

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 24, 2014

3:32 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop
Senator Lesil McGuire
Senator Anna Fairclough
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 138

"An Act relating to the purposes of the Alaska Gasline Development Corporation to commissioner of natural resources on the custody and disposition of gas delivered to the advance to develop a large-diameter natural gas pipeline project, including treatment state in kind; relating to the authority of the commissioner of natural resources to and liquefaction facilities; establishing the large-diameter natural gas pipeline project propose modifications to existing state oil and gas leases; making certain information fund; creating a subsidiary related to a large-diameter natural gas pipeline project, provided to the Department of Natural Resources and the Department of Revenue including treatment and liquefaction facilities; relating to the authority of the exempt from inspection as a public record; making certain tax information related to an commissioner of natural resources to negotiate contracts related to North Slope natural election to pay the oil and gas production tax in kind exempt from tax confidentiality gas projects, to enter into confidentiality agreements in support of contract negotiations provisions; relating to establishing under the oil and gas production tax a gross tax rate and implementation, and to take custody of gas delivered to the state under an election for gas after 2021; making the alternate minimum tax on oil and gas produced north of to pay the oil and gas production tax in kind; relating to the sale, exchange, or disposal 68 degrees North latitude after 2021 apply

only to oil; relating to apportionment factors of gas delivered to the state under an election to pay the oil and gas production tax in of the Alaska Net Income Tax Act; authorizing a producer's election to pay the oil and kind; relating to the duties of the commissioner of revenue to direct the disposition of gas production tax in kind for certain gas and relating to the authorization; relating to revenues received from gas delivered to the state in kind and to consult with the monthly installment payments of the oil and gas production tax; relating to interest payments on monthly installment payments of the oil and gas production tax; relating to settlements between producers and royalty owners for oil and gas production tax; relating to annual statements by producers and explorers; relating to annual production tax values; relating to lease expenditures; amending the definition of gross value at the 'point of production' for gas for purposes of the oil and gas production tax; adding definitions related to natural gas terms; clarifying that credit may not be taken against the in-kind levy of the oil and gas production tax for gas for purposes of the exploration incentive credit, the oil or gas producer education credit, and the film production tax credit; making conforming amendments; and providing for an effective date."

- MOVED CSSB 138(RES) OUT OF COMMITTEE -

SENATE BILL NO. 137

"An Act extending the termination date of the Alaska Seismic Hazards Safety Commission; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE JOINT RESOLUTION NO. 26

Urging the United States Congress to provide a means for consistently and equitably sharing with all oil and gas producing states adjacent to federal outer continental shelf areas a portion of revenue generated from oil and gas development on the outer continental shelf to ensure that those states develop necessary infrastructure to support outer continental shelf development and preserve environmental integrity.

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 138

SHORT TITLE: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/24/14	(S)	READ THE FIRST TIME - REFERRALS
01/24/14	(S)	RES, FIN
02/07/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/07/14	(S)	Heard & Held
02/07/14	(S)	MINUTE(RES)
02/10/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/10/14	(S)	Heard & Held
02/10/14	(S)	MINUTE(RES)
02/12/14	(S)	RES WAIVED PUBLIC HEARING NOTICE, RULE 23
02/12/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/12/14	(S)	Heard & Held
02/12/14	(S)	MINUTE(RES)
02/13/14	(S)	RES AT 8:00 AM BUTROVICH 205
02/13/14	(S)	Heard & Held
02/13/14	(S)	MINUTE(RES)
02/14/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/14/14	(S)	Heard & Held
02/14/14	(S)	MINUTE(RES)
02/19/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/19/14	(S)	Heard & Held
02/19/14	(S)	MINUTE(RES)
02/20/14	(S)	RES AT 8:00 AM BUTROVICH 205
02/20/14	(S)	Heard & Held
02/20/14	(S)	MINUTE(RES)
02/21/14	(S)	RES AT 8:00 AM BUTROVICH 205
02/21/14	(S)	Heard & Held
02/21/14	(S)	MINUTE(RES)
02/21/14	(S)	RES AT 3:30 PM BUTROVICH 205
02/21/14	(S)	Heard & Held
02/21/14	(S)	MINUTE(RES)
02/24/14	(S)	RES AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

No witnesses to record

ACTION NARRATIVE

3:32:18 PM

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators French, Bishop, McGuire, Micciche, and Chair Giessel. Senator Fairclough joined the committee shortly after.

3:32:57 PM

SB 138-GAS PIPELINE; AGDC; OIL & GAS PROD. TAX

CHAIR GIESSEL announced CSSB 138(RES), version 28-GS2806\N, to be up for consideration. She said Amendment 6 was adopted last Friday and it corrects a drafting error on page 3 that had to do with numbering. She asked if there was further discussion.

3:33:24 PM

SENATOR DYSON joined the committee.

SENATOR MICCICHE reminded people that the members will keep an eye on this bill as it moves through the other committees, especially the Finance Committee. He thanked the chair for her leadership.

3:34:03 PM

SENATOR DYSON said he made what some viewed as critical remarks last Friday about organized labor and was visited by a number of them afterwards. He was told that the unions that used to have an internal rule that said they couldn't hire qualified Alaskans as long as people were on the books in the Lower 48, but that provision had gone away. He was also assured that virtually all of the construction unions in this state are very enthusiastic about this pipeline going forward and they don't believe there will be any labor problems or anybody excluded from getting work.

SENATOR BISHOP echoed Senator Micciche's comments and congratulated the chair on doing a good job of keeping the committee on task.

3:35:51 PM

SENATOR FAIRCLOUGH said this is as close as they have ever been to a natural gas pipeline in terms of alignment and getting an equity share, but Alaskans need to be willing to take on the risks and those need to be understood as much as possible. She said this is just the first step should they agree with the conditions outlined in the project. What is before them and getting ready to exit from the Resources Committee is at least a partial understanding and she wanted it on the record that she would be a "no recommendation," because she will see SB 138 again in the Finance Committee and wants to really understand the taxing issue.

She said they had had good conversations about some of the risks that are still out there and some base lines that she would like to see incorporated into this bill when it's pointing towards royalty leases and the floor and was wondering if other language should be considered for the "floor." She wanted to continue keeping an open mind about that percentage knowing that it's related to our equity share and that that will put more on the table for Alaskans as they choose to analyze whether the gross tax is equal to what our tolerance is for the risk on future capital cash calls from the state.

[3:38:53 PM](#)

CHAIR GIESSEL said she looked at this project as a legacy that can be left for generations to come; it's a megaproject that will provide affordable energy for Alaskans and the opportunity to transmit natural gas all over the state. The jobs during construction will be tremendous for all Alaskans who are fit, willing, and ready to take them. They have talked about diversifying the economy, and affordable energy is what brings private sector diversification to an economy - like Iceland's aluminum processing industry that has transformed that country, because of their low cost energy. Alaska can do the same thing and this is an opportunity to do that.

She said they had looked at a lot of details in this bill, but many other elements, like fiscal issues, need a further look. They heard a lot about payment in lieu of taxes for local municipalities and concerns expressed about the creation of a subsidiary, but she was fully confident that the Finance Committee would dig into those topics.

[3:40:57 PM](#)

SENATOR DYSON moved to report CSSB 138, version 28-GS2806\N as amended, from committee with attached fiscal notes and individual recommendations. There were no objections and CSSB 138(RES) moved from the Senate Resources Standing Committee.

[3:41:59 PM](#)

CHAIR GIESSEL, finding no other business to come before the Senate Resources Standing Committee adjourned the meeting at 3:41 p.m.