

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

April 16, 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**

PRESENTATION: AKLNG END OF SESSION UPDATE BY ENALYTICA

- HEARD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 137(FIN) AM

"An Act raising certain fees related to sport fishing, hunting, and trapping; relating to the fish and game fund; providing for the repeal of the sport fishing surcharge and sport fishing facility revenue bonds; replacing the permanent sport fishing, hunting, or trapping identification card for certain residents with an identification card valid for three years; relating to hunting and fishing by proxy; relating to fish and game conservation decals; raising the age of eligibility for a sport fishing, hunting, or trapping license exemption for state residents; raising the age at which a state resident is required to obtain a license for sport fishing, hunting, or trapping; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 137

SHORT TITLE: HUNT/FISH/TRAP: FEES;LICENSES;EXEMPTIONS

SPONSOR(S): REPRESENTATIVE(S) TALERICO

03/06/15           (H)           READ THE FIRST TIME - REFERRALS

03/06/15 (H) RES, FIN  
 03/20/15 (H) RES AT 1:00 PM BARNES 124  
 03/20/15 (H) Heard & Held  
 03/20/15 (H) MINUTE(RES)  
 03/25/15 (H) RES AT 6:00 PM BARNES 124  
 03/25/15 (H) Moved CSHB 137(RES) Out of Committee  
 03/25/15 (H) MINUTE(RES)  
 03/27/15 (H) RES RPT CS(RES) NT 2DP 3NR 2AM  
 03/27/15 (H) DP: OLSON, TALERICO  
 03/27/15 (H) NR: HERRON, JOSEPHSON, JOHNSON  
 03/27/15 (H) AM: SEATON, TARR  
 04/07/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/07/15 (H) Heard & Held  
 04/07/15 (H) MINUTE(FIN)  
 04/10/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/10/15 (H) Heard & Held  
 04/10/15 (H) MINUTE(FIN)  
 04/13/15 (H) FIN RPT CS(FIN) NT 5DP 5NR  
 04/13/15 (H) DP: PRUITT, WILSON, GATTIS, MUNOZ,  
 THOMPSON  
 04/13/15 (H) NR: SADDLER, GARA, GUTTENBERG, EDGMON,  
 NEUMAN  
 04/13/15 (H) FIN AT 9:00 AM HOUSE FINANCE 519  
 04/13/15 (H) Moved CSHB 137(FIN) Out of Committee  
 04/13/15 (H) MINUTE(FIN)  
 04/15/15 (H) TRANSMITTED TO (S)  
 04/15/15 (H) VERSION: CSHB 137(FIN) AM  
 04/15/15 (S) RES AT 3:30 PM BUTROVICH 205  
 04/15/15 (S) Scheduled but Not Heard  
 04/16/15 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

REPRESENTATIVE TALERICO, representing District 6  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Sponsor of HB 137.

JOSHUA BANKS, staff to Representative Talerico  
 Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Answered questions about HB 137.

RICHARD BISHOP  
 Goldstream Valley  
 Fairbanks, Alaska

**POSITION STATEMENT:** Supported HB 137.

AL BARRETTE, representing himself  
Fairbanks, Alaska

**POSITION STATEMENT:** Wanted to work over the Interim to make HB 137 a really good bill.

GEORGE PIERCE, representing himself  
Kasilof, Alaska

**POSITION STATEMENT:** Agreed with some provisions of HB 137 but not others.

EDDIE GRASSER, representing himself  
Palmer, Alaska

**POSITION STATEMENT:** Supported HB 137 and provided some history of its issues.

GARY STEVENS, lobbyist  
Alaska Outdoor Council (AOC)  
Chugiak, Alaska

**POSITION STATEMENT:** Talked about intensive management and the surcharge that is not currently in HB 137.

RON SUMMERVILLE, representing himself  
Juneau, Alaska

**POSITION STATEMENT:** Provided supporting testimony on HB 137.

THOR STACEY, lobbyist  
Alaska Professional Hunters Association  
Juneau, Alaska

**POSITION STATEMENT:** Supported HB 137.

DOUG LARSON, representing himself  
Juneau, Alaska

**POSITION STATEMENT:** Felt the fee increases in HB 137 were not adequate.

NIKOS TSAFOS, partner  
enalytica  
Consultant to the Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an update on the AKLNG Project.

JANAK MAYER, partner  
enalytica  
Consultant to the Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an update on the AKLNG Project.

## **ACTION NARRATIVE**

[3:30:39 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 Stedman, Coghill, Stoltze, Costello, and Chair Giessel.

### **HB 137-HUNT/FISH/TRAP: FEES;LICENSES;EXEMPTIONS**

[3:31:17 PM](#)

**CHAIR GIESSEL** announced the consideration of HB 137 [CSHB 137(FIN)am was before the committee].

**REPRESENTATIVE TALERICO**, representing District 6, Alaska State Legislature, Juneau, Alaska, sponsor of HB 137, explained that this measure is a response from a lot of individuals who are concerned about raising hunting and fishing license and tag fees.

