

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 30, 2015

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Bert Stedman
Senator Bill Stoltze
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Peter Micciche

COMMITTEE CALENDAR

CONFIRMATION HEARING

Alaska Gasline Development Corporation: Board of Directors
Joe Paskvan

- CONFIRMATION ADVANCED

SENATE BILL NO. 70

"An Act relating to exceptions from designation as a special purpose site under art. VIII, sec. 7 of the Constitution of the State of Alaska for portions of Denali State Park, Captain Cook State Recreation Area, Nancy Lake State Recreation Area, and Willow Creek State Recreation Area to allow leasing a right-of-way for a natural gas pipeline."

- MOVED CSSB 70(RES) OUT OF COMMITTEE

SENATE BILL NO. 50

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 70

SHORT TITLE: GAS PIPELINE RIGHT-OF-WAY;PARKS;REFUGES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/06/15 (S) READ THE FIRST TIME - REFERRALS
03/06/15 (S) RES, FIN
03/09/15 (S) RES AT 3:30 PM BUTROVICH 205
03/09/15 (S) Heard & Held
03/09/15 (S) MINUTE(RES)
03/30/15 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 50

SHORT TITLE: AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/11/15 (S) READ THE FIRST TIME - REFERRALS
02/11/15 (S) NRG, RES, FIN
03/10/15 (S) NRG AT 3:30 PM BELTZ 105 (TSBldg)
03/10/15 (S) Heard & Held
03/10/15 (S) MINUTE(NRG)
03/26/15 (S) NRG AT 3:30 PM BELTZ 105 (TSBldg)
03/26/15 (S) Moved CSSB 50(NRG) Out of Committee
03/26/15 (S) MINUTE(NRG)
03/27/15 (S) NRG RPT CS 3DP 1NR SAME TITLE
03/27/15 (S) DP: EGAN, BISHOP, HOFFMAN
03/27/15 (S) NR: MICCICHE
03/30/15 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOE PASKVAN, Appointee
Board of Directors
Alaska Gasline Development Corporation
Fairbanks, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Gasline Development Corporation Board of Directors.

BEN ELLIS, Director
Division of Parks and Outdoor Recreation
Department of Natural Resources (DNR)
Juneau, Alaska

POSITION STATEMENT: Explained SB 70.

DON PERRIN, Acting Director
State Pipeline Coordinator's Office
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Commented on SB 70.

GENE THERRIAULT, Deputy Director
Alaska Energy Authority (AEA)
Fairbanks, Alaska

POSITION STATEMENT: Commented on SB 50.

FRED PARADY, Deputy Commissioner
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Commented on SB 50.

ACTION NARRATIVE

[3:30:41 PM](#)

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Coghill, Costello, Stedman, and Chair Giessel.

Confirmation Hearing: Alaska Gasline Development Corporation: Board of Directors

[3:31:27 PM](#)

CHAIR GIESSEL announced the confirmation hearing for Joe Paskvan to the Alaska Gasline Development Corporation (AGDC) Board of Directors.

[3:32:46 PM](#)

SENATOR WIELECHOWSKI joined the committee.

CHAIR GIESSEL reviewed the governing statute, AS 31.25.020, for appointments to the AGDC. She said it is a public member seat and there are five public members. The appointees should have experience and expertise in natural gas pipeline construction, operation and marketing, finance, large project management and other expertise and experience that is relevant to the purpose, powers, and duties of the corporation.

JOE PASKVAN, governor's nominee to the AGDC Board of Directors, Fairbanks, Alaska, joined the committee. He said he was born and raised in Fairbanks and graduated from the University of Alaska

Fairbanks (UAF). He was married 38 years ago in Fairbanks to a woman who was also born and raised there. He is an attorney in private practice and has been for over 35 years. He has been a member of Rotary for 25 years, has been on the Diocesan Finance Committee for 25 years and is a guest lecturer at UAF on a number of topics. He was a certified hockey coach when his boys were in hockey and has years of experience as an Alaska State Senator.

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SENATOR STOLTZE joined the committee.

