

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 14, 2017

1:02 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Dean Westlake, Vice Chair
Representative Harriet Drummond
Representative Justin Parish
Representative Chris Birch
Representative DeLena Johnson
Representative George Rauscher
Representative David Talerico

MEMBERS ABSENT

Representative Mike Chenault (alternate)
Representative Chris Tuck (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 177

"An Act relating to the response to, and control of, aquatic invasive species; establishing the aquatic invasive species response fund; and relating to the provision of information about aquatic invasive species to users of the Alaska marine highway system."

- MOVED CSHB 177(RES) OUT OF COMMITTEE

PRESENTATION: AK GASLINE DEVELOPMENT CORPORATION STATUS UPDATE

- HEARD

HOUSE BILL NO. 211

"An Act requiring a nonresident to be accompanied by a guide or resident spouse or relative when hunting certain caribou; and providing for an effective date."

- MOVED CSHB 211(RES) OUT OF COMMITTEE

HOUSE BILL NO. 201

"An Act relating to municipal regulation of trapping; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 217

"An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

- BILL HEARING POSTPONED

HOUSE BILL NO. 218

"An Act relating to the state veterinarian and to animals and animal products."

- BILL HEARING POSTPONED

PREVIOUS COMMITTEE ACTION

BILL: HB 177

SHORT TITLE: AQUATIC INVASIVE SPECIES

SPONSOR(s): REPRESENTATIVE(s) TARR

03/14/17	(H)	READ THE FIRST TIME - REFERRALS
03/14/17	(H)	RES, FIN
04/05/17	(H)	RES AT 1:00 PM BARNES 124
04/05/17	(H)	Scheduled but Not Heard
04/07/17	(H)	RES AT 1:00 PM BARNES 124
04/07/17	(H)	Heard & Held
04/07/17	(H)	MINUTE(RES)
04/10/17	(H)	RES AT 1:00 PM BARNES 124
04/10/17	(H)	-- MEETING CANCELED --
04/12/17	(H)	RES AT 1:00 PM BARNES 124
04/12/17	(H)	Scheduled but Not Heard
04/13/17	(H)	RES AT 5:00 PM BARNES 124
04/13/17	(H)	-- Continued from 4/12/17 --
04/14/17	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 211

SHORT TITLE: NONRESIDENT HUNTING REQUIREMENTS: CARIBOU

SPONSOR(s): REPRESENTATIVE(s) WESTLAKE

04/05/17	(H)	READ THE FIRST TIME - REFERRALS
04/05/17	(H)	RES
04/12/17	(H)	RES AT 1:00 PM BARNES 124
04/12/17	(H)	Scheduled but Not Heard
04/13/17	(H)	RES AT 5:00 PM BARNES 124
04/13/17	(H)	-- Continued from 4/12/17 --

04/14/17 (H) RES AT 1:00 PM BARNES 124

BILL: HB 201

SHORT TITLE: MUNICIPAL REGULATION OF TRAPPING

SPONSOR(S): REPRESENTATIVE(S) JOSEPHSON

03/29/17 (H) READ THE FIRST TIME - REFERRALS
03/29/17 (H) CRA, RES
04/11/17 (H) CRA AT 8:00 AM BARNES 124
04/11/17 (H) Heard & Held
04/11/17 (H) MINUTE(CRA)
04/13/17 (H) CRA AT 8:00 AM BARNES 124
04/13/17 (H) Moved CSHB 201(CRA) Out of Committee
04/13/17 (H) MINUTE(CRA)
04/14/17 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

KEITH MEYER, President
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation prepared by the Alaska Gasline Development Corporation dated 4/14/17, and answered questions.

LIEZA WILCOX, Vice President
Commercial and Economics
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Participated in a PowerPoint presentation prepared by the Alaska Gasline Development Corporation dated 4/14/17, and answered questions.

BERNARD CHASTAIN, Major; Deputy Director
Headquarters
Division of Alaska Wildlife Troopers
Department of Public Safety
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing of HB 211.

FORREST WOLFE, Staff
Representative Dean Westlake
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking on behalf of Representative Westlake, sponsor, answered questions during the hearing of HB 211.

THOR STACEY, Lobbyist
Alaska Professional Hunters Association
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing of HB 211.

MEGAN ROWE, Staff
Representative Andy Josephson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking on behalf of Representative Josephson, sponsor, answered questions during the hearing of HB 201.

BERNARD CHASTAIN, Major; Deputy Director
Headquarters
Division of Alaska Wildlife Troopers
Department of Public Safety
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing of HB 201.

BRUCE DALE, Director
Division of Wildlife Conservation
Alaska Department of Fish & Game
Palmer, Alaska

POSITION STATEMENT: Answered a question during the hearing of HB 201.

ACTION NARRATIVE

[1:02:21 PM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 1:02 p.m. Representatives Tarr, Parish, Talerico, Rauscher, Drummond, Johnson, and Josephson were present at the call to order. Representatives Westlake and Birch arrived as the meeting was in progress.

HB 177-AQUATIC INVASIVE SPECIES

[1:03:29 PM](#)

CO-CHAIR TARR announced that the first order of business would be HOUSE BILL NO. 177, "An Act relating to the response to, and control of, aquatic invasive species; establishing the aquatic invasive species response fund; and relating to the provision of information about aquatic invasive species to users of the Alaska marine highway system."

CO-CHAIR TARR reminded the committee HB 177 was amended during the hearing on 4/13/17 to add an additional prevention measure to share information related to aquatic invasive species with individuals who register boats with the Division of Motor Vehicles, Department of Administration. She said [state legislation would not have jurisdiction over owners who register floatplanes as] floatplanes are registered with the Federal Aviation Administration, U.S. Department of Transportation.