He explained that a deficiency exists between the cost of management needs and the revenue that is brought in by the license and tag fees. The biggest change HB 137 makes is that it raises resident and non-resident fishing, trapping and combination license fees to help deal with this deficiency. The most significant change in any of the fees is to the non-resident fee for big game tags. HB 137 also changes eligibility for low income licenses: rather than inserting a number into statute, it actually switches over to the federal poverty level, which is currently set at \$8,200 but changes on a routine basis.

This bill has gone through several iterations and now has a voluntary fish and game conservation decal available potentially for non-consumptive users of the resource, although a lot of active hunters and fishermen may also purchase the decal to continue to provide funding for wildlife conservation and fisheries. The current fishing surcharge in the bill will be combined with the fishing and license fee once the hatchery bonds are paid. The fishing license fee won't increase, but the \$9 would remain with the current fee, which was added in the House Finance Committee.

HB 137 raises eligibility for the hunting, fishing and trapping license exemption from age 60 to 62 and requires renewal every three years. This is over concerns that some people have been

issued a lifetime license and aren't Alaska residents anymore but still come back to Alaska and use their lifetime license.

HB 137 also raises the age required for residents to obtain an actual free license from 16 years old to 18 years, because these people are still potentially high school students who may not be out in the adult workforce.

REPRESENTATIVE TALERICO said it has been over 17 years since non-resident fees had been raised and 24 years for resident fees. He concluded that HB 137 is all about opportunity and the ability to ensure that Alaska residents have those incredible hunting and fishing opportunities ahead of them.

[3:35:49 PM](#)

CHAIR GIESSEL said to her this bill represents an effort by Alaska Department of Fish and Game (ADF&G) to be more self-supporting.

SENATOR STEDMAN asked for a walk-through and justification for the significant change of 50 to 100 percent. He also wanted more explanation on the bonded indebtedness of the hatcheries, because he was under the impression that the embedded price increase for sporting fishing licenses was to pay for those two hatcheries - one in Fairbanks and one in Anchorage - would go away when the bonds are paid.

SENATOR STOLTZE asked that the Department of Law (DOL) discuss the Carlson issues at some point.

SENATOR GIESSEL responded that they will not exhaustively hear the bill today, but there will be other opportunities.

[3:38:33 PM](#)

JOSHUA BANKS, staff to Representative Talerico, Alaska State Legislature, Juneau, Alaska, said a legal opinion on the Carlson cases from Legislative Legal was in their packets. According to that opinion, the Carlson cases apply to commercial fishing and not this bill. This bill deals solely with recreational hunting and fishing.

SENATOR GIESSEL asked Representative Talerico if he would like to address Senator Stoltze's questions.

REPRESENTATIVE TALERICO responded that Mr. Banks could rapidly go through a sectional analysis.

MR. BANKS provided a sectional analysis of HB 137 as follows:

Section 1 repeals authorization for money from the Fish and Game Funds to pay for hatchery bonds.

Section 2 raises the resident license requirement age to 18 years and the exemption age to 62.

[3:40:05 PM](#)

SENATOR WIELECHOWSKI joined the committee.

Section 3 raises the resident sport fishing license from \$15 to \$20 and the fee for residents who are blind from \$0.25 to \$0.50.

Section 4 deals with the sport fishing surcharge, bonding that with the resident sport fish license.

Section 5 raises the hunting license from \$25 to \$30.

Section 6 deals with the hunting and trapping combination license from \$39 to \$45.

Section 7 raises the trapping license from \$15 to \$20.

Section 8 raises the hunting and fishing combination license from \$39 to \$45.

Section 9 amends section 8 of this bill by combining the \$9 surcharge into the resident hunting and fishing license.

Section 10 raises the hunting, trapping and fishing combination license from \$53 to \$60. It also changes the low income license eligibility so that a person is only eligible for the low income license if they meet the federal poverty level requirement.

[3:41:28 PM](#)

Section 11 amends section 10 by adding a \$9 surcharge into the fishing, trapping, and hunting combination fee.

Section 12 amends the non-residents sport fishing license from \$50 to \$60 for a 14-day license, from \$30 to \$40 for the 7-day license, from \$20 to \$30 for the 3-day license and from \$10 to \$15 for the 1-day license.

Section 13 adds the \$9 surcharge into the non-resident sport fishing license fees.

Section 14 raises the annual non-resident sport fishing license from \$100 to \$150.

[3:42:39 PM](#)

Section 15 adds the \$9 surcharge into the annual non-resident fishing license.

Section 16 raises the non-resident hunting license from \$85 to \$130.

Section 17 increases the non-resident hunting and trapping combination license from \$250 to \$350.