MR. PASKVAN said his nomination is for the AGDC board as a public member and part of his professional life he had "quite a bit" of experience in construction on both large and small projects, has represented major contractors in Interior Alaska and been involved on their behalf in construction disputes. He has been involved with large projects involving state contracts and small construction contracts involving only private construction contracts. As part of his work as an attorney, he hires advisors and consultants that best help and assist his clients. He is currently on two subcommittees with AGDC: one is the Tech Committee led by Dave Cruz and the other is the Commercialization Subcommittee led by John Burns. He explained that subcommittees only gather information and provide it to the board.

He said that an overarching task of AGDC is to promote the delivery of the cheapest gas to Alaskans. The task of AGDC under AS 31.25.060 is to secure and engage professional and technical advisors.

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MR. PASKVAN said that AGDC is looking at two projects, as required by law: the AKLNG is the first project which has the probability of being the most successful. It is currently a 42-inch diameter pipe with the potential of 48 inch diameter pipe. The second project, and the backup project, is a 36-inch Alaska Stand Alone Project (ASAP). Its objective is to ensure that Alaska has an economically viable project should the AKLNG Project falter.

He explained that AGDC has been tasked and performs work, which advances both projects. Fritz Kruzen advises the board on AKLNG Project; he has 35 years with ConocoPhillips, specifically in the area of liquefaction experience. He is not a consultant to

AGDC, but a direct employee. Frank Richards advises the AGDC board on the ASAP Project.

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MR. PASKVAN said he thought it important to provide the Resources Committee with examples of work that advances both the AKLNG and the ASAP Projects. AGDC provides a framework for the sharing of data and coordinating of work and historical data, such as geotechnical, hydrological, environmental, cultural and routing work. It established a common pipeline route that is essentially 98.5 percent identical. Only when it gets south of the Susitna River is there a little deviation between the two projects. So, AGDC, addressing the right-of-way work, advances both projects.

Much of the environmental impact statement (EIS) submitted in 2012, with a supplemental initiated in August 2014, advances both projects with many river and stream crossing surveys and design work including two-dimensional mapping of these crossings. There is a potential for cultural resources and wetland delineation as part of the survey that benefits both projects. More than 400 geo-technical bore holes have been drilled that advances both projects. The sites for 124 material sources have been identified and air quality monitoring data and permit work for the gas conditioning facility has been done for the facility that would exist on the North Slope. They have been testing the pipe and doing fish habitat reporting; biological assessments have been done that advances both projects.

The ASAP Project delivered a class 3 cost estimate on time. The importance of this is that the consultants that are retained in conjunction with the AGDC staff followed a methodology with estimate breakdowns and the records they have assembled are industry standard. He has been told it was done by the "A Team" of Arctic engineering, a very narrow field. The AKLNG Project has also assembled what they consider the "A Team" so that both projects have retained an A team for the purpose of advancing both projects.

He explained that the A Team for ASAP was about to be disbanded in April. These skilled people are working on the 36-inch pipe and one of the topics at the March AGDC board meeting was what other potential use there might be for them before they disband within the over-arching concept of AGDC potentially being able to deliver an economically viable alternative should the AKLNG Project stumble.

MR. PASKVAN said Mr. Cruz, head of the Tech Committee, recommended that the AGDC consider ASAP Project cost estimates for an ANSI 900 pipe in addition to an ANSI 600 pipe, the difference being that the ANSI 600 pipe is 480 psi and 2,220 psi for the ANSI 900 pipe.

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The Governor wanted to ask the A Team what Alaska might need to think about while it is still assembled, and AGDC didn't have to request any more money from the legislature to do that. For perspective, at the start of this project, the pipe was "X70 material grade" and the pipe size has not changed from 36-inch; the type of gas is the same, as well, but the difference is what might be accomplished with increased pressurization using an ANSI 900 pipe. The question was what "rough order of magnitude (ROM)" the pipe potential increase would affect the gas conditioning facility. No LNG component was part of this direction.

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The ASAP Project might become more economic by using ANSI 900 pipe with everything else remaining the same. Using compression, an ANSI 900 pipe can be increased to 2.4 bcf within a 36-inch line. Nothing about it is competitive with a 42-inch or 48-inch line. The AKLNG Project is also using 42-inch X70 pipe and ANSI 900. So, this type of work is potentially beneficial to both projects.