[1:05:34 PM](#)

CO-CHAIR JOSEPHSON moved to report HB 177, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 177(RES) was reported from the House Resources Standing Committee.

PRESENTATION: AK GASLINE DEVELOPMENT CORPORATION STATUS UPDATE

[1:06:20 PM](#)

CO-CHAIR TARR announced that the next order of business would be a presentation by the Alaska Gasline Development Corporation.

[1:06:58 PM](#)

KEITH MEYER, President, Alaska Gasline Development Corporation (AGDC), began AGDC's update on the Alaska [liquefied natural gas] Project (Alaska LNG), and informed the committee the project's three main focus areas for 2017-2018 are: regulatory, finance, and commercial. Also included in the presentation are Alaska LNG milestones, marketing efforts, a commercial update, and upcoming activities [slide 2]. Firstly, as an update on the "regulatory side," he said [on 4/13/17] the AGDC board of directors approved AGDC's filing of an application to obtain a Natural Gas Act Section 3 permit from the Federal Energy Regulatory Commission (FERC). In the past two years, AGDC's work has been directed toward the FERC National Environmental Policy Act of 1969 (NEPA) pre-filing phase - during which an applicant interfaces with agencies - and draft pre-filing

documents were submitted to FERC. Questions from FERC on the draft documents have been addressed, and the formal application will be filed [4/17/17]. Mr. Meyer said filing the application begins a formal process with FERC that will end with an authorization to construct the facilities. He explained that all FERC questions have been addressed: 2,000 questions have been answered, and some will be answered after final engineering. Further, state agencies participated in answering FERC questions, as the state, - through AGDC - is now the applicant. The Department of Natural Resources (DNR) will serve as the point of contact between state and federal agencies as relates to state- and NEPA-related questions. Furthermore, a public awareness campaign will commence 4/20/17, beginning with community meetings across the state in which FERC will participate. [AGDC] is also interviewing engineering procurement construction (EPC) contractors to assist with technical regulatory questions and capital cost estimates. Lastly, AGDC is finalizing negotiations on the site purchase [slide 3].

[1:12:10 PM](#)

REPRESENTATIVE PARISH asked whether the land upon which the pipeline would be built is currently owned by [ExxonMobil Corporation, BP, and ConocoPhillips Alaska, Inc.]

MR. MEYER clarified the aforementioned land is the site of the proposed LNG facility in Nikiski. In further response to Representative Parish, he explained AGDC, as applicant, needs to either own or control the land. In further response to Representative Parish, he said AGDC seeks to acquire the land at a cost of about \$50 million, but that does not include all the parcels of land that are needed.

REPRESENTATIVE PARISH questioned whether additional parcels would be acquired from a municipality and private owners.

MR. MEYER said correct.

REPRESENTATIVE TALERICO asked when FERC would issue its permit.

MR. MEYER said the FERC process would take about 18 months, but may take less time because of the new [federal] administration, and because of the amount of work previously completed.

REPRESENTATIVE BIRCH inquired as to whether the land purchase is unconditional, or is subject to the project advancing.

MR. MEYER cautioned that he could not breach confidentiality agreements with the present owners; AGDC seeks an option to buy that would not be exercised until after the FERC process granting AGDC the authority to build on the land.

REPRESENTATIVE BIRCH hoped a project with some measure of uncertainty would not be obligated to spend \$50 million on property.

MR. MEYER said, "That is the plan."

REPRESENTATIVE JOHNSON asked for the term of the FERC [permit].

MR. MEYER said typical FERC authorizations to build LNG facilities allow five years to start construction, but it could be longer or shorter.

REPRESENTATIVE PARISH asked if [ExxonMobil, BP, and Conoco-Phillips] spent \$50 million to acquire the land [for the LNG facility in Nikiski].

MR. MEYER was unsure, however, "the concept is, if we would buy it, we would buy it at cost."

MR. MEYER turned to updates on finance structure: AGDC has performed preliminary modeling of the third-party finance structure for the project; an investor prospectus is underway to show that the project is competitive and will provide a reasonable return on investment; a financial advisor selection process is underway and AGDC will also engage an independent registered municipal advisor as required by the [Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010], retained through the Department of Revenue (DOR). He explained the financial advisor would assist AGDC in structuring assumptions, and introduce AGDC to the global financial community. A chart illustrated investor cash flow for a \$40 billion project with 25 percent - \$10 billion - in equity. The timeline indicated \$10 billion spent [beginning in 2017], a 20-year debt life, and returns of over \$1 billion per year up to about \$2 billion spent by the end of the contract life. At that point the debt is paid, and if the tolls remain the same, cash flow to the investors increases for the life of the North Slope resource base. Mr. Meyer stressed the timeline shows the project would garner billions of dollars in returns; furthermore, a long-life asset, once debt is paid, with a cash flow greater than \$5

billion per year, could be sold or monetized for an estimated \$50 billion [slide 4].

REPRESENTATIVE PARISH questioned how AGDC qualifies as a municipality.

MR. MEYER answered AGDC qualifies as a municipality under protections provided by the Dodd-Frank Act because it is owned by the state, and thus is required to engage an independent registered municipal advisor. He further explained if a financial advisor provides advice to AGDC, and AGDC is without protection from an independent registered municipal advisor, the financial advisor might preclude itself from participating in debt offerings and equity. As DOR already has an agreement with an independent registered financial advisor, AGDC will modify and participate in the existing DOR agreement.

[1:22:45 PM](#)

CO-CHAIR TARR asked if [AGDC's status as a municipality] is a separate issue from the "letter ruling" the state will seek for taxation purposes.

