

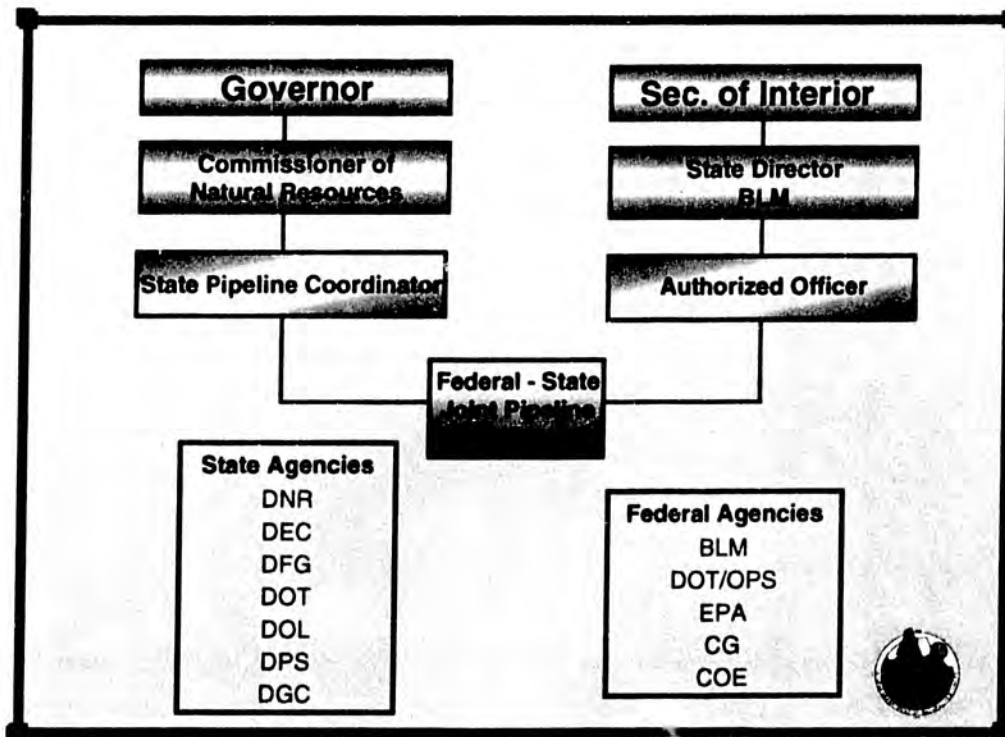
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Alaska Highway Natural Gas Policy Council

Overview of the Regulatory Environment

William G. Britt, Jr.
State Pipeline Coordinator
Department of Natural Resources



Right-of-Way Leasing Act

Section

- 10. Legislative declaration of policy
- 15. Powers of the commissioner
- 20. Grant of right-of-way lease
- 30. Abandonment, reduction, or impairment of service of pipeline
- 40. Temporary or emergency service or temporary abandonment, reduction, or impairment of service by lessee
- 50. Application for right-of-way leases
- 70. Notice of application
- 80. Analysis and public hearing
- 90. Multiple applications for same lease
- 100. Decision on application
- 110. Term of lease
- 120. Covenants required to be included in lease

Section

- 122. Products pipeline leases
- 130. Right-of-way easements or leases acquired from others
- 140. Payment of rental and costs
- 170. Forfeiture of lease
- 180. Suits to enjoin or recover damages for defaults
- 190. Application of the Administrative Procedure Act
- 200. Judicial review of decisions of commissioner on application
- 205. Lease savings clause
- 210. Delegation of commissioner's authority
- 220. Continued operation of certain carriers
- 225. Binding effect of covenants
- 230. Definitions
- 260. Short title



Examples of Federal Authorizations for an Alaskan Gas Pipeline

National Environmental Policy Act	Lead Agency TBD
Certificate of Public Convenience and Necessity	FERC (interstate)
Dredge and Fill Permits	COE
Section 10 Permits	COE
Wastewater (NPDES) Permits	EPA/ADEC
SPCC Plans	EPA
Permit to handle Hazardous Waste	EPA
Radio/Wireless Communication Permits and Licenses	FCC
Airport Leases	FAA
Notices to Proceed	BLM
Material Sales	BLM
Land Use Authorizations	DOD, BIA, others
Bridge Permits	CG