MR. PASKVAN reiterated that the AGDC board in March 2015 wanted to use this skilled team to provide industry standard estimates using the ASAP 36-inch pipe. They wanted to know if volume increased the deliverability of the lowest cost to Alaskans and if economy of scale helps to do that. This is only if AKLNG falters in going through the stage gates to construction.

He noted that it's important to understand that mid-year 2016, Alaska will have a pretty good idea of whether the AKLNG Project is moving forward or not. If it does not, this additional information could be of value in advancing the ASAP objective of ensuring that Alaska has a viable and economic alternative. AGDC is not engaging in a project. It is only looking at costs using the A team, which it would have access to for only a short period of time.

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CHAIR GIESSEL said having read the minutes of that AGDC board meeting, he did a great job summarizing the LNG 101 briefing, and asked him for more detail on his construction experience.

MR. PASKVAN answered that he participated in major roadways, some buildings, and some of the larger state projects like the Johansen Expressway in Interior Alaska in which he represented the major contractor. He represented them for decades (back to 1981) until it was sold and then he represented the owner, individually, after that.

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CHAIR GIESSEL asked if he felt his qualifications fall under the large project management criteria in the statute.

MR. PASKVAN answered that he was involved with the engineers that were employed by the company's owner; he wasn't developing the large project management. The managers he dealt with on behalf of the owner were involved in the sequencing of large projects.

CHAIR GIESSEL said he had a great resume' of community and state service. This is pretty technical board and previous members had 100 years of experience in the gas industry and she asked which slot he felt he was filling.

MR. PASKVAN answered that he wasn't thinking about filling a particular individual's slot. The governor wanted him to serve Alaska and he felt it was important to contribute. He recalled that Drue Pearce was on the board and had political experience, but maybe not construction law experience. He is on the Technical Committee with Mr. Cruz and gets along well with him. Has dealt with engineers all his life.

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CHAIR GIESSEL said Drue Pearce was the U.S. Government's federal coordinator for the Alaska Natural Gas Transportation Project for three years and has engineering experience.

SENATOR WIELECHOWSKI said he served with Senator Paskvan and found him to be one of the most thoughtful, hardworking and conscientious people that he had ever dealt with in this building. He appreciated his knowledge and background on all kinds of resources issues, particularly oil and gas issues. When he chaired the Resources Committee, it dealt with plenty of oil and gas issues. He reiterated this is a public member seat and based on concerns he had heard he asked Legislative Legal

whether Senator Paskvan, Rick Halford and Hugh Short met the requirements of the statute. He read three sentences from the reply:

The statute, however, does not require that the governor select the public member with specific experience in natural gas pipeline construction, operation, marketing, or finance, or large project management. In fact, the statute gives the governor explicit authority to consider other expertise and experience when selecting board members. A court is unlikely to find that the governor's current nominees to the AGDC board violate the statute considering the broad authority given to the governor in selecting public members by the statute.

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SENATOR WIELECHOWSKI remarked that something Mr. Paskvan said struck him: Dave Cruz was the one who asked for the reconfiguration of the project, and he asked him to explain a little about that.

MR. PASKVAN responded that a couple hours into the meeting the issue of reconfiguration of the ANSI standard came up and Mr. Cruz advocated that the A Team find what the cost might be.

CHAIR GIESSEL followed up saying that the AGDC board has \$200 million in the fund for the ASAP line and she wanted to know if he asked what the cost of the new configuration would be.

MR. PASKVAN replied that it was explicitly stated that there was no need to ask the legislature for any more money to do this, and the team had given their class 3 estimates on time and they were going to be disbanding. While they were still there they could get this information in the most economic, least intrusive way. If they disbanded and two or six months later that information was needed, a public solicitation would be needed. This team is very skilled in Arctic engineering and to reassemble that group again would cost many times more.

CHAIR GIESSEL said understanding that this is a new subject matter for him, she wanted to know if he had asked what would be done with the extra gas coming through the reconfigured ASAP line, because the ASAP line ends at Big Lake and connects with the Enstar system.