Section 18 increases a number of the non-resident big game tag fees for black bear from \$225 to \$600; brown or grizzly bear from \$500 to \$1,200; bison from \$450 to \$900; caribou from \$325 to \$650; deer from \$150 to \$275; elk and goat will now be \$575; moose from \$400 to \$800; sheep from \$425 to \$850; wolverine from \$175 to \$325; and musk ox from \$1,100 to \$2,200.

Section 19 makes multiple amendments. It conforms amendments to raising the age for eligibility for a permanent license from 60 to 62 and raises the age one needs to have a license from 16 years to 18. It also raises the waterfowl conservation tag from \$5 to \$10.

Section 20 raises the small game hunting license from \$20 to \$30.

Section 21 raises the non-resident alien hunting license from \$300 to \$600.

[3:43:57 PM](#)

Section 22 doubles the non-resident alien big game tag fees for: black bear to \$600; brown/grizzly bear and bison to \$1,300; caribou to \$850; deer to \$400, elk and goat to \$800; moose to \$1,000; musk ox to \$3,000; sheep to \$1,100; and wolverine to \$500.

Section 23 raises the resident King salmon tag from \$10 to \$15 and makes conforming amendments to the blind license increase, the exemption age to 62 and the license requirement age to 18 years.

Section 24 raises all six non-resident King salmon tag fees: \$15 for 1 day; from \$20 to \$30 for 3-days; from \$30 to \$45 for 7-

days; from \$50 to \$75 for 14-days; the annual tag from \$100 to \$150 and the annual non-resident military tag from \$20 to \$30.

[3:45:11 PM](#)

Section 25 has the new fish and game conservation decal, which is voluntary, for \$20. This section has intent language saying that the legislature may appropriate these funds to Fish and Wildlife Conservation programs.

Section 26 raises the required age to have a sport fishing, hunting and trapping license from 16 years to 18. The provisions in this section about non-residents are not amended. This section also amends the age that a resident can get a free hunting, fishing and trapping license from 60 years to 62. It also creates a requirement that those eligible for this license will have to renew it every three years starting in 2019.

Sections 27-31 make conforming amendments to raising the eligibility age from 60 to 62.

Sections 28 and 29 allow a resident to hunt and fish on behalf of a person with a developmental disability.

Section 32 is a number of repealed statutes regarding the fish hatcheries and the surcharge.

[3:46:37 PM](#)

Section 33 creates transition language for those who are over 60 years and currently eligible for the free hunting and fishing license so that they will continue to be eligible.

Section 34 requires the ADF&G commissioner to notify the Revisor of Statutes when all costs associated with the fish hatchery bonds under AS 37.15.765-799 are paid and all obligations are fully met.

Section 35 creates a conditional effect so that sections 1, 4, 9, 11, 13, 15, and 32 of this bill will not be in effect until the Revisor of Statutes is notified under section 34.

Section 36 adds uncodified language stating that sections 1, 4, 9, 11, 13, 15, and 32 will be in effect January 1 of the calendar year following the notice in section 34.

Section 37 creates an effective date for the rest of the bill, which is January 1, 2016.

[3:47:53 PM](#)

SENATOR STEDMAN said it's a good idea to hold this bill through the interim and into next January because of its magnitude. They should have a review of the Carlson case because most recognize that it is a commercial issue, but there is concern over any tie-ins with sport and unforeseen impacts. He agreed that the DOL should be in front of them for a discussion. He would also like having a review of the hatcheries' history and status. One of the issues is the challenges Senator Stoltze has in his district with sport fish and seeing if senators outside of that area can come up with a better feel for what he struggling with and some solutions, part of which is the hatchery. Both of those items would tie into components of this bill. The fee structure discussion and how ADF&G should be restructured could happen.

[3:49:47 PM](#)

CHAIR GIESSEL opened public testimony.

DICK ROHRER, representing himself, Kodiak, Alaska, said today he was just listening to the issues related to HB 137.

[3:50:16 PM](#)

RICHARD BISHOP, Goldstream Valley, Fairbanks North Star Borough, Alaska, supported HB 137. He is a retired game biologist and a traditional hunter, fisher and trapper. He is an advocate for sound fish and game management as well as the opportunity for all Alaskans to take advantage of these resources.

He said HB 137 provides a needed boost to ADF&G funding that will improve management of sport fish and wildlife resource programs that benefit all Alaskans as well as visitors. It provides the means to capture more of the available federal aid (Pitman Robertson federal restoration dollars) to fish and wildlife restoration. It will allow support of important programs such as intensive game management, Endangered Species Act issues and public education where federal aid dollars can't be used.

[3:54:05 PM](#)

AL BARRETTE, representing himself, Fairbanks, Alaska, wanted to work over the Interim to make HB 137 a really good bill.

[3:54:46 PM](#)

GEORGE PIERCE, representing himself, Kasilof, Alaska, agreed with some provisions of HB 137 but not others. He said "no" to a sockeye stamp; it's ridiculous. The people of Alaska own those resources and shouldn't have the fees raised. The personal use

fishery is subsistence and residents are entitled to the fish and game first.