Examples of State Authorizations for an Alaskan Gas Pipeline

Certificate of Public Convenience and Necessity	RCA (intrastate)
Right-of-Way Lease	ADNR
Land Use Authorizations	ADNR, UA, MHT
Water Appropriations	ADNR
Material Sales	ADNR
Burning Permits	ADNR and ADEC
Oil Discharge Contingency Plans	ADEC
Food Service Permits	ADEC
Solid Waste Disposal Permits	ADEC
PSD (Air Quality) Permits	ADEC
Water and Sewage Plan Approvals	ADEC
Habitat Protection Permits	ADFG
Utility Permits for Encroachment	ADOT
ACMP Consistency	DGC



Examples of Local and Private Authorizations for an Alaskan Gas Pipeline

Zoning Requirements and Land Use Permits	North Slope Borough
Development Permits	North Slope Borough
Road Plans	North Slope Borough
Zoning and Land Use Approval	Delta Junction
Leases, Rights-of-Way, Land Use Authorizations	Chugach, Ahtna, others



Technical Notes, Calculation Notes, Plans and Programs Likely to Be Required for an Alaskan Gas Pipeline

Access roads	Construction camps
Cathodic protection	Communications
Construction plan	Corrosion control
Crack arresting burst test & analysis	Cultural resource preservation
Design basis	Design summary
Earthquake design	Environmental briefings
Erosion & sedimentation control	Expansion stress analysis
Fire control	Flow analysis
Full-scale bend test & analysis	Geologic hazards
Hazardous substance control & cleanup	Human-carnivore interaction
Limit strain criteria	Material selection
Mineral exploration & extraction	NDE approach & summary
Overburden & excess material disposal	Permafrost design & operational analysis
Pigging, valve & leak detection	Pipeline commissioning & start-up
Soils analysis/summary	Pipeline tie-ins
Pressure design	Quality assurance/quality control
Restoration	River training structures
Siting of compressor stations	Snow & ice workpads & access roads
Solid waste management	Stream, river & floodplain crossings
Stress corrosion cracking evaluation	Surveillance & maintenance
Trench & pipe stability evaluation	Visual resources
Welding procedure & ECA evaluation	Wetland construction
Winter test trench summary	Yukon river crossing



Administrative Order 187

- Single point of contact for permitting, authorizations, and oversight
- Coordinated process for permitting, authorizations, and oversight
- Similar terms and conditions in permits and authorizations
- Unified voice in dealing with federal and Canadian governments, pipeline companies, and gas owners
- Use existing structures to address these issues



Administrative Order 187

Gas Pipeline Cabinet

Commissioners of:

- Alaska Department of Natural Resources (Chair)
- Alaska Department of Environmental Conservation
- Alaska Department of Fish and Game
- Alaska Department of Revenue
- Alaska Department of Transportation and Public Facilities
- Alaska Department of Labor and Workforce Development
- Alaska Department of Community and Economic Development

Directors of:

- Division of Governmental Coordination
- Governor's Washington D.C. Office

Attorney General



Administrative Order 187

State Pipeline Coordinator is the:

Lead for coordinating state permitting, authorizations, and oversight for gas pipelines