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MR. PASKVAN answered that the expectation was that the volume of gas would indicate a potential for export. He said the vote was unanimous to find out what the state should be thinking about if the AKLNG Project stops for whatever reason.

CHAIR GIESSEL asked what the current ASAP line can increase its compression to.

MR. PASKVAN answered to 1,480 psi with ANSI 600 pipe.

CHAIR GIESSEL asked about the carrying capacity.

MR. PASKVAN answered his rough guess based on his memory is that the gas treatment facility has to be increased and 6-8 more compressors are needed to get the project to a 1.5 bcf using the ANSI 600 X70 material grade pipe.

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CHAIR GIESSEL asked the state's need for natural gas.

MR. PASKVAN replied that the state on average needs 250 mmcf/day, although there is hope that potentially the Donlin Project would increase demand and Fairbanks might someday need more. The thought is consistent with that by creating additional volume you can deliver the lowest cost gas to Alaskans, which would mean there might be customers out there that would want it beyond Alaskan customers.

CHAIR GIESSEL said her question is that the ASAP line can already compress and get up to 1.5-1.6 bcf/day and she was trying to get to the information he was given that drove him to say yes to spending some of the \$200 million that was set aside to go to whichever pipeline proceeds forward when the front end engineering and design (FEED) decision is made in the 2nd Quarter, 2016.

MR. PASKVAN replied that it is still a 36-inch pipe using the same material grade pipe; it's just increasing capacity to put a little more psi into the pipe. The committee thought it prudent to look at components that might have an increased cost in an economic analysis should the AKLNG Project falter. It could cost ten times as much money to do the same study a year down the road. This is really a window of opportunity. Japan is building LNG receiving facilities on their West Coast, because of earthquake and tsunami potential on the East Coast, and they want compatibility with an export facility to them.

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With respect to the free trade agreement countries, one of the questions going through his mind in addressing potential volumes is that he didn't know which countries were free trade agreement countries. It's anticipated that AKLNG Project customers would be Korea, Japan and Taiwan, but only Korea is a free trade agreement country.

SENATOR GIESSEL said the application has been made for non-free trade agreement countries, as well, but it hasn't been granted yet.

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SENATOR WIELECHOWSKI said he requested more in-depth discussion of financial issues on how AGDC is intending to spend its money and was told that the discussion wasn't needed at that time. After Chairman Dave Cruz tasked the AGDC staff to look at reconfiguration of the ASAP Project and to relax the 500 mscf limit, Frank Richards (AGDC Vice President for Engineering and Program Management), testified that the primary objective was to keep a backup plan to the AKLNG Project alive. He asked Mr. Paskvan to talk about what his project is doing in terms of competing with the big line or if it's just a backup.

MR. PASKVAN responded that during the March AGDC meeting he understood that it was not competition and that the premise was that a big line [AKLNG] could deliver gas at a much lower cost to individual Alaskans.

SENATOR WIELECHOWSKI mentioned concerns about duplication of efforts.

MR. PASKVAN answered that the AGDC work can benefit both projects; for instance, the X70 material grade pipe testing is complimentary.

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SENATOR WIELECHOWSKI asked if AGDC continues to work collaboratively with the AKLNG Project.

MR. PASKVAN replied that both board Chair Burns and Mr. Cruz indicated that the working relationship is good. Two AGDC Executive Managers, Frank Richards, seconded to ASAP, and Fritz Kruzen, seconded to AKLNG, both testified that they were sharing the type of information that is appropriate.

[4:11:51 PM](#)

SENATOR COGHILL thanked him for being willing to step up and remarked that he was a tenacious advocate for Alaska when serving in the Senate. He asked what qualifications Mr. Paskvan thinks he brings that are really valuable for Alaska to the board.

MR. PASKVAN replied that he takes any work that he does seriously; he doesn't prejudge projects or outcomes, and facts matter to him. When he was part of this legislative body and this committee his office joined the American Society of Petroleum Engineers, because he wanted access to their documents to see what they have to say about this project. He works hard and makes good determinations. At the end of the day, engineering is all about facts and if you don't have them the project will implode.