He wished someone would amend the bill to raise hunting and fishing fees on guide services that take non-residents out and make tons of money on them. He also urged a review of guide fees to know how much they really do pay.

He said this bill does not need to be fast-tracked. Over 90 percent of testimony has come from the guides who want to raise fees for residents. He agreed with raising fees on non-residents by 100 percent but not on residents.

[3:56:34 PM](#)

TOM BROOKOVER, Director, Division of Sport Fish, Alaska Department of Fish and Game (ADF&G), Anchorage, Alaska, said he was available for questions on HB 137.

[3:57:00 PM](#)

EDDIE GRASSER, representing himself, Palmer, Alaska, supported HB 137 and provided some history of the issue. Over 100 years ago, people like Teddy Roosevelt initiated a process that was to become known as the North American Model for Wildlife Conservation, which is "undoubtedly the most successful conservation structure that has been devised by mankind," he said. It took things like wild turkey, black tail deer, Rocky Mountain elk, from virtually being on the verge of extinction to thriving populations.

One of the central ingredients of this model is that sportsmen agreed to pay for it. That is what this legislation is doing. They are coming to the legislature and asking for these license fee increases. They know that in order to go hunting and fishing somebody has to manage those resources and do it in a way that the harvestable surplus is known. Without adequate funding the department can't do that. If people think they can go hunting and fishing anyway even if they don't pay, the state could fall back on precautionary rule and not allow expanded seasons and harvest limits that people enjoy right now, because of programs like intensive management.

MR. GRASSER thanked Representative Talerico for introducing this legislation and looked forward to working on it in the Interim.

[4:01:14 PM](#)

GARY STEVENS, lobbyist, Alaska Outdoor Council (AOC), Chugiak, Alaska, said he wanted to talk about intensive management and

the surcharge that is not currently in HB 137. AOC is grateful for the agency funding of intensive management (IM) programs during times of financial prosperity. Now that it's not the case anymore, AOC's membership is willing to step up and help pay for the continued funding for IM programs that benefit all Alaskan hunters. After all, hunters are taking a public resource for personal use and it only makes sense that they would help fund the department to ensure that the IM programs, which include predator/prey management, habitat improvement, survey and inventory assessments that continue when the state is lacking the necessary funding. It's critical to the future of the ADF&G and management of the state's renewable resources.

MR. STEVENS related that AOC has 48 different club members in the state representing about 10,000 people. The \$10-IM surcharge that is not part of the bill now has a three-year sunset and legislative oversight. It's critical to take advantage of the PR funds that are absolutely necessary for reasonable management of the state's resources. At their annual meeting in February, 21 clubs were represented; they went through HB 137 and didn't support it as written but were willing to work on it in the Interim.

4:03:33 PM

RON SUMMERVILLE, representing himself, Juneau, Alaska, said he is also a member of the Territorial Sportsmen, and became interested in the license increase issue in HB 137 mainly because he was here when Governor Hickel asked the department to take a 5 percent decrease; he wanted 5 percent decreases for four years. Both sport fish and wildlife had some general fund (GF) monies that maintained commercial fisheries weirs, counting towers and other things and that just disappeared. This year's budget takes another \$3 to \$4 million in general fund monies out of sport fish and wildlife, and he predicted that would continue until those divisions were gone.

MR. SUMMERVILLE said he talked his organization into looking at ways to convince the legislature to allow them to pay more fees to carry on these programs. It's been 22 years since general license fees have increased and they want to increase them enough to not only meet present demand but a little out into the future, too. They found that it takes a 63 percent increase in all those fees just to bring them up to inflation level. With ADF&G and 30 other organizations, a compromise was developed in which residents take a 80 percent increase and non-residents and tag fees a 100 percent increase, and 50 percent for general licenses. The reason is to have something that is consistent.

He displayed a graph showing a \$10 million separation between the Pittman Roberts monies available and how much the department has been able to obligate. That has to be obligated in a two-year period or else it reverts back to the federal government. He said, "We're way behind the power curve right now on matching federal monies." He also displayed a map of the IM predator control programs that are required by the legislature, and he asked the House Finance Committee, if they don't get license increases this year, which one of those programs they want to see disappear and in what order, because the only money that can be used to match those programs is either Fish and Game Fund money or GF money. If a bill is not passed this year, some of those programs will be lost.

[4:08:56 PM](#)

THOR STACEY, Alaska Professional Hunters Association, Juneau, Alaska, supported HB 137. They would like the freedom from oil revenue to manage Alaska's wildlife, one of the constitutionally defined resources that shall be conserved and managed on a sustained yield basis.

He said 90 percent of Alaska's hunting guides are Alaska residents who rely on non-resident clients. Given that relationship between resident guides and a resident industry that relies on non-resident hunters, it takes a stiff upper lip to support a 100 percent fee increase on non-resident tag fees knowing that resident guides have to sell those increases. At the same time, they are not asking for the state to help sell their hunts. They are confident they can continue to do business as before and generate more revenue for the state.

