

**SB**

**164**

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 164  
 (S) Publish Date: 3/29/01

Revision Date/Time (Note if correction): \_\_\_\_\_  
 Title: No Gas Pipeline over Beaufort Sea  
 Dept. Affected: Natural Resources  
 BRU: Oil & Gas Development  
 Component: Pipeline Coordinator

Sponsor: Senators Torgerson, Halford, Pearce, et al.  
 Requester: (S) RES  
 Component Number: 1191

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

There is no anticipated fiscal impact to the State Pipeline Coordinator's Office associated with implementation of this legislation.

Prepared by: Bill Britt Phone 271-4304  
 Division: State Pipeline Coordinator's Office Date/Time 27-Mar-01  
 Approved by: Pat Pourchot Date 28-Mar-01  
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

# ALASKA STATE LEGISLATURE



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Senator Drue Pearce, Vice Chair  
Senator Rick Halford  
Senator Pete Kelly  
Senator Robin Taylor  
Senator Kim Elton  
Senator Georgianna Lincoln

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## SENATE RESOURCES COMMITTEE

### Sponsor Statement

#### SB 164

#### Prohibiting a Right-of-Way Lease for an Over the Top Gas Pipeline Route

Commercialization of North Slope natural gas has been one of the legislature's top priorities. The potential benefits of commercialization include short and long-term jobs, additional state and municipal revenues, opportunities for new industries, and cheap, clean energy for much of the state. Individually legislators have opposed the "over the top" route because it does not maximize these potential benefits. This bill would amend AS 38.35, the Right-of-Way Leasing Act, to preclude the DNR Commissioner from issuing a right-of-way lease for an over the top route. Passage of this bill shows that the legislature finds that this route would not be in the state's best interests.

The bill would amend the declaration of the legislative policy regarding the issuance of a right-of-way lease. AS 38.35.010 currently reflects that a pipeline:

1. can "significant[ly] contribut[e] to the welfare of the people of the state;" and
2. should "maximize the contribution to the development of human resources of this state, increase the standard of living for all of its residents, advance existing and potential sectors of its economy, strengthen free competition in its private enterprise system, and carefully protect its incomparable natural environment."

The bill would add these policies:

1. the constitutional requirements that the state's resources be developed for the "maximum use consistent with the public interest," and directing the legislature to provide for "the utilization, development, and conservation of all natural resources belonging to the State ... for the maximum benefit of its people;"
2. North Slope natural gas should be available to meet in-state demand;
3. North Slope natural gas should be developed to maximize short-term construction, and long-term operation and maintenance employment;

4. North Slope natural gas should be developed to add to the long term property tax base;
5. a North Slope natural gas pipeline to the North American market should be designed and located to enhance the possibilities for construction of new industries in Alaska and other pipelines to Alaska tidewater; and
6. a North Slope natural gas pipeline should use available infrastructure and utility corridors for construction of the pipeline and to minimize environmental impacts.

Finally, the bill would conclude that based on these policies, the commissioner may not grant a right-of-way across state lands in and adjacent to the Beaufort Sea for an over the top route until a southern route is built. Basically, the bill recognizes that an "over the top" route is not in the state's best interests.

*Jack Gintling's suggestion*  
*mis copy reflected*

*Am*

22-LS0809\L

HOUSE CS FOR SENATE BILL NO. 164(O&G)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered:  
Referred:

Sponsor(s): SENATORS TORGERSON, Halford, Pearce, Leman, Donley, Kelly, Phillips, Taylor, Green, Wilken, Ward, Austerman, Cowdery, Therriault, Davis, Ellis, Elton, Hoffman, Lincoln, Olson

REPRESENTATIVES Croft, Whitaker

A BILL

FOR AN ACT ENTITLED

1 "An Act prohibiting leases under the Right-of-Way Leasing Act on state land in or  
2 adjacent to the Beaufort Sea: and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 38.35 is amended by adding a new section to read:

5       Sec. 38.35.017. Limitation on leases in or adjacent to the Beaufort Sea. (a)  
6 Consistent with and in furtherance of the statements of general state policy guiding  
7 resource development set out in art. VIII, sec. 1, Constitution of the State of Alaska,  
8 that the resources of the state be developed "by making them available for maximum  
9 use consistent with the public interest" and in art. VIII, sec. 2, Constitution of the State  
10 of Alaska, directing that provision shall be made by the legislature for "the utilization,  
11 development, and conservation of all natural resources belonging to the State . . . for  
12 the maximum benefit of its people." and consistent with and in furtherance of the  
13 general legislative declaration of policy for this chapter set out in AS 38.35.010, it is  
14 the policy of this state that the overall strategy for development, use, and control of a