SENATOR COGHILL said he didn't doubt that, but he was concerned about prejudging because of their political differences. He asked if Mr. Paskvan felt confident that he could stay within the statutory framework.

MR. PASKVAN replied that he views his work on the AGDC board as nonpolitical since it is tasked with ultimately getting gas to Alaskans. That is not a political issue.

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SENATOR COGHILL said one of the issues they are dealing with is that the state doesn't compete against itself. Once the conversation began with DNR, the ASAP Project was referred to as an alternate plan, but at this point it's just a pipe that doesn't have a buyer yet. The governor is talking about soliciting buyers and he asked what his take on that is.

MR. PASKVAN said he didn't recall that at the board meeting and he was not contacted by the governor or his office before attending the March board meeting.

SENATOR COGHILL commented that if that's the case, he is behind Mr. Paskvan. He has seen what an "animal" he can be as a lawyer.

MR. PASKVAN said politics does not drive him for this position. He is interested, because it is non-political.

CHAIR GIESSEL clarified that AGDC doesn't do the marketing of the gas, but the DNR team does.

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SENATOR STEDMAN said it's prudent that whatever the state builds is economic and it's pretty clear that a small line is not. It's easy to roll politics into it. Mr. Paskvan reads information and makes rational decisions based on it and in his opinion, the governor couldn't find a better candidate to serve on the AGDC Board than Mr. Paskvan.

SENATOR STEDMAN also said that it was a political error to give the governor \$400 million in one appropriation, because governors change from time to time. Those funds were initially for future capital budgets when there were no funds for capital budgets, but once the governor has them, it's hard for the legislature to do much.

[4:25:03 PM](#)

SENATOR WIELECHOWSKI stated that this is a public seat and he wants someone who is going to fight as hard he can to get a backup plan that delivers low-cost gas to Alaskans. He saw Mr. Paskvan fight for those things when he was in the Senate; he is one of the first people who pushed for a small diameter line and an 8-inch PVC line from Cook Inlet to Fairbanks. Mr. Paskvan is extremely tenacious in court and he was not one of the more political people in the building when he served. He is a straight shooter; he gets along with people and fights hard for what he believes in.

The one area where there are some concerns is with his oil and gas experience, but there are other technical seats and AGDC has consultants and advisors.

MR. PASKVAN answered absolutely; the statutory structure provides explicitly for the AGDC board to retain high quality experts to advise them so that the skill set that the board overall may not have can be provided to it.

He related that other than when he was an elected official he never worked in government. He has only worked in private enterprise; he ran his father's business. He understands what it's like to be responsible financially. He agreed with Senator Stedman who said he did not want a non-economic project that would be a drain on the state.

CHAIR GIESSEL reminded members that five of the board's seats are public and only two are designated and those are commissioners. She said the AKLNG Project went through a rigorous site selection process and chose Nikiski, because it

met technical qualifications and asked if he had a differing opinion with them on that selection.

MR. PASKVAN answered that he didn't personally have a feeling about that. He heard opinions from some marine pilots who testified before the Senate Resources Committee when he was co-chairman.

[4:29:55 PM](#)

CHAIR GIESSEL said she appreciated his answer in light of the fact that he was looking at an alternative project. She thought he might be looking at an alternative destination, as well.

She asked him to explain why he was quite interested in signing a confidentiality agreement.

MR. PASKVAN answered that from his years as an attorney, ethics require that attorneys keep information confidential. In a commercial project there are contractual obligations separate from the ethics of confidentiality and he doesn't have a problem signing a tailored confidentiality agreement that is appropriate for transparent government but at the same time recognizing aspects of information that should not be conveyed to any others. He followed that process all his life and doesn't have a problem with signing a contractual confidentiality agreement.

CHAIR GIESSEL, finding no further questions, announced that in accordance with AS 39.05.080, the Resources Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration: Joe Paskvan, AGDC Board of Directors. This does not reflect an intent by any members to vote for or against the confirmation during any further sessions.

[4:33:55 PM](#)

At ease

SB 70-GAS PIPELINE RIGHT-OF-WAY;PARKS;REFUGES

[4:33:59 PM](#)

CHAIR GIESSEL announced consideration of SB 70.