MR. STACEY said they are asking to pay more to ADF&G to maintain Alaska's primacy of wildlife management in the state. If they don't have the money to do inventory counts and rely on the federal land managers to do those things, Alaska's fate will be dictated by somebody else. The industry feels it's their job and their obligation as sportsmen ask to pay more. He wanted this body to recognize that they are working with a coalition of groups that includes resident interests. This is a good will effort by Alaska hunters and sportsmen and by industry.

[4:11:33 PM](#)

He explained that the House Finance Committee Substitute for HB 137 increased some fees beyond the 100 percent level for non-residents on black and brown bears. These are issues of fairness and good faith. This is a good faith effort to free Alaska's

wildlife management from the vagaries of oil price and oil production.

[4:12:31 PM](#)

DOUG LARSON, representing himself, Juneau, Alaska, felt the fee increases in HB 137 were not adequate. He has lived, hunted and fished in Alaska all his life. He served as director of the Division of Wildlife Conservation in 2007-2010. As a result, he understands the challenges that go on with the budgets for that division and to some degree the Division of Sportfish. He understands the importance of general funds and the graciousness the legislature has had in the past to provide CIPs for things like intensive management (IM) and other wildlife related programs, which includes Endangered Species listing prevention research and inventory work.

He supports the Sportsmen's Coalition proposed rates and felt the amounts in the existing bill are insufficient to maintain those viable programs. He encouraged increasing rates, particularly on the resident side.

He heard that legislators don't want to raise resident fees too much and can appreciate that. However, it's important to note that non-resident hunters make up less than 20 percent of the hunters in Alaska each year and take relatively few game, but they contribute 75 percent of the Fish and Game Fund. Resident hunters make up about 80 percent of the hunters in Alaska each year and contribute about 25 percent to the Fish and Game Fund and there is a similar relationship on the sport fishing side.

This isn't so much a reflection of inappropriately high non-resident fees, which, in fact, are lower relative to other states'. That is why the coalition supports a 100 percent increase for non-residents. Rather, it's really a function of inappropriately low rates now.

MR. LARSON said he is retired now and his income is less than when it was while he was working. Nonetheless, like many other Alaskans, he is willing and prepared to dig deeper into his own pocket to pay a higher amount to ensure that programs like survey and inventory, intensive management, protections against ESA listings and access defense are viable.

This isn't the first time this issue has come up. However, up until now, agreement couldn't be found among user groups. At this point, there is strong board support for a higher resident and non-resident increase.

He said the term "IM" conjures up anxiousness in many peoples' minds, but the fact of the matter is that funds that would come in through something like a surcharge would be used not only for IM, but for habitat to see whether predator control is even the appropriate measure to take.

[4:16:51 PM](#)

MR. LARSON said the state receives \$2-3 million annually from federal/state wildlife grants, separate from Pittman Roberts Funds, but those need to be matched by state dollars. That's where the idea of a conservation pass comes in, because those funds could help match those dollars which are used for a variety of things including research to ensure that species that are not hunted, trapped or fished are not listed as endangered.

There are many examples where funds from those sources have been resulted in preemption of ESA listings; they include yellow-bill loons, black oyster catchers, bats, kitlets, murelets, and Steller sea lions. More recently, funds have been used to study Southeast Alaska's wolves to inform a petition that is currently out to list the wolf as endangered under the ESA. That research is costly and requires detailed information in order to stand up to legal challenges. He said listings of game or non-game species have huge implications for hunting, fishing, and trapping as well as for mineral and oil exploration and extraction, and timber harvestings.

MR. LARSON said he served on the Governor's wildlife transition team, a team of people with a broad array of backgrounds and interests. However, there was consensus on a number of items including the need to increase license fees and to do so sufficiently, the need to diversify revenue sources (where the concept of a conservation pass is important), and expand and enhance intensive management, not just predator control. In other words, get more information about habitats, predator/prey dynamics and assessments. An IM surcharge would help with that specifically.

[4:19:16 PM](#)

REPRESENTATIVE TALERICO closed saying he appreciated having the bill before the committee. He has talked to people throughout his district and they are where they want to be in the current bill.

[4:20:03 PM](#)

CHAIR GIESSEL said she appreciated his courage in bringing this issue up and held HB 137 in committee. She said this issue will have to be addressed as state revenue decreases.

[4:20:26 PM](#)

At ease from 4:20 to 4:21 p.m.

**Presentation: AKLNG End of Session Update by analytica**

[4:21:42 PM](#)

CHAIR GIESSEL announced the end of session AKLNG update by analytica.

NIKOS TSAFOS, partner, analytica, Consultant to the Legislature, Juneau, Alaska, said he would provide an update on where they think the AKLNG Project stands now. He said they had been monitoring the events in Juneau and want to offer an external audit of the governor's new idea. The project is in the Pre-FEED stage and has a healthy agenda of things to get agreement on over the next year and a half in order to put a series of agreements before this body that would move the project forward.

