the RCA would regulate the pipeline's entire route.

MS. DELBRIDGE answered that the RCA would regulate the entire route.

SENATOR MICCICHE asked why the RCA would regulate a transmission pipeline.

MS. DELBRIDGE responded that the RCA currently regulated either public utility pipelines or common carrier pipelines. She said the sponsors understood that there were benefits to regulation that both protected the carrier and the consumers. She remarked

that a reasonable amount of oversight and certainty would be provided for the private sector. She asked Senator Micciche if he was referring to the state's jurisdiction over a gas pipeline.

SENATOR MICCICHE replied that he would rephrase the question. He asked if the ownership and operations were not be determined, what if a future owner-operator decided to have a pipeline that may not be common carrier until it reached a densely populated area, was regulated in different sections, and when it became common carrier or some other agreement, it would be hard to say what the arrangement would be in the future at that point.

MS. DELBRIDGE answered that the local distribution networks that go directly to get the gas off of the mainline into communities would still be regulated as public utilities. She emphasized that AGDC would require contract carriage in order to secure long term shipping commitments that would support pipeline financing. She noted that gas was a little bit different in the sense that the end users of gas were immediately off of the pipeline with a need for gas to fuel year round, 24 hours per day operations. She explained that a public utility needs to know every day that a certain amount of gas was coming into its power plant without interruption. An industrial process would generally work the same way with a need to know that gas was going to be there. She said utilities and industrial gas users want to make sure that they could sign long term commitments that guaranteed supply.

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MR. DUBLER added that AGDC had legal counsel look into whether FERC could regulate the proposed pipeline since it was not an interstate pipeline. He said FERC had no jurisdiction and the opinion received by AGDC was that FERC would not be able to. He noted that some legislators in prior committees felt very strongly that regulation was important with some sort of oversight board. He summarized that without FERC, RCA was the only other regulatory option.

SENATOR DYSON stated that because AGDC would be a natural monopoly, he did not understand how there would not be some regulation to protect the consumers and that was what the RCA was about. He asked if Senator Micciche was making an argument that there should not be RCA regulation.

SENATOR MICCICHE answered no and stated that he was not making that argument. He explained that all transmission pipelines in

the U.S. were regulated one way or another. He stated that he was curious why AGDC chose the RCA "avenue" and he thought that was a good answer.

SENATOR DYSON replied that the vast difference in Alaska was that most places in the Lower 48 had alternative pipelines and there was not a natural monopoly.

SENATOR MCGUIRE pointed out to Senator Micciche that the recent history on the gas pipeline occurred when SB 287 and HB 369 were first introduced in 2010. She noted that there was a bit of a war going on between people who wanted to pursue the AGIA line to the Lower 48 versus a line for the Asian market with an in-state line. She said people who supported Representative Chenault's bill and her bill thought the market was in Asia in addition to an in-state line with the belief that gas should go to residents first. She explained that an in-state gas caucus was formed and the delegation went to Washington D.C. in the spring of 2010. She divulged that certain members of an administration had actually solicited an opinion from FERC to ask that they have authority over an in-state line. She said the delegation was able to quash the opinion and solicit the caucus' own opinion that made it very clear that any in-state line would never be governed by FERC. She asserted that it was very important that it was the RCA because you want to have authority over the agency in addition to the ability to deliver to Alaskans. She stated that there was more than just the fact that it was to consumers in Alaska, there was a fact that you could often have competing lines. She noted that FERC made it very clear to the delegation that they would not allow competing lines if FERC had jurisdiction over Alaska's in-state line. She summarized that if the FERC course had not been changed, Alaska would not have seen a pipeline.

SENATOR FRENCH asked what would ultimately protect consumers if the pipeline delivered gas that was more expensive than Cook Inlet gas. He noted an example where Anchorage consumers would not have a choice if Enstar Natural Gas Company bought \$15 gas from the pipeline versus \$8 gas that might be available in Cook Inlet.

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MS. DELBRIDGE answered that unless people saw reasonably priced gas that was transported from the pipeline, contracts would not be signed to have gas shipped on the gas pipeline. She noted that Senator Dyson was quite right with his assessment that there was necessarily no competition, but that was largely why

the regulatory section allowed for contract carriage, negotiated contracts, and recourse tariffs. She explained that the recourse tariff was a cost based, RCA approved rate that anyone could get in on the pipeline at any time if they wanted to negotiate or not. She said the recourse tariff added an element of fairness to some degree for parties that did not want to negotiate, did not have the means to negotiate, or negotiations did not work out. She reiterated that the recourse tariff would always be an opportunity for a cost based, RCA approved rate. She said generally that Enstar and other public utilities were accountable to the people that accept their service. She specified that electric utilities were generally cooperatives with elected boards that provided general accountability.

MR. DUBLER stated that he believed the utilities were monopolies as well and were subject to RCA oversight. He said he would not believe that the RCA would approve an increase in a utility's cost of gas if they signed up for a pipeline. He cited an example where the pipeline's price was \$12 and the Cook Inlet price was \$10 with the utility opting for the \$12 gas, even though there was plentiful supply at \$10. He stated that he did not believe the RCA would approve an increase and noted that the increased cost would probably have to come out of the utility's share.