SENATOR COSTELLO moved Amendment 1.

AM-1
3/27/2015
Hutchins

AMENDMENT 1

OFFERED IN THE SENATE RESOURCES
COMMITTEE

BY

TO: SB 70

Page 1, line 9 following "parcels": 1
Insert ", including land that would lie within the
described parcels but for any U.S. 2 Survey,"

Page 1, line 13:
Delete "SW1/2"
Insert "SW1/4"

Page 2, line 1:
Delete ": N1/2, SW1/4"

Page 2, line 7:
Delete "SW1/4;"
Insert "W1/2;"

Page 2, following line 10:
Insert "Section 8: E1/2"

Page 2, line 12:
Delete "NW1/4"
Insert "W1/2"

Page 2, line 13:
Delete "NW1/4"
Insert "W1/2"

Page 2, line 17:
Delete ": W1/2"

Page 2, line 20, following "NW1/4":
Insert ", N1/2NE1/4"

Page 2, line 21:
Delete ": N1/2, SW1/4"

Page 2, line 27:
Delete "NE1/4"
Insert "N1/2"

Page 2, line 28:
Delete ": N1/2, SW1/4"

Page 2, line 29:
Delete "SE1/4"
Insert "S1/2"

Page 3, line 1:
Delete "NW1/4;"
Insert "N1/2;"

Page 3, line 4:
Delete ": N1/2, SW1/4" 30 Page 3, line 5: 1
Delete "SE1/4"
Insert "E1/2"

Page 3, line 7, following section "Section 35":
Delete the semicolon.

Page 3, following line 7: 8
Insert "Section 36: NW1/4;"
Insert "(5) Township 32 North, Range 2 West, Seward
Meridian"
Section 6: NW1/4"

Page 3, line 8:
Delete "(5)"
Insert "(6)"

Page 3, line 14, following "SW1/4":
Insert ", N1/2SE1/4"

Page 3, line 16:
Delete "NW1/4"
Insert "N1/2"

Page 3, line 19, following "SW1/4":
Insert ", N1/2SE1/4"

Page 3, following line 19:
Insert "Section 29: NW1/4"

Page 3, line 21"
Delete "N1/2;"
Insert "N1/2, SW1/4;"

Page 3, line 22:
Delete "(6)"
Insert "(7)"

Page 3, line 25:
Delete "(7)"
Insert "(8)"

Page 3, following line 26:
Insert "Section 17: SE1/4"

Page 3, line 27, following "S1/2":
Insert ", S1/2NW1/4"

Page 3, line 30, following "S1/2":
Insert ", NE1/4"

Page 4, line 1:
Delete "(8)"
Insert "(9)"

Page 4, line 26, following "parcels":
Insert ", including land that would lie within the described parcels but for any U.S. 26 Survey,"

Page 5, following line 1:
Insert "Section 15: W1/2W1/2"
Page 5, line 2:
Delete ": N1/2, SW1/4"

Page 5, line 3, following "S1/2":
Insert ", S1/2NE1/4."

Page 5, line 29, following "parcels":
Insert ", including land that would lie within the described parcels but for any U.S. 8 Survey,"

Page 7, line 3, following "parcels":
Insert ", including land that would lie within the described parcels but for any U.S. 12 Survey,"

SENATOR STOLTZE objected for an explanation.

4:34:40 PM

BEN ELLIS, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources (DNR), Juneau, Alaska, explained that SB 70 is needed to open up four corridors through four state legislatively designated areas - the Denali State Park, Willow Creek, Nancy Lake, and Captain Cook Recreational areas - to the Right-Of-Way Leasing Act for the purpose of construction

of a natural gas pipeline from the North Slope of Alaska. The corridor suffices for both the ASAP and the AKLNG lines.

He explained that the amendment makes sure that enough land is within the corridor to not have to come back and ask for more. The amendment expands certain areas adding 1,060 acres to the proposed corridor through Denali State Park and 180 acres to the corridor proposed for Captain Cook State Recreational Area. The effect of these additions is to ensure the corridor through those areas is sufficiently wide to lay the final placement of a natural gas pipeline once permitting and environmental review are completed. No additional lands were proposed for the Willow Creek or the Nancy Lake Recreational Area as they were determined to be sufficiently wide enough as originally described in SB 70.