MR. MEYER said AGDC's status as a municipality grants some tax-exempt status for income tax. To the extent that AGDC owns the project, and for the portion owned by AGDC, there are tax advantages that cannot be passed to a third party. However, for the portion owned by AGDC, there will be no federal income taxes to pay.

REPRESENTATIVE JOHNSON asked whether AGDC is subject to federal open meetings laws.

MR. MEYER said all AGDC board meetings must be public when three or more members gather.

MR. MEYER continued to commercial issues. [AGDC] seeks to raise awareness about the project in the LNG community as few funds have been spent on marketing outside of Alaska. In fact, media reports during the transition period may have inferred the project was failing, thus there is an effort to raise awareness and to push for commercial commitments. Currently, AGDC is following up on existing prospects in Asia and elsewhere. Also as part of raising awareness of the project, AGDC seeks to correct misperceptions surrounding the project's capital cost of less than \$45 billion, the potential for phased development, and that the delivered price for LNG will be very competitive in the

global arena. Upcoming commercial activities will include China and a broader Asia-Pacific commercial plan, a capacity solicitation process to ask for commitments on the capacity of the pipeline and LNG plant, and drafting of tolling agreements associated with capacity commitments [slide 5]. Slide 6 was a timeline beginning in the first quarter of 2017 (Q1 2017) and continuing to the first quarter of 2019 (Q1 2019). In Q1 2017, AGDC will engage an engineering contractor to support the regulatory and financing processes and refine capital cost; however, this is not a detailed engineering effort. On the timeline at Q2 2017 was shown the FERC [Sec 3 application] filing, and he advised receipt of the draft environmental impact statement (EIS) will take about one year. After a comment period, the final EIS, a brief appeal period, and the authorizing order will be completed in Q1 2019. Also shown was the timeline for commercial/financing indicating AGDC is now engaging an independent registered municipal advisor, followed by final investor documents, marketing to the global community, and exploring debt financing and ratings, all leading to a final investment decision (FID) in Q1 2019. The third-party equity process would continue from Q3 2017 through [Q4 2018]. Mr. Meyer said customer engagement began in late December [2016], and will continue along with capacity solicitation during Q3 2017 and beyond. He stressed between now and 2018, AGDC will engage with the LNG market and with capacity holders to finalize contracts. By Q1 2019 the project will be ready for FID, after which "some of big dollars then get spent, but the funding is from outside sources as well." He noted AGDC is "doing a lot of paperwork in [2017 and 2018]"

[1:30:39 PM](#)

MR. MEYER returned to the Alaska LNG Summit which was hosted with strong local support from Prudhoe Bay to the Kenai Peninsula. [AGDC] brought 23 international guests - representing 14 companies - from Asia, to the conference, and he described the events sponsored by the major producers, labor organizations, government, and regional corporations, all speaking in support of the project. Costs of the summit were paid by sponsors and registration fees. In April, AGDC attended the Gastech exhibition and conference in Tokyo, Japan. Upcoming commercial outreach efforts include engaging potential Chinese LNG buyers, preparing for the CWC [World LNG & Gas Series (CWC)] conference in Beijing, China, preparing for the CWC conference in Houston, Texas, and expanding commercial efforts in the Asia-Pacific region [slide 7].

1:32:53 PM

MR. MEYER said the visit of Chinese President Xi Jinping and fourteen of his cabinet members was an historic event. The meeting in Alaska followed President Xi's visit with President Trump, where he heard positive statements about the project from the American president. Mr. Meyer pointed out China is a major energy consumer and the third largest consumer of LNG in the world. Slide 8 illustrated Chinese LNG demand and the reduction in its supply as LNG contracts expire in 2016: China has growth in demand and contracts expiring. He remarked:

President XI ... told me "We've got 100 years of LNG demand." I told him we've got 100 years of LNG supply. So, we're a beautiful fit together.

1:34:42 PM

REPRESENTATIVE BIRCH inquired as to the potential use of icebreaker LNG tankers operating out of Arctic nations.

MR. MEYER related the Russian Yamal LNG project will be served by ships with icebreaking capabilities built in China. The ships are expensive and not as efficient as others, and the facility located on the Yamal Peninsula cannot be accessed year around. He acknowledged icebreaker LNG tankers are being talked about, but an LNG plant in the Arctic would need to be built 30-50 miles offshore due to water depth; adding the cost of the facility and the cost of the ships, the total project costs would increase by \$10 billion. Mr. Meyer opined better use of the money is building a pipeline to a facility in a known location. Further, a gas pipeline can serve all the State of Alaska, providing fuel to mining projects and Alaska communities.

REPRESENTATIVE PARISH observed the proposed gas pipeline route goes under Cook Inlet to Nikiski, and asked why that route is preferred over the Trans-Alaska Pipeline System (TAPS) route.

MR. MEYER said Alaska has many good sites for an LNG plant including Valdez, Port MacKenzie, and Nikiski. Nikiski was selected for a number of reasons detailed in the FERC application. He offered to provide the specific list [of reasons].

REPRESENTATIVE PARISH understood FERC identified Valdez as the preferred site, as reported in the media.

MR. MEYER said that is an incorrect statement.

REPRESENTATIVE PARISH read from a document not provided.

MR. MEYER explained there was a route to Valdez approved for a previous project. However, for Alaska LNG, Nikiski is the preferred site, and FERC did not say otherwise about this project. Valdez would have been a fine site; in fact, there could be a future LNG facility in Valdez supplied by an interconnect to the proposed gas pipeline. He added Nikiski has good water depth, good land, and accessibility.

[1:41:15 PM](#)

REPRESENTATIVE RAUSCHER also read from a report in the media that FERC is now seeking more information about Valdez as an option [document not provided].