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MS. DELBRIDGE addressed page 15 regarding contract carriage. She explained that shippers need to know that the space that they were reserving by signing long term commitments was available, period. She said the pipeline needs to know that it had guaranteed payments coming in over a length of time to support the financing on the pipeline. She stated that the firm, uninterruptable contracts was the way that gas pipelines were financed. She specified that the contracts guaranteed future income in order to secure revenue bonds that would be issued in this case to finance the pipeline. She remarked that there could be a perception at times that contract carriage precluded opportunities in a pipeline because it does not have that common carriage aspect of immediately moving over and prorating everyone's existing capacity to make room for any new comer at any point in time. She reiterated that the contract carrier line was used due to the need for firm commitments and firm amounts of capacity reserved. She said contract carriage did not allow for prorating the capacity, but allowed for expansions that provided opportunities for new people to get in on the pipeline. She explained that the pipeline would provide advanced notice of expansion opportunities so that people who know that they have

gas that they want to be committing could think about those windows. She noted that the advanced notice may let people that just acquired gas leases for development with windows of opportunity to consider. She summarized that it was very important to the sponsors that even while enabling the contract carrier status, the ability to protect the access to the pipeline and others in the future was absolutely maintained.

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SENATOR FRENCH stated that the reality was that the majority of the gas would come from either ConocoPhillips, BP, or ExxonMobil. He asked for names of other companies that might be involved.

MS. DELBRIDGE replied that the sponsors had no knowledge of the actual expression of interest or any commercial discussions. She explained that limited to 500 MCFD, the sponsors believed that you may get gas from anyone of the three noted companies and perhaps some other folks that have been looking at gas opportunities might see an avenue to get resources to market. She cited an example that Anadarko Petroleum Corporation had leases at Gubik that had long been said to hold gas. She pointed out that there was no pipeline that would carry Gubik field gas to any kind of market. She stated that there were certainly other North Slope operators that may have finds as well. She said the sponsors believed that the pipeline would offer opportunities. She noted that Doyon, Limited was looking at some prospects in the Yukon and Nenana basins. She noted that a letter of support was in the committee's packet about how the pipeline would provide Doyon with some opportunity if they made the kind of find that they would hope to and to get their gas to market. She mentioned that Cook Inlet Energy was exploring in the Susitna Flats area where they expect to encounter gas and would certainly like to know that a pipeline was in the vicinity to carry some of that resource away.

SENATOR FRENCH asked if the Susitna Flats was the area near the Susitna River.

MS. DELBRIDGE replied that she believed the Susitna Flats was in the valley right along the Susitna River area.

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MS. DELBRIDGE set forth that the bill's intent was to retain the key common carriage principals of expansions that were required when there were reasonable terms and access for new shippers while allowing contract carriage. She said accomplishing the

intent in the legislation would be done through an interface of both the right-of-way leasing act and the new regulatory chapter; both areas of the bill required expansions on commercially reasonable terms. She detailed that both areas required that in an expansion, the pipeline could not make an initial shipper pay any more than what was allowed by the shipper's contract with the pipeline. Therefore the cost of expansion would be borne by the people shipping gas in the expanded-capacity, just as the initial costs were to be borne by the people shipping gas in the initial-capacity.

SENATOR FRENCH addressed expansions with the 500 MCFD pipeline and asked what expansion could there be as long as AGIA was alive and well.

MS. DELBRIDGE replied that she had spoken a few minutes prior regarding the AGIA non-compete mentions in the bill and forgot to address expansions in the current context. She explained that the expansion were required as long as they did not cause a pipeline to be competing with AGIA. She said the legislation was structured to accommodate a time in the future when the state was no longer paying inducements to a licensee under AGIA, perhaps five or ten years after the pipeline was operation, 2025 or 2030. She noted that expansions would not be likely to happen in the immediate time frame to where it would be a problem. She explained that expansion mentioned in the bill was all conditioned upon not creating a competing issue.

MR. DUBLER added that Senator French hit on exactly one of the large problems that ACDC had with the AGIA restriction and common carriage. He said a common carriage pipeline with a customer base where shippers limited-out the 500 MCFD restriction, would force shippers to cut their percentages to accommodate a new request. He emphasized that contract carriage would not allow percentage cuts to shippers.

SENATOR FRENCH asked what the pipeline diameter size was.

MR. DUBLER replied that the diameter was a 36 inch steel pipe.

SENATOR FRENCH asked what the maximum throughput was for the pipeline's wall thickness.

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DAN FAUSKE, President, AGDC, Anchorage, Alaska, replied that the 500 MCFD limitations were repeatedly addressed. He asserted that the issue was how much gas could the pipeline hold or move. He

explained that the maximum capacity on the pipeline would be about 1.6 billion cubic feet of gas per day (BCFD). He pointed out that when the proposed pipeline was 24 inches with 2500 pounds per square inch (PSI) hauling liquid due to increased compression, the 24 inch line could carry up to 1 BCFD. He remarked that AGDC had limited the discussion to 500 MCFD and noted that the AGIA restrictions were lifted below the 68th parallel north. He stated that AGDC's design, engineering, and all of their work was being designed towards 500 MCFD.

MR. DUBLER added that the 1.6 BCFD was a theoretical throughput and AGDC had not done any designs over 500 MCFD in order to stay within accordance of the AGIA restrictions.

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CHAIR GIESSEL commended the input from the experienced individuals. She noted the urgency in energy needs with Alaskans waiting for Alaska's natural gas to be delivered. She said the cost of delay was a pretty high price that the committee did not want to continue to pay. She appreciated the bill's sponsors' sense of leadership and their understanding of the urgency. She pointed out that Representative Hawker and Speaker Chenault hosted an informative megaproject seminar during the hearing of HB 4 and many legislators learned about the stage-gate approach. She announced that Attorney General Michael Geraghty had been invited to tomorrow's meeting to address the questions pertaining to the "legacy wells" and what Alaska's opportunity was as far as the federal government and getting the National Petroleum Reserve-Alaska (NPR) wells addressed. She stated that after Attorney General Geraghty, the committee would continue with HB 4.

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CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 5:32 p.m.