Additionally, the amendment clarifies that the leasing corridor is intended to include in its NTRS descriptions of land that may also need to be described by U.S. survey number.

[4:37:29 PM](#)

The only part the two lines would be in is Denali State Park. The line splits where it goes through Nancy Lake and Willow Creek for the ASAP line and the one in the Captain Cook State Park is for the AKLNG line. They were so focused on making sure the legals were correct that they failed to capture it on the map in their packets.

[4:39:50 PM](#)

SENATOR COSTELLO asked him to explain why this is a conservative path that it is actually wider than he thinks will eventually be needed.

MR. ELLIS explained they wanted to make sure that for reasons of wetlands or ground studies that it would be better to have a pipeline move slightly over one way or the other, and they didn't want to have come back to the legislature. The AKLNG is looking for a corridor of 2,000 feet to start out with; ASAP is looking for 750 feet. Those corridors become smaller as the line becomes more defined and are released back to State Park management if they are not needed.

DON PERRIN, Acting Director, State Pipeline Coordinator's Office, Department of Natural Resources (DNR), Anchorage, Alaska, apologized for inadvertently sending the erroneous map to the governor and the committee. He clarified that all the maps now match up with the legal descriptions. In terms of the

corridor, he noted that this bill does not change the management of the lands within the corridor. For instance, if this bill passes, the Captain Cook State Recreation area will still be managed under Title 41 as state recreational lands. They thought it would be better to widen the corridor just a little bit knowing that those lands will still be managed as state recreational area lands that at which time a right-of-way would be issued, it would be a very narrow strip.

SENATOR STOLTZE removed his objection and asked him to continue being diligent with the land descriptions.

CHAIR GIESSEL, finding no further objections, announced that Amendment 1 was adopted.

CHAIR GIESSEL, referring to the Denali State Park map that clearly shows where the right-of-way is, asked what happened when the boxes on it got real narrow.

[4:44:10 PM](#)

MR. ELLIS answered that he believed that the 2,000 foot corridor fell within those subsections and that wider wasn't needed.

MR. PERRIN explained because that particular location jumps the Chuitna River at the Parks Highway and has been studied thoroughly by both ASAP and AKLNG engineers, and with that level of confidence it was felt the corridor didn't need to be widen in that area.

SENATOR COGHILL asked if they are talking about access for ATVs, too.

MR. ELLIS answered yes; all access including ATV will be available, except during construction when there will be some temporary closures.

[4:46:17 PM](#)

CHAIR GIESSEL opened public testimony. Finding no comments, she closed public testimony.

SENATOR COSTELLO moved to report SB 70, as amended, from committee with individual recommendations and attached zero fiscal note. There were no objections and CSSB 70(RES) was reported from the Senate Resources Standing Committee.

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At ease

SB 50-AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

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CHAIR GIESSEL announced the consideration of SB 50. [CSSB 50(NRG) was before the committee.]

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GENE THERRIAULT, Deputy Director, Alaska Energy Authority (AEA), Fairbanks, Alaska, introduced himself and noted that Mr. Parady would start the presentation on SB 50.

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FRED PARADY, Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED), Juneau, Alaska, said that Administrative Order 272 directed the DCCED commissioner to collaborate and facilitate at the highest levels work on consumer energy issues across Alaska, but of more germane to this committee and this bill to work on the Interior Energy Project (IEP) to provide affordable energy to Interior Alaska customers as soon as possible and to possibly provide for gas elsewhere after the Interior was supplied and to use private sector mechanisms as much as possible. The goal was initially envisioned to deliver natural gas to Interior homes with a \$15/thousand cubic feet at the burner tip cost (the energy equivalent of \$2/gallon fuel oil).

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MR. TERRIAULT stated that much of the language in the bill makes adjustments to a number Alaska Industrial Development and Export Authority (AIDEA) bond and loan authorizations. Sections 4 and 5 of the bill apply to the Interior Energy Project and so he would discuss those changes when they came up.