MR. MEYER acknowledged there is an intervenor [exercising the right of an individual to request rehearing of a FERC order] in the FERC process who is requesting FERC to approve Valdez as the preferred site. In further response to Representative Rauscher, he explained AGDC will have to respond to the motion to intervene and provide further details that support Nikiski as the preferred site. He advised, "... the intervention ... is maybe going to cost us, you know, a month or two - changing the site would cost us years."

REPRESENTATIVE PARISH questioned whether Cook Inlet is a good place to run a subaquatic gas pipeline.

MR. MEYER said it is "a perfectly good place" for an offshore line.

REPRESENTATIVE PARISH recalled gas has been lost in Cook Inlet recently due to breaks in subaquatic pipelines. He expressed reservations about running another pipeline, and asked for the expected lifespan of the proposed pipeline.

MR. MEYER stated a pipeline can last forever if it is maintained. The proposed pipeline traversing Cook Inlet will be constructed of thick steel and coated with concrete.

CO-CHAIR TARR suggested the committee refer to videos presented at previous Alaska LNG updates where the aforementioned topics have been discussed in great length. She requested AGDC provide

the committee FERC filing information on the location selection, noting there have been steps by the Alaska congressional delegation related to land acquisition in the Denali National Park and Preserve area, and there are safety concerns about two pipelines terminating in Valdez.

[1:47:11 PM](#)

LIEZA WILCOX, Vice President, Commercial and Economics, Alaska Gasline Development Corporation, DCCED, directed attention to slide 10, which was a graph of the anticipated production profile of volumes of gas for the first 30 years of the project, from 2024 to 2054. As illustrated on slide 10, discovered resource on the North Slope located in the Prudhoe Bay Unit (PBU), the Point Thomson Unit (PTU), and other fields totals 35 trillion cubic feet (Tcf), an amount sufficient to supply the proposed Alaska LNG pipeline at close to 100 percent capacity for at least 20 years. She said this is an advantage Alaska can offer customers because the gas is in production and is a resource ready to be exported. Also shown was a portion of the over 200 Tcf estimated as a "yet-to-find" resource - undiscovered and technically recoverable - estimated by analysis of the resource base and seismic data. Ms. Wilcox acknowledged currently, worldwide LNG supply appears to be oversupplied; further, a large number of projects have been developed and appear "to have overshot a bit for the, for the amount of demand that's available." However, she said the market is expected to catch up to demand because LNG remains a popular energy source, especially in Asia. Slide 11 illustrated an LNG demand projection by BP that showed a large rise in demand from Asia, and a second LNG demand projection by Royal Dutch Shell that showed the world LNG market balance. She pointed out the existing gas capacity begins to drop around [2020] and [projects in development range to over 300 metric tons per annum (MTPA) and the demand forecast rises to 500 MTPA in 2030]. Proposed projects in competition with Alaska LNG are located as follows: U.S. Gulf Coast, supplied by inexpensive shale gas; Canada and the Pacific Northwest, challenged by permitting, taxation, and regulatory issues; Russian Arctic, facilitated by icebreaker LNG tankers; East Africa; Australia, expansion projects challenged by cost overruns due to "floating LNG." As far as price, she said U.S. Gulf Coast supply "appears to be driving the market price setting in, in the states."

[1:53:13 PM](#)

REPRESENTATIVE PARISH inquired as to the impact on the world gas supply of the completion of projects such as those in East Africa.

MS. WILCOX advised each project in its initial stage tends toward producing 10-15 million tons per year, and Alaska LNG can produce "up to 20, with the three trains"; however, after a project is built there are expansion possibilities, and over 100 Tcf of resource have been discovered in East Africa. Total impact would depend on when the gas gets to market and what the market can absorb. Slide 12 illustrated long-term LNG contracts and demand in Japan, Korea, Taiwan, and China. She pointed out Japan, Korea, Taiwan, and China are strategically positioned for LNG from Alaska, and in the mid-2020s there will be decline in their current long-term contracts, which will present an opportunity for LNG from Alaska that did not exist 15 years ago.

REPRESENTATIVE PARISH observed the information presented on decline and supply is not indicative of actual reduced supply, but of reduced contracted supply, thus if all [expiring] contracts are renewed, there would be a "much less rosy outlook."

MS. WILCOX agreed, noting the outlook presented on slide 11 indicated the supply capacity declines at a lower rate than do contracts. Further, some contracts will be renewed, and others will be filled by competitors. She said, "We're looking at it as the, as the double opportunity to not just provide new capacity to the market, but potentially replace some of the current capacity."

[1:57:07 PM](#)

REPRESENTATIVE WESTLAKE, regarding the second bullet point [found on slide 12: Existing contracts expire in the same timeframe as a projected global shortfall in LNG supply.], asked whether AGDC could address the concern about fierce competition for the world gas market.

MS. WILCOX advised the way to address competition is with early and consistent project momentum and contracting. [AGDC] seeks to complete commercial contracting and paperwork prior to spending the funds that are required to construct the project. For example, for a project planning to sell a lot of its [capacity] on [the spot market], there is a much higher risk.

MS. WILCOX directed attention to slide 13, illustrating the project's capital structure. Alaska LNG is an approximately \$40 billion project with a traditional U.S. gas pipeline capital structure. The project would require approximately \$10 billion in equity - 25 percent of the total investment - that would garner an estimated 8 percent return. After the project is contracted, the remaining \$30 billion for construction would be raised from debt, modeled with a 5 percent interest rate, leaving the Alaska LNG total cost of \$40 billion with 5.75 percent cost of capital. She stressed lowering the cost of capital under the finance structure is key to lowering total cost for all parties and making the project more competitive. Returning to investor economics, she restated investor cash flow will be 25 percent with an 8 percent return. Investors will have expenditures at the front end and will repay debt for 20 years, during which the cash flow will be lower. After 20 years, investors will earn an estimated 10 percent return, assuming the project still has a supply of gas, and after 2045, the return will increase significantly. During the 20-year contract period, approximately 25 Tcf of gas will be produced, and 10 percent of the potential yet-to-find resources will be required to continue operations for an additional 25 years. Also after 2045, the asset value of the project could be recovered through sale [slide 14].