He said property tax was on the list that was meant to happen this session. The broad understanding was that maybe there would be a bill to authorize the administration to negotiate a property tax agreement that included payment in lieu of taxes; but that didn't quite happen. The bigger question is if Plan B that was put forward by the governor affected the big picture of AKLNG. The governor introduced a new idea that has raised questions about alignment between the state and the producers, and it has raised questions about alignment within the state between the legislature and the administration. They have announced a 45-day review process of AKLNG and it's not quite clear how that affects this timetable.

[4:25:20 PM](#)

He offered three broad takeaways:

1. It seems the state alignment in this project is becoming a major risk factor.
2. Ending up with a process with the state pursuing two projects at the same time will undermine both.
3. Good news is that they think some of the underlying concerns that have led to development of Plan B can be easily addressed within the context of AKLNG. The overarching concern is that the state not be held back by any one of the producers not wanting to move forward, and there are contractual ways to get around that as well.

[4:26:54 PM](#)

He wanted to talk about two things: risk analysis and if there is another way. If your job is analyzing LNG markets, what things do you look at? How do counter-parties, potential buyers, investors, competitors, or financier look at LNG projects? The answer is grouped into five broad categories. You ask:

1. Will the gas supply be reliable?
2. Are the sponsors credible?
3. Is there stakeholder buy-in? Is there a broad process to reconcile differences? An Environmental Impact State process? Judicial review?
4. Does the ecosystem support development? Are there roads and bridges and railways to support the development of a project?
5. Is the project commercially viable? Is the price worth the risk and is it attractive enough relative to other prices tags?

MR. TSAFOS said Mr. Mayer would walk them through an assessment of these five factors relative to where they were on January 1 with AKLNG, where they would have been looking at the Plan B idea and how things look when the two are put together.

[4:29:46 PM](#)

JANAK MAYER, partner, enalytica, consultant to the Legislature, Juneau, Alaska, said AKLNG Project is a very strong project on its own. The gas supply from Prudhoe Bay is reliable; Pt. Thomson has a new resource that is more technically complex but is well within the capability of the operator to produce. This gets a green light.

Are the sponsors credible? The three major oil and gas companies are three of the largest and most experienced international LNG players. It's unusual to have this much capability and expertise on one project. They are well capitalized. What has truly surprised both of them is just how committed the three companies are to this project - spending and expertise - considering the long history of failed negotiations.

CHAIR GIESSEL said an April 10 letter from governor expressed concern about what if one company pulls out and asked if he would address that now.

MR. MAYER said he saw that as a valid concern and there are very established ways in the industry of dealing with that rather than trying to create a separate project.

[4:33:17 PM](#)

Stakeholder buy-in for this project is a remarkable. The alignment is amazing for anyone familiar with the history of oil and gas development in Alaska - one of combined interest but too frequently distrust and an antagonistic relationship of negotiating against each other to try to get something done. He was struck last year with how much that was beginning to change with the structure in which the state was an equal co-partner.

The ecosystem clearly supports development in a way that it doesn't in many places in the world in terms of established roads, facilities and infrastructure and a highly capable oil and gas workforce. The major question mark about the project at this point is one of estimated cost, what that will end up being, what the oil prices is eventually and how this will competes with other projects elsewhere in the world on a cost basis. This gets a yellow light with a lot of green in the all the other areas.

[4:35:04 PM](#)

In talking about a Plan B, Mr. Mayer clarified that the term "standalone" is no reference to the Alaska Standalone Pipeline Project (ASAP). They use the term to mean a lone project to commercialize North Slope gas and as if there were no AKLNG. Their assessments where generous where they had questions.

A reliable gas supply gets a yellow, because all three major resource holders must be involved. Otherwise where would the gas come from and who would have the title? When looking at these companies or any major oil and gas players around the world, it's very rare that these companies are involved in LNG projects and sell from the upstream perspective and sell their gas only at the wellhead - in fact, he couldn't think of any examples. These are companies that understand to get the maximum value from that gas they need to participate through a lot more of the value chain and these companies have a price at which they will be willing to do that. But it is clear if gas was produced under a duty to produce, it would take a decade of litigation that might not be successful.

Are the sponsors credible? That was marked red, because they don't know who the project sponsors will be. The State of Alaska would be one and it has substantial resources (probably second in the AKLNG consortium in terms of balance sheet strength), but it does not have a lot of experience in bringing a project of this size and technical complexity on line.

MR. MAYER said successful LNG projects around the world are done by established players with a lot of experience. He couldn't say much about REI, an entity with which the administration had signed an MOU to look at some of these things, because he hadn't come across them in any other context. As far as they can tell, REI is a small Japanese consortium of municipalities that would like to purchase LNG, but doesn't necessarily have previous experience in doing so and certainly not in actually building a liquefaction project. It seems that the desired intent is to involve other entities at the buyer level in such a project and being generous in thinking about who this might involve, it could bring on board some of the most established utilities, the biggest buyers of LNG in Japan, Korea, and China. They participate in liquefaction projects around the world but do so as small equity owners. These are not companies that have any substantial experience operating or being the driving force behind a project of this magnitude.