1 pipeline or pipelines to develop the state's substantial North Slope natural gas  
2 resources be directed

3 (1) to enhance the standard of living of state residents by

4 (A) ensuring that, in conjunction with out-of-state market  
5 driven commercial demand for North Slope natural gas, state residents and  
6 businesses will have access, directly or indirectly, to that portion of the gas that  
7 will meet the reasonably foreseeable in-state demands for it, including  
8 substitution of the North Slope natural gas for depleting gas reserves in  
9 Southcentral Alaska in order to maintain a vital domestic and industrial energy  
10 source, and ensuring that the pipeline or pipelines for the transportation of  
11 North Slope natural gas will be designed and located to be responsive to these  
12 requirements;

13 (B) making the maximum contribution to the development of  
14 job opportunities in this state by

15 (i) providing direct short-term construction and long-  
16 term operation- and maintenance-related employment on the pipeline or  
17 pipelines, to the end that the resources be developed with qualified  
18 contractors and firms in this state for work to be performed, including  
19 the fabrication and installation of required facilities, and that state  
20 residents be employed, consistent with law; for purposes of this sub-  
21 subparagraph, a person is considered a resident if the person is  
22 physically present in the state with the intent to remain in the state  
23 indefinitely and has a home in the state, and a contractor or firm is  
24 considered as qualified if the contractor or firm qualifies as an Alaska  
25 bidder under AS 36.30.170(b); and

26 (ii) providing necessary support services; and

27 (C) adding significant long-term property value to the tax base  
28 of the state and local governments, thereby providing the means to support  
29 public education, public health, transportation, and other essential state and  
30 local government projects and services;

31 (2) to ensure that the design, location, and construction of a pipeline or

## Griffin Amendment.

P. 3 Ln 14

Following ~~Article~~ ~~indA~~

for dist. of N.G.  $\rightarrow$  market!

Strike remaining sentence  
! Sub sec. C

Kerthula does not believe the am. changes intent:  
Torgy opposes.

teleconference

Jack Griffin ex. Dir. of Law  
Originating section on Amc.

- Says Torgy's legal opinion people cannot  
say a concern is invalid, only a court  
can do that but can say how a court  
should rule

Torgy: Testimony

legal opinion = all concerns = invalid.

Kerthula -

Scalzi -

Fate's Q. to Hurley -

if this bill is premature / when is an  
opportune time?

A. upon completion of our study

Fate = offended - we are participants - not  
observers - we have to act on a timeline

not by letter  
Green obj

Chen N  
Green N  
Stress N  
Fare N  
McDon N  
rest N  
Schni N  
Kassidy Y

AM  
Fails.

McDonnell  
N.B.J.  
→ FLS

Green wants to hear charges

ATTY & have last copy - I Faxed it

TOBY - I don't want to hear charge

until 3rd Floor will

Support the Bill.

Legal  
we have conflicting opinions.

Spoked good point that legislators  
are accountable to their

"Share holders" to act!

hurry up process to get a pipe

Green - will support even though he  
would like to "see what he is saying"  
Rep Masarik agrees NO TO "

1 pipelines for delivery of North Slope natural gas to North American markets through  
 2 connection to the North American natural gas pipeline network enhance opportunities  
 3 for implementing gas deliveries using alternative technologies and the construction of  
 4 other pipelines to deliver North Slope natural gas to foreign and domestic markets; and

5 (3) to ensure construction of the pipeline or pipelines consistent with  
 6 careful protection of the state's natural environment, with minimum environmental  
 7 degradation, to the greatest extent possible, and with protection of fish, wildlife, and  
 8 biotic resources for the use of persons who depend upon them by using available  
 9 transportation infrastructure to initiate and complete project construction and  
 10 maintenance and by avoiding duplication of facilities.

11 (b) Consistent with the legislative policy and goals set out in (a) of this  
 12 section, the commissioner may not grant a lease across state land that is in or adjacent  
 13 to the Beaufort Sea for pipeline right-of-way purposes to authorize construction and  
 14 operation of a natural gas pipeline <sup>for distribution of nat gas markets</sup> following a "northern" or "over-the-top" route  
 15 ~~running east from the North Slope to Canada's Mackenzie River Valley, then south to~~  
 16 ~~link to existing pipeline networks to transport North Slope natural gas to North~~  
 17 ~~American markets.~~

18 (c) The limitation on leasing set out in (b) of this section does not apply on  
 19 and after the date on which a natural gas pipeline following a "southern" route that  
 20 parallels the Trans Alaska Pipeline System and the Alaska Highway to transport North  
 21 Slope natural gas to North American markets or Alaska tidewater for delivery to  
 22 foreign and domestic markets has been completed and has begun operation.