MS. WILCOX explained slide 15 depicts potential cash flow to the state over the same timeline, should the state invest 25 percent equity into the project. Again, there would be an 8 percent return for the contracted period, and 10 percent over the life of the project, however, the state may earn additional upstream cash in the form of revenue in kind (RIK), tax as gas (TAG), and payment in lieu of tax (PILT), which would increase the state return to 13 percent during the initial period and 15 percent over the life of the project. Alaskans would further benefit from state ownership through a lower cost of energy, industrial development, and jobs.

[2:04:00 PM](#)

REPRESENTATIVE PARISH asked whether AGDC is able to establish PILT on federal land because it is considered a municipality.

MS. WILCOX explained PILT is under consideration by AGDC as a substitute for property tax assessed along the pipeline route. A portion would be paid to the affected communities, and a portion to the state general fund (GF) and thereby benefit the overall state economy.

MR. MEYER further explained AGDC would pay PILT to communities, which is an expense to the project; from the state's perspective, it is assumed PILT would total \$500 million per year to the state and communities.

CO-CHAIR TARR clarified Senate Bill 138 [passed in the 29th Alaska State Legislature] created a municipal advisory group to address this topic. She recalled in order to avoid litigation that has been brought related to the amount of taxes paid to municipalities for TAPS, Alaska LNG seeks to negotiate PILT so that regular annual payments would accrue for better municipal planning. With state ownership of Alaska LNG, PILT would go to local municipal governments to compensate for the impact of construction.

MS. WILCOX continued to the competitiveness of the project, and provided a graph representing a forecast of a range of prices for LNG delivered to Asia. The lowest price shown on the graph was the current Henry Hub index price that is an almost historical low plus \$5 for Gulf Coast facilities and shipping. She said few new projects can be built on the basis of the current Henry Hub price, which is low because the LNG market is currently oversupplied and overbuilt. Other forecasts are for prices that are tied to oil, and the highest forecast was from the U.S. Energy Information Administration (EIA), base Henry Hub plus \$5. Although the exact price of gas in 2025 is unknown, the forecasts are "the perceptions that we're competing with - at the moment - for what the market price is." Also shown was Alaska LNG toll plus shipping costs. She said, "We perceive these numbers to be within the range of reasonable, for gas that is already being produced ... and being reinjected and the gas that, that doesn't have, doesn't carry exploration risks. And, therefore, the project can be competitive."

[2:09:13 PM](#)

MS. WILCOX informed the committee one of AGDC's primary focus areas during the next two years will be to improve the project's competitiveness by lowering infrastructure costs through financing, and by the validation of current engineering estimates. Slide 17 compared the cost estimates for a three-train system and a two-train system: a two-train system could be built for about 75 percent less cost including two-thirds of the capacity of the gas treatment plant and two-thirds of the capacity of the LNG, with the same pipeline. Also under review are contingency and owners costs. Also on slide 17 were further

details on owners costs, which she said would be validated and/or challenged by the EPC contractor.

REPRESENTATIVE DRUMMOND inquired as to what would cause AGDC to expand the project from two trains to three trains.

MS. WILCOX answered, "It would be more demand, so, so if the market is oversupplied, ... then you would try to start smaller and expand, which is how most LNG projects are run." In further response to Representative Drummond, she affirmed that expansion could occur while the project was operational.

MS. WILCOX advised AGDC, in its role as the project developer, will bring many parties together for the success of the project, including potential investors, potential upstream and downstream tollers, and project support to provide tools to [lower] the cost of the project related to financing and construction terms [slide 18]. She reviewed the following points [slide 19]:

- Alaska LNG is needed by the Asian market and by Alaska as a cash flow opportunity in the future
- Alaska LNG is competitive
- Alaska LNG is achievable through its project finance structure

MR. MEYER restated AGDC's upcoming activities [slide 20). Not previously stated is AGDC's intent to continue to advance potential U.S. government support from the new federal administration.

[2:14:19 PM](#)

REPRESENTATIVE RAUSCHER returned attention to earlier discussion related to [LNG facilities located in the Arctic] that cost \$10 billion, and asked why an LNG facility has to be built offshore, and for the source of the data.

MR. MEYER said he speculated the cost of the project would increase by \$10 billion if the LNG facility was built offshore. He expressed his understanding that the beach along Prudhoe Bay is shallow thus to reach a water depth sufficient for ships, the facility would need to be 35-40 miles offshore. He related artificial channels fill quickly with silt.

REPRESENTATIVE RAUSCHER suggested the gas could be piped to Nome for shipping.

MR. MEYER said shipping from the West Coast is "challenged." He opined the proposed project routing serves Alaska, the mining industry, and Alaska communities.

REPRESENTATIVE WESTLAKE questioned whether the project plan includes take-off points.

MR. MEYER said there would be at least five take-off points because instate demand is a key reason to build the project.

[CO-CHAIR TARR passed the gavel to Co-Chair Josephson.]

[2:17:27 PM](#)

The committee took an at-ease from 2:18 p.m. to 2:24 p.m.

HB 211-NONRESIDENT HUNTING REQUIREMENTS: CARIBOU

[2:24:23 PM](#)

CO-CHAIR JOSEPHSON announced that the next order of business would be HOUSE BILL NO. 211, "An Act requiring a nonresident to be accompanied by a guide or resident spouse or relative when hunting certain caribou; and providing for an effective date."