He could think of two examples of companies that have played a major role in LNG projects and those are primarily upstream companies not utilities.

[4:41:18 PM](#)

SENATOR WIELECHOWSKI asked for an explanation of the red dot.

MR. MAYER answered the idea is as they think about the range of possible participants, including the State of Alaska, in the world of what is required to get a LNG project off the ground, it is not a credible combination of sponsors.

MR. TSAFOS added that it is a niche space and credibility means something very specific. This isn't meant to disparage the State of Alaska, because it would apply to a lot of players that could be very established in other areas.

SENATOR WIELECHOWSKI asked if it is safe to assume that the red dot means in his opinion that the SOA is incapable of building its own gasline.

MR. TSAFOS answered a project that is primarily driven by the SOA as a majority owner would have a huge uphill battle convincing counterparties this is something they should sign up for. It isn't insurmountable, but a lot of time would be spent and teams of people brought on to convince other people. It has happened before, but it's not easy and it is time consuming.

[4:44:47 PM](#)

MR. MAYER said on the question of stakeholder buy-in and thinking of this in a standalone world where there is no other competing project - this is the only way of commercializing North Slope reserves - gets a green, because clearly the state and its partners would be highly bought into that as long as one could assume the gas supply was a soluble problem. Ecosystem is the same in both cases and gets a green and commercial viability gets a yellow, because it is yet to be proven in either case.

MR. MAYER said looking at these side-by-side, each one is negatively impacted. The risks to both are exacerbated by the existence of the other. Will the gas supply be reliable? Plan B gets a clear red as long as AKLNG exists and is progressing, because it is one project in which the resource holders are active participants and trying to push ahead and another project that is trying to develop the same gas reserves at the same time that has already been committed to this other project. It is hard to see how one could approach anyone - financiers or the Department of Energy - for an export license.

Where they previously marked this as a green for AKLNG, it now gets a yellow, because at the same as the resource holders and sponsors are developing this the state seems to be involved in another competing project.

[4:47:46 PM](#)

SENATOR WIELECHOWSKI asked who they talked to in preparation for this audit.

MR. TSAFOS replied they have long made a living out of analyzing projects and have followed Alaska gas line developments for a long time. They talked to the people they always talk to: the legislature, the administration, the oil companies, and people who are truly third parties. They didn't do a dedicated survey.

[4:49:49 PM](#)

MR. MAYER added that as external industry analysts, they have both thought through the key enablers or things that hinder a project for many years on every LNG project around the world. Looking at these things and explaining how they think about them is a core part of what they do.

SENATOR WIELECHOWSKI asked if they have a list of their detailed billing records of who they talked to in preparing this document.

MR. MAYER responded that in preparing this document, they talked with themselves and debated with themselves passionately how they saw these things, but there were no specific conversations with anyone that lead to particular items in the document other than a request for a presentation.

SENATOR WIELECHOWSKI asked if they talked to the producers who are involved in the AKLNG project or members of the Alaska Natural Gasline Development Association (ANGDA).

MR. TSAFOS responded that this risk assessment was done between the two of them in their offices in Washington, D.C., when news came out of Plan B. As they formed their opinions, they talked to a lot of people. They don't necessarily ask these people specific questions, but they talk to legislators and oil companies and live in a world where they interact with people who are monitoring and working on projects. This specific assessment was done in isolation.

SENATOR WIELECHOWSKI said he had a hard time understanding that there is absolutely no chance that either project will go forward. BP and ConocoPhillips have not expressed that concern.

MR. MAYER responded that they wouldn't say there is no chance at all of either project going ahead, but the risks to both projects are substantially exacerbated by being pursued side-by-side. The state is co-venturers with the oil companies and so the companies have to be more diplomatic about what they say. Enalytica can be less diplomatic, because they know some of the companies involved will be more measured about what they say because they have very important relationships to maintain.

[4:54:36 PM](#)

SENATOR WIELECHOWSKI asked if any producers told him they had concerns about the governor's plan.

MR. MAYER answered the general tenor of conversations not conveyed in public comments with producers is concern about where they are headed.

SENATOR COGHILL remarked that a difference between the state and its AKLNG partners is that their board of directors gets to meet in their offices without the cameras watching them.

CHAIR GIESSEL asked if the Department of Energy (DOE) authorized an export license to projects that don't have gas in hand.

MR. TSAFOS replied that in general, the DOE doesn't issue exports. The vast majority of applications it gets are from projects in the Lower 48 where pipelines are flying left and right. So, the DOE doesn't necessarily think about gas in the context of one project; they think about the aggregate gas supply. But in the case of Alaska that doesn't have a readily available resource, they do look at the resource base. The Port Authority made an application that was dismissed by the DOE and that was one of the reasons; it is the only application he could find that had been dismissed by the DOE over the last four or five years.