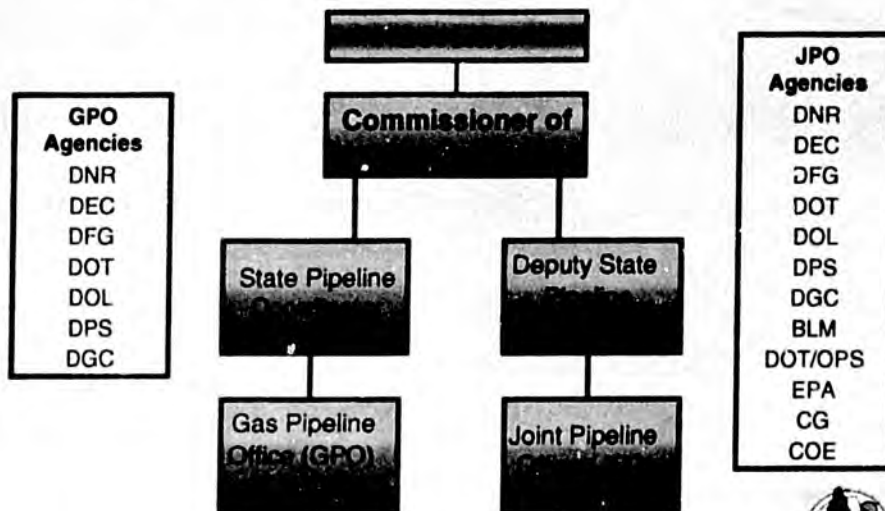
- Work planning
- Scheduling
- Budgeting
- Staffing

Lead for communication and coordination with federal and Canadian agencies related to

- Routing
- Design
- Permitting
- Authorizations
- Construction oversight



State Pipeline Coordinator's Office (SPCO)



FY02 Scope of Work

- Prepare to receive an application
 - Work with proponents
 - Help create and implement State policy
 - Process an application
- A small globe icon is located in the bottom right corner of the scope of work area.

Questions?





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ADMINISTRATIVE ORDER NO. 187

I, Tony Knowles, Governor of the State of Alaska, under the authority of art. III, secs. 1 and 24, of the Alaska Constitution and AS 44.17.060, name the commissioner of the Department of Natural Resources, through the commissioner's designee, the state pipeline coordinator, as the coordinator of state permits, authorizations, and oversight of pipelines designed to transport natural gas from the Alaska North Slope to market ("Gas Pipelines"). This Order covers the permitting, authorization, and oversight activities of Gas Pipelines by the Departments of Natural Resources, Environmental Conservation, Fish and Game, Transportation and Public Facilities, Labor and Workforce Development, Public Safety, and by the Division of Governmental Coordination ("Designated Agencies"). This Order may be amended to cover the permitting, authorization, and oversight activities of other agencies in the future as necessary and directed by future administrative orders of the Governor. This Order outlines the processes and responsibilities of the Designated Agencies with regard to state permits, authorizations, and oversight related to the preconstruction and construction of Gas Pipelines.

Nothing in this Order affects the responsibilities of state agencies that do not involve permits, authorizations, and oversight of Gas Pipelines, including advocacy by the Department of Law before the Federal Energy Regulatory Commission, or the development of fiscal terms by the Department of Revenue under AS 43.82.

Nothing in this Order re-assigns the responsibility of coordinating Alaska Coastal Management Program consistency reviews under AS 44.19.145 and 6 AAC 50 away from the Division of Governmental Coordination, Office of Management and Budget.

FINDINGS

1. It is in the best interest of the people of Alaska and the nation that Alaska's North Slope natural gas be expeditiously transported to market in a manner that makes the maximum contribution to the development and standard of living of the residents of our state. It is in the best interest of the people of Alaska and the nation that Gas Pipelines be designed and constructed in a safe and environmentally sound manner.
2. It is desirable that the State of Alaska have a unified voice representing its interests in dealings with Canadian and federal agencies, gas owners, pipeline companies, and contractors related to permitting, authorization, and oversight of Gas Pipelines. It is also desirable that the state have a single point of contact for permits, authorizations, and oversight of Gas Pipelines to ensure coordination among state, federal, and international authorizing agencies and, if appropriate, to develop substantially similar terms and conditions in pipeline documents.

3. Permitting, authorization, and oversight of Gas Pipelines involves many state agencies. A coordinated state approval and oversight process for Gas Pipelines that provides for internal alignment and dispute resolution is necessary. Internal alignment fosters efficiency in state permitting, approval, and oversight functions.
4. It is in the best interest of the people of Alaska to utilize existing government structures and processes to the maximum extent possible, optimize state pipeline expertise and performance, and minimize impacts to ongoing functions of government. The State Pipeline Coordinator's Office in the Department of Natural Resources (SPCO) is the appropriate lead and single point of contact for the permitting, authorization, and oversight of proposals for Gas Pipelines.