[2:25:09 PM](#)

REPRESENTATIVE WESTLAKE read from the Alaska State Constitution, Article 8, section 2 as follows:

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the state, including land and waters, for the maximum benefit of its people.

RESPRESENTATIVE WESTLAKE said maximizing benefits for Alaskans should not be limited to oil [resources]. He pointed out the wealth from out-of-state hunters with a guide is not disruptive to migration patterns. Furthermore, a transporter bringing in a hunter from out-of-state, or not, suffers no repercussions if a violation is committed by a client, but if a hunter is accompanied by a big game guide, the guide has a vested interest in ensuring Alaska laws are obeyed.

CO-CHAIR JOSEPHSON asked for clarification on why the Porcupine Caribou Herd, [with a herd size of] 200,000, is included in the provisions of the bill.

REPRESENTATIVE WESTLAKE explained the legislation applies to the caribou that cross over from Canada.

CO-CHAIR JOSEPHSON recalled previous testimony [during the hearing of HB 211 on 4/13/17] from Mr. Barrette that mandatory guiding should not be used as a tool to limit nonresident opportunity.

REPRESENTATIVE WESTLAKE agreed, and explained why the bill requires mandatory guiding as follows:

It goes back to sustainable yield, exactly what the Board of Game [Alaska Department of Fish & Game (ADFG)] was created for. You have big game guides out there [and] it behooves them to, to have sustainability built into whatever they may be hunting, so, unlike [Mr. Barrette], where he's saying I'm using it to exclude people, I'm using it so their children, the clients' children, and their children, and so forth, will be able to hunt from these magnificent herds that are traveling across America, the last ones that we have out here. [The bill] is a safeguard for sustaining these herds, rather than what we have now, with transporters being able to take someone in, and being disruptive to herd migrations - the herd patterns. This, it just makes sense.

CO-CHAIR JOSEPHSON directed attention to the bill on [page 1, lines 10-14, which read:

*Sec. 2. AS 16.05.407(b) is amended to read:

(d) A nonresident who violates (a) or (g) of this section, or who fails to furnish an affidavit under (b) of this section, is guilty of a misdemeanor and upon conviction is punishable by imprisonment for not more than one year, or by a fine of not more than \$5,000, or by both.

CO-CHAIR JOSEPHSON asked whether the foregoing section would be consistent with the efforts of the Division of Wildlife Troopers, Department of Public Safety (DPS), in proposed HB 129 and in Senate Bill 91 [passed in the first session of the 30th Alaska State Legislature], which are to move provisions into AS 12.55 "in sort of a generic [class] A misdemeanor sort of way."

[2:29:29 PM](#)

BERNARD CHASTAIN, Major, Deputy Director, Headquarters, Division of Alaska Wildlife Troopers, DPS, clarified the question is related to the penalties associated with AS 16.05.407 subsections (b) and (d). He informed the committee [companion bills SB 60 and HB 129] propose to align penalties within Alaska Statutes Title 16, and standardizes the penalties within as class A misdemeanors. Currently, AS 16.05.407 is not included in the provisions of proposed HB 129 or SB 60; however, amendments are forthcoming which would align AS 16.05.407 penalties to a class A misdemeanor, and thereby change the penalties proposed in HB 211.

CO-CHAIR JOSEPHSON said, "... but you're O.K. with this sort of continuing with the status quo, in terms of its language, pending any further reform of, through HB 129."

MAJOR CHASTAIN clarified the change in the language [in HB 211 on page 1, lines 10-14] simply adds "or (g)" and does not change the penalties. Other [proposed] bills would change the penalties.

REPRESENTATIVE TALERICO said he is struggling with the idea of the bill because the state has established a regulatory agency via the Board of Game (BOG), ADFG, to deal with proposals [related to wildlife]. He questioned whether BOG has the ability to enact the restriction directed by the bill, and thereby keep the restriction "somewhat flexible"; the legislature enacts statutes, which are not very flexible. He asked whether the bill removes authority from a state agency structured to provide [wildlife] management.

REPRESENTATIVE WESTLAKE responded the bill addresses user conflict. The problem is: There are many conflicts between those who pay transporters and those who use the resource for subsistence, which seem to be "never-ending." In GMU 23, [the sizes of] caribou herds have dropped. He read as follows [from a document not identified]:

Leading up to game management unit 23's closure, all [caribou] harvesting declined ... except nonguided nonresident.

REPRESENTATIVE WESTLAKE concluded from the foregoing that the subsistence harvest declined, the resident harvest declined, the guided nonresident harvest declined, and the only increase was

to the nonresident unguided harvest; therefore, the only ones to lose were the local folks.

[2:34:03 PM](#)

FORREST WOLFE, staff to Representative Dean Westlake, Alaska State Legislature, in response to Representative Talerico, said enactment of a guide requirement has to be in statute as BOG does not have the authority to do so.

CO-CHAIR JOSEPHSON recalled the executive director of Resident Hunters of Alaska, testifying in opposition to the bill, also stated [the restriction] had to be done legislatively.

REPRESENTATIVE BIRCH said, "... it sounds to me like the unguided nonresident hunters are better hunters, is that right?"

REPRESENTATIVE WESTLAKE agreed, and explained, "You can be the best hunter out there if you go over there [and] disrupt that pattern that they're trying to go through when they're, when they're migrating either north to south in this instance, or else south to north" Speaking as a Native hunter, he said Native hunters never bother the front herds. He related his experience of watching caribou come over a mountain to a river followed by a second group following the same track. Representative Westlake stressed the importance of letting the pilot herds travel the migratory path without disruption, and said, "So, sometimes at the end of the day, we get less game, but the caribou stay on that route"

REPRESENTATIVE BIRCH asked whether a hunt can be structured around a time that does not disrupt the migration pattern.