SENATOR WIELECHOWSKI asked how much enalytica had been paid by the Alaska Legislature in the last year and what their hourly is.

MR. MAYER answered that Legislative Budget and Audit (LB&A) Committee employees them and can provide the full details of their contract, but their current arrangement is a fixed retainer whereby they do five days of work every month and for work over and above, that they have a daily rate.

SENATOR WIELECHOWSKI asked how much they have received in the last year of their hourly rate.

[4:59:06 PM](#)

CHAIR GIESSEL said LB&A had approved the contract, which is in the public record.

MR. MAYER said sponsor credibility is a big green light for AKLNG in isolation, because three of the world's biggest LNG companies are involved. But the idea they want to convey is that while Plan B exists, there is a fundamental question from outside counterparties - buyers, investors, analysts - as to the commitment of the State of Alaska to this project. When that becomes a fundamental question, there is the concomitant question of how long do these three major companies remain as committed as they are. The fundamental point is that sponsor credibility is substantially diminished by having one of the key sponsors, the State of Alaska, no longer clearly dedicated to this one project and by the ever-increasing likelihood that others will slow the pace of spending and investment if their co-venturer is not clearly completely dedicated to the project. Clearly, he said, on stakeholder buy-in there is the problem of alignment between the SOA and the companies as well as alignment between the branches of the state, itself: the executive and the legislature.

Finally, the eco-system remains one that is highly conducive to development, but ultimately they mark commercial viability in both cases as red, because suddenly it becomes difficult to see how the timeline of development milestones happens concurrently.

[5:01:45 PM](#)

MR. TSAFOS asked them to imagine him setting up a Greek restaurant in Anchorage with Akis (Akis is the Resources Committee aide) as his partner. So he starts setting it up. Then he finds out a month later that Akis is actually developing another Greek restaurant in the same spot. If that were to happen, the first question would be why am I out there if Akis is trying to put another project together behind his back? That is the context of where he thought this may head. The AKLNG partners will see getting edged out at some point as a huge risk.

[5:03:59 PM](#)

SENATOR HUGGINS joined the audience.

MR. TSAFOS stepped back from his bluntness, saying that the good news is that the governor has one thing clearly right. A major risk is that one year from now one company bails. But this is not unprecedented, he said. If the project is good but one partner isn't quite there yet, that happens quite often. There are three ways to deal with that: you try to change the rules or wait. But the optimum option is finding a way to buy them out. That happened in Angola with ExxonMobil; it happened in Sabine Pass where the first set of buyers weren't quite there and new buyers were found. It also happened at Pt. Thomson when Chevron wasn't excited about moving on. So, instead of stalling the whole thing, their share was bought out. It's a pretty typical part of joint venture agreements; you take out the weak link.

CHAIR GIESSEL said the governor expressed significant concern in the April 10th letter that AKLNG is working backwards, because the markets haven't been involved and asked him to comment on that.

[5:08:55 PM](#)

MR. TSAFOS said he didn't agree with the governor. The vast majority of LNG projects really start from the resource holders. He could only think of two or three where the market has been a driving force behind developing a project.

MR. MAYER said engaging the market is critically important, which is why AKLNG partners were making trips to Asia last year to meet with prospective buyers and that is why a former Chevron LNG marketer is part of the Department of Revenue team.

CHAIR GIESSEL said cost would have to enter into the picture if one was approaching buyers.

MR. TSAFOS agreed and added that at this stage talking to the market will get some interest, but they will only want to be kept in the loop until there is real information.

SENATOR COSTELLO asked if these questions are ones they ask of any project or were they specifically asked in relation to AKLNG versus the ASAP project.

MR. TSAFOS answered that these are generic questions and explained that they try to take a very structured approach for development of mega projects and quite a few things don't apply in the context of Alaska.

[5:13:24 PM](#)

SENATOR WIELECHOWSKI asked what percentage of their income is from the State of Alaska.

MR. MAYER said he couldn't give him a precise figure as they work with a number of clients around the world.

SENATOR WIELECHOWSKI asked if they had filed financial disclosure forms with the State of Alaska.

MR. MAYER said he hadn't and wasn't aware of any need to do so, and he wasn't aware of any particular interest he has that would require disclosure.

SENATOR WIELECHOWSKI said consultants of the state are required to file financial disclosure. He asked if the State of Alaska makes up a large percentage of their income.

MR. MAYER said they have been doing this work for many years in a number incarnations and Alaska has in previous times been a major client but by no means a very significant one. They have a number of other clients now, but Alaska is the biggest one.

CHAIR GIESSEL thanked the participants.

[5:15:13 PM](#)

**ADJOURNMENT**

CHAIR GIESSEL adjourned the Senate Resources Committee meeting at 5:15 p.m.