23 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

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*this is more general  
 & speaks to Beaufort Sea  
 w/o including other  
 areas.*

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TWENTY-SECOND LEGISLATURE - FIRST SESSION

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27 (C) adding significant long-term property value to the tax base  
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April 11, 2001

House Resources Committee  
State Capitol Building  
Juneau, Alaska 99801

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Fax 907-278-8350  
Founding Co-Chairman  
Former Governor  
Walter J. Hickel  
and the 1st Governor  
William A. Egan

Dear Representative Musek,

Commonwealth North is a statewide public policy organization whose mission is to educate its members and others on issues of importance to Alaska and Alaskans. To accomplish this mission, the organization frequently sponsors study groups to investigate and analyze timely issues.

Currently, Commonwealth North is involved in a study regarding the commercialization of North Slope gas. While the group is not yet prepared to report findings or recommendations, a number of public policy considerations have been identified that are relevant to any review of this complex issue. These are:

- Maintain a level playing field. All options should be open for discussion until sufficient information is generated to thoroughly evaluate alternatives. Competitive proposals should be encouraged.
- Any negotiation process between project proponents and the state should be open to public scrutiny and the criteria that defines the state's interest should be explicitly defined in policy and/or statute.
- Any negotiated agreement between project proponents and the state should be available to the public and legislature with sufficient time for review prior to approval.
- Adequate analytical and staff resources must be made available by the state to negotiate the state's interest effectively.

We are concerned that SB 164, "An Act prohibiting leases under the Right-of-Way Leasing Act on state land in or adjacent to the Beaufort Sea," could prematurely foreclose options available to the state for considering commercial projects. If the policy principles above are used as a guide, the public and legislature will have adequate opportunity to evaluate all options prior to implementation. We believe that a better use of state resources at this time would be to clearly identify and define the state's interests that will be used in the evaluation process.

Thank you for the opportunity to comment.

Sincerely,  
  
Nancy Bear Uvera  
President, Commonwealth North

# NORTH

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**CSSB-164**  
**Testimony to House Resources**  
**11 April, 2001**

Good Afternoon Mr. Chairman, members of the committee. My name is Michael Hurley and I am here today, representing the North American Natural Gas Pipeline Group, to express our concern about CSSB-164.

As you are aware, the three companies participating in the group (BP, ExxonMobil, and Phillips) are working diligently to develop an economically viable project to commercialize North Slope natural gas by pipeline through Canada to the Lower 48 market. And in doing that, it is incumbent on us to fully consider the options that could help accomplish that goal.

Indeed, the Federal Energy Regulatory Commission, before it issues a certificate of public convenience and necessity, requires us to analyze alternative pipeline route options as part of the application process.

This project has the potential to be the largest energy project in North America, and will require capital investments in the billions of dollars. Investment decisions cannot be taken lightly, and must be made with the confidence that can only be gained by a thorough evaluation of the alternatives, and an understanding of their relative strengths, weaknesses, risks, and rewards. Such an approach is fundamental to good business decision-making.

Our efforts are focused on creating and understanding opportunities, not prematurely discarding them. This legislation would do the latter. We believe that legislation that shuts down options before they are fully understood limits dialog and interferes with the fundamental dynamics of a free-market economy. One might question how this will encourage other investors to consider Alaskan projects.

It cannot be forgotten that any Alaskan gas project, whether it be LNG, GTL or pipeline technology, must be able to deliver products to the market at a competitive cost in order to succeed. There are many other competing sources of supply, and buyers will go elsewhere if a project fails in this regard. While our work may show that a Southern Route does offer the best combination of benefits and economic viability to Alaskans, it must be realized that efforts to prohibit the consideration of other development options such as a Northern route may impede an Alaska Natural Gas project from moving forward. If either project advances, the benefits to the state and its citizens and businesses will be substantial, and will make a significant contribution to Alaska's economic future.

Finally, the work we are undertaking this year will yield information we believe will be necessary for reasoned decision-making. We have been listening to the

views and concerns of the Alaska Legislature and of Alaska's citizens, and we will be evaluating alternatives on the basis of seven criteria:

- Overall project economics,
- Alaskan access to gas,
- Jobs for Alaskans,
- Revenues to the State,
- Safety,
- Environmental Protection, and,
- Project timing.

We do not feel we have enough information yet to make a route decision. Indeed, that is the reason for our aggressive work program. The effect this legislation may have on FERC or other agency permit applications is unknown. Again, we think that the interests of commercializing North Slope gas are best served by creating choices, not foreclosing them. We expect that there will be many future opportunities for legislative guidance and action.

Thank you Mr. Chairman for this opportunity to express our opposition to this bill.