REPRESENTATIVE WESTLAKE suggested a summer hunt would probably work.

MR. WOLFE, in response to Representative Birch's previous question, said guides are regulated as to the number of clients they can take per season to the hunting grounds, and transporters are not. He advised nonguided nonresidents may not be better hunters, but there may be more of them.

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REPRESENTATIVE PARISH inquired as to the economic impact to the region of a guided hunt as opposed to a nonguided hunt.

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THOR STACEY, Lobbyist, Alaska Professional Hunters Association, disclosed he has a guide concession located in the northeastern portion of the Arctic National Wildlife Refuge (ANWR), thus he may have a personal financial interest in some aspects of the bill. In response to Representative Parish, he said the Alaska Professional Hunters Association (APHA) commissioned an economic report in 2013, and a second report with a partner in 2017, to review the economic impacts associated with visiting nonresident hunters who are accompanied by hunting guides. Mr. Stacey was unaware of a study that documents the transporter industry's direct economic benefit, or per animal most recent economic study that the average guided hunt in Alaska is worth approximately \$16,500, calculated from a total of \$87.5 million of total economic output, from approximately 3,300 nonresident hunters accompanied by guides. Mr. Stacey assumed there is more value-added benefit for a guided hunting trip, but he did not have documentation on the value of a transported nonresident guided hunt. Furthermore, in response to a question posed [4/13/17], approximately 90 percent of active registered guides in Alaska are Alaska residents.

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REPRESENTATIVE PARISH questioned how the number of active guides in the region compares with the number of transporters.

MR. STACEY said hunting guides contract the services of transporters, and a nonresident accompanied by a hunting guide may also contract the services of a transporter, such as an air taxi. He pointed out the central portion of the affected area to the west is federal land, and except for Bureau of Land Management (BLM), U.S. Department of the Interior (DOI) land, there is a fixed number of hunting guide concessions permitted on land managed by the National Park Service, DOI, and the U.S. Fish and Wildlife Service, DOI. In addition, from the Kavik River east - the area of the Central Arctic and Porcupine herds - the land is similarly restricted. Because there is not a restrictive program affecting transporters, there is an unlimited number of transporters operating within any of these lands. One area not reported in studies of reductions in harvest and opportunity is the "transporter component." He related the demand for hunting a caribou is good - worldwide - and the demand for transported access to hunting areas is high; thus an "uptick" in harvest represents a larger uptick in total hunter effort, because not every hunter gets a caribou: an

uptick in harvest and a declining herd represents more hunters in the field.

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REPRESENTATIVE PARISH inquired as to what sanctions APHA has in place for guides who may disrupt a migrating caribou herd.

MR. STACEY said APHA is a nongovernmental entity with a code of conduct and ethical guidelines to which members adhere. He said he was unaware of any governmental or nongovernmental sanctions against a guide who disrupts the migration of a caribou herd. However, the perception of disruptions, founded or unfounded, may have resulted in the closure of GMU 23 to all nonlocal hunters. In further response to Representative Parish, he opined the bill is not designed to cap [the number of visits and] the decline of the herd, in fact, caribou herds could experience many environmental and human causes for a serious decline; the state BOG process is confined by the state constitutional mandate for sustained harvest, with a subsistence priority, and on federal land, state and federal subsistence absolute amounts are set. However, APHA does not see the bill as necessary for the conservation of the herd, but instead, human-on-human conflict is the "discussion on the table."

REPRESENTATIVE PARISH referred to information from the Division of Wildlife Conservation, ADFG, reporting that last year 82 percent of nonresident hunters were unguided, and 350 nonresident hunters per year hunt unguided. For the Teshekpuk and Western Arctic herds, approximately 2,326, or 77 percent of nonresidents, are unguided. He asked what percentage [of the unguided nonresident hunters] could be "absorbed into guided hunts."

MR. STACEY advised not all could be absorbed through guided hunts because that would be beyond the capacity of hunting guides. Furthermore, the number of guided hunts is also limited by economics because guided hunts cost more. He assured the committee that the current number of permitted hunting guides could not accompany the same number of nonresident unguided hunts that now occur.

REPRESENTATIVE PARISH questioned whether guides could double their capacity next year.

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MR. STACEY expressed doubt that the guiding industry could double its capacity within a year.

REPRESENTATIVE PARISH posited that if guides were able to double their capacity, there would be a 50 percent decline in the number of nonresidents hunting, unless they had [qualified] relatives in the area.

CO-CHAIR JOSEPHSON clarified nonresidents could hunt if they have relatives in the state with a second degree of kindred.

MR. STACEY remarked:

Currently, zero nonresidents hunters could actually hunt in the unit 23 portion of the area discussed, so any opening would represent a significant increase of opportunity that would theoretically, obviously, come with a caveat that Alaska residents, everyone in this room, that doesn't live within the area, would once again be allowed to hunt there. ... It's hard to ascertain the downrange of facts, especially where federal management and federal boards and other things are involved, so ... it's a complex problem.

CO-CHAIR JOSEPHSON asked whether guides can combine hunting for caribou and sheep in the same trip.

MR. STACEY said that is common practice.

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REPRESENTATIVE DRUMMOND moved to adopt [Amendment 1, identified as 30-LS0700\J.2, Bullard, 4/12/17].

[2:51:27 PM](#)

CO-CHAIR TARR objected for discussion purposes.

REPRESENTATIVE WESTLAKE explained Amendment 1 would correct an oversight that omitted the Teshekpuk Caribou Herd from the caribou herds protected in the bill. As an aside, he noted the local hunters have already scaled down their subsistence hunting of this herd.