He explained that section 1 adjusts an authorization requirement that has been in place since 1990. The original amount of \$6 million was set for AIDEA bonding needing approval for the citing of the project from the local government. That is being proposed to go up to \$10 million.

Section 2 on page 2 deals with the bonding authorization for \$10 million that has been on the books since 1990 and the proposal is to adjust it up to \$25 million to account for inflation, the size of typical projects coming to AIDEA for participation, and to bring a number of sections of statute up to the same dollar amount.

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The \$25 million new suggested level appears in section 3, also. Section 3 deals with AIDEA's ability to issue loans out of the Enterprise Development Account and that was set in 2006 at \$20 million. On line 30, the existing \$20 million amount for the original Sustainable Energy Transmission and Supply (SETS) fund is proposed to go up to \$25 million, also.

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Page 3 has existing statutory language with no proposed change. Page 4 starts dealing with the Interior Energy project. Section 4 was added by the Senate Energy Committee. Senator Micciche, in particular, was very interested if the Interior was going to look for a source of natural gas and potentially look to the Cook Inlet area to source those gas molecules, in AIDEA evaluating the possibility of delivering those molecules on a small diameter pipeline.

AEA committed to working with Enstar on the pricing of such an enterprise and the manufacture of Flex steel pipe and has provided information to Senator Micciche indicating that it looks like that type of delivery would be severely economically challenged, although it would continue to be evaluated. Suggested language deals with a previous prohibition in the SETS statutes that precluded SETS money from being used for a natural gas pipeline. This exemption is structured to specifically say they can look at a 12 inch or smaller pipeline to potentially deliver gas to the Interior.

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Section 5 proposes changing the financing tools that were previously approved by the legislature for the Interior Energy Project. Language on page 5, line 4, deletes the North Slope as the only source of gas molecules. It appears that delivery price off the North Slope would not be economical for the community to pay for conversion, and if you can't get demand up, then the per-unit price will be prohibitive. This doesn't preclude the possibility that North Slope gas still could be a solution or part of a solution, but it opens it up for AIDEA and AEA, through the IEP process, to look at the possibility of sourcing the gas molecules elsewhere in the state. The expectation is that producers in Cook Inlet could come forward with private partners that could propose a delivered price that would get the needed number of conversions in the Interior.

As the North Slope language was removed, there was some concern by Interior delegation members that that would just open up a

project that gets developed in the Cook Inlet that is targeted at serving Western or Southeast Alaska. So, the drafter recommended using Interior Alaska as being the "primary market," but secondary markets could be served by this infrastructure, because serving other needs would make the per unit price for everybody go down.

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Language on line 5 talks about a distribution system in Interior Alaska, and through RCA action the state has two certified utility gas distribution systems. That is why "s" was added.

Sections 6 and 7 clean up old existing AIDEA bond authorizations; section 6 repeals an unused bond authorization that was part of airline maintenance facilities at the Anchorage Airport. He explained that part of the bond authorization was not used and once they get passed a certain age AIDEA won't use them, because they are "stale," but because they remain on the books as a possible debt to the authority, bond counsel has advised that they need to be taken into consideration when new ratings are done for the entity, and their suggestion was to clean up the old authorizations. Section 7 has a number of old authorizations that were never used but are being proposed to be just be taken off the books. Section 8 is an immediate effective date.

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MR. THERRIAULT explained that it is standard now that new bond authorizations for potential projects have a five-year sunset date, so this goes away as an issue.

SENATOR STOLTZE noted the history of AIDEA's failures had been from legislative involvement in micromanagement, and he wants the parts of the bill that didn't come from the Industrial Authority to be thoroughly vetted.

MR. THERRIAULT said that language just allows the authority to consider it; it doesn't direct that it be selected. So, AEA's view is that would probably have been part of the due diligence in delivering a better smarter way to do it to the Interior.

SENATOR COGHILL asked him to bring a table of authority repeals to the next meeting.

MR. THERRIAULT said the governor's transmittal letter for the legislation has a list of them.

CHAIR GIESSEL thanked Mr. Therriault for the explanation and announced she would hold SB 50 in committee.

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Finding no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee meeting at 5:03 p.m.