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CO-CHAIR TARR removed her objection. There being no further objection, Amendment 1 was adopted.

[2:53:08 PM](#)

CO-CHAIR TARR moved to report HB 211, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 211(RES) was reported from the House Resources Standing Committee. The committee took an at-ease from 2:53 p.m. to 2:56 p.m.

HB 201-MUNICIPAL REGULATION OF TRAPPING

[2:56:16 PM](#)

CO-CHAIR JOSEPHSON announced that the final order of business would be HOUSE BILL NO. 201, "An Act relating to municipal regulation of trapping; and providing for an effective date."

Before the committee was CSHB 201 (CRA).

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MEGAN ROWE, staff to Representative Andy Josephson, Alaska State Legislature, sponsor, informed the committee the purpose of HB 201 is to allow municipalities to regulate trapping for the specific purpose of preventing injury to persons or property, including domestic animals. In the process of committee deliberations on HB 40 - which proposed a state-wide ban on trapping within two hundred feet of certain public areas - public testimony and testimony from members of the House Resources Standing Committee was heard that this is a local issue better met by "more narrowly tailored ordinances at the municipal level." Thus, the bill would specifically authorize municipalities to enact ordinances, and "clear up any kind of legal confusion over whether they are able to under state law."

REPRESENTATIVE BIRCH expressed his understanding that communities such as the Matanuska-Susitna (Mat-Su) Borough and the Municipality of Anchorage are establishing laws, and questioned whether there was any confusion, or a need for more legislation.

MS. ROWE explained the confusion stems from arguments that the state has plenary control over the management of game, which is a principle derived from the state constitution and in Title 29, which specifies municipalities can only indirectly regulate

game. In fact, testimony before the House Community and Regional Affairs Standing Committee (CRA) presented by the Department of Law advised municipalities should not regulate trapping. The bill would prevent the state from challenging municipalities' regulations related to trapping. For example, the Municipality of Skagway has disallowed trapping within its boundaries; however, the Board of Game (BOG), Alaska Department of Fish & Game, allows trapping there, which has created a conflict between the municipality and BOG. She restated if a municipality seeks to regulate trapping for the health and safety of its residents, and to prevent damage to animals, the bill would allow it to do so, without a challenge to its regulations by the state. Ms. Rowe said about 15 municipalities already have related regulations that require clarifying legislation.

REPRESENTATIVE BIRCH restated his understanding that regulations in the Matanuska-Susitna Borough and the Municipality of Anchorage are serving their purpose.

MS. ROWE referred to documents included in the committee packet [a memorandum addressed to the Matanuska-Susitna (Mat-Su) Borough mayor and assembly members from the Mat-Su Borough Attorney's Office, dated 12/17/13, and a document addressed to Lynn Mitchell CPA, from the Law Office of Kneeland Taylor, dated 2/3/17] and said the documents outline two different sides of the issue. She also directed attention to a document included in the committee packet [addressed to the Alaska boards of fisheries and game, ADFG, from the Office of the Attorney General, File No. 166-486-82, dated 11/19/82] which stated municipalities cannot regulate game and trapping directly, but can do so with a merely incidental effect. She concluded the question remains undefined. The bill would ensure that when municipalities are regulating for the purposes of health and safety, and protecting property, the regulations would be constitutional under state law.

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CO-CHAIR JOSEPHSON clarified that eight or nine local governments have attempted to regulate trapping, and the bill limits authority to "within the borders that ... represent that municipality, trapping could be regulated." He posited that a pro-trapping stance may be: Banning trapping in a borough over the size of some states is "unthinkable." However, in the case of public safety and competing interests, there may be a local desire to regulate trapping in some way.

REPRESENTATIVE PARISH opined the bill would prevent eventual litigation between the state and municipalities in this regard.

MS. ROWE agreed, although she questioned whether the state would have reason to challenge ordinances unless a greater conflict occurs.

CO-CHAIR JOSEPHSON advised the bill is very flexible in that local governments can exempt trappers as well. He recalled CRA added subsection (d) to the bill [on page 2, lines 13-15,] which read:

(d) A municipality may not enact an ordinance under this section that eliminates reasonable opportunities for subsistence trapping of game within its boundaries.

REPRESENTATIVE TALERICO expressed his belief that the Division of Wildlife Troopers, DPS, does not enforce municipal regulations.

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BERNARD CHASTAIN, Major, Deputy Director, Headquarters, Division of Alaska Wildlife Troopers, DPS, responded the Alaska Wildlife Troopers do not enforce municipal or borough code, therefore enforcement of any regulations created by municipalities under the proposed bill would have to be done by police agencies, borough code enforcement officers, or those given authority to do so by the municipality or borough.

CO-CHAIR JOSEPHSON concluded an ordinance or regulation would be enforced as strongly as determined by the funding and the desire of the local government.

MAJOR CHASTAIN said, "That would be our interpretation of it, because we do not enforce that regulation. It would be up to the municipality or the borough to decide what level of enforcement they want to put on that regulation."

CO-CHAIR JOSEPHSON asked for Major Chastain's opinion about whether BOG tries to honor and comply with ordinances on this topic.

MAJOR CHASTAIN advised there are regulations put in place by BOG that specifically restrict trapping in certain trail areas in response to proposals brought before BOG.

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BRUCE DALE, director, Division of Wildlife Conservation, ADFG, added BOG looks at every local situation on a case-by-case basis. [BOG] has "mimicked" or "mirrored" local ordinances, for example, Anchorage had a certain restriction in place, and BOG subsequently banned all trapping in the Municipality of Anchorage. In other areas, BOG has created areas closed to trapping in the absence of a local ordinance.

[HB 201 was held over.]

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:12 p.m.