ORDER

To further these findings, I, Tony Knowles, Governor of the State of Alaska, order and declare the following:

1. A Gas Pipelines Cabinet is established, comprised of the commissioners of the Departments of Natural Resources, Environmental Conservation, Fish and Game, Revenue, Transportation and Public Facilities, Labor and Workforce Development, and Community and Economic Development; the director of the Division of Governmental Coordination; the Governor's Office Washington, D.C. Director; and the Attorney General. The commissioner of the Department of Natural Resources will chair the Gas Pipelines Cabinet.
2. The commissioner of the Department of Natural Resources, through the state pipeline coordinator (SPC), is the lead official for state communication and coordination with appropriate federal and Canadian agencies related to permitting, authorization, and oversight of Gas Pipelines, including routing, design, and construction.
3. The SPC is the lead official for coordinating state permitting, authorization, and oversight by Designated Agencies related to routing, design, and construction of Gas Pipelines. The SPC shall establish and maintain a Gas Pipelines Group within the SPCO to coordinate actions by Designated Agencies related to Gas Pipelines.
4. Each Designated Agency shall appoint a liaison officer who will report directly to the head of the Designated Agency, be assigned to the Gas Pipelines Group, and be located in the Gas Pipelines Group offices established by the SPC. Liaison officers shall serve as a single point of contact representing their Designated Agencies in matters relating to permitting, authorization, and oversight of Gas Pipelines during the preconstruction and construction phases. To the maximum extent consistent with applicable law, Designated Agencies shall delegate signatory authority to their liaison officers for issuance of permits and authorizations during preconstruction and construction phases.

5. Liaison officers shall be available to manage and perform work necessary to process permits and authorizations for Gas Pipelines by their Designated Agency; assist as necessary with permits and authorizations by other Designated Agencies; manage and perform work necessary to oversee construction of Gas Pipelines; and provide other necessary technical assistance to the SPC in their areas of expertise.
6. Liaison officers shall provide annual work plans for accomplishing the tasks outlined in paragraph 5 of this Order to the SPC for approval. The work plans shall include schedules, budgets, and staffing plans for permitting, authorization, and oversight work. Liaison officers shall monitor progress against their work plans and provide periodic reports to the SPC.
7. Staff hired by individual Designated Agencies for the Gas Pipelines Group are under the supervision of the liaison officer for the Designated Agency. Staff providing support from a Designated Agency's regional or central office will continue to work for their supervisor in the Designated Agency.
8. Liaison officers shall manage their Designated Agency's administrative functions that are directly related to their agency's participation in the Gas Pipelines Group, including maintaining agency files. Each Designated Agency shall keep a full set of files at the office of the Gas Pipelines Group on all aspects of its activities related to Gas Pipelines.
9. Liaison officers shall provide copies of all applications and requests for permits and authorizations related to preconstruction and construction of Gas Pipelines to the SPC. Each liaison officer shall coordinate with the SPC public notices and other legally required public hearing processes related to their agency's activities. All permits and authorizations issued by Designated Agencies related to Gas Pipelines preconstruction and construction activities shall be processed in the Gas Pipelines Group. Liaison officers shall provide copies of proposed permits and authorizations to the SPC for review and comment, and shall provide copies of permits and authorizations issued.
10. Each liaison officer shall, to the extent allowed by law and whenever feasible, consult with the SPC and consider the SPC's advice before taking enforcement actions by the Designated Agencies related to Gas Pipelines preconstruction and construction. This provision does not limit Designated Agencies' enforcement authorities or the exercise of those authorities.
11. The SPC shall establish preconstruction and construction field teams that the SPC determines, after consultation with affected agencies, are necessary for data gathering and oversight. Such teams may be composed of staff from a number of Designated Agencies and other state agencies. Responsibilities and authorities of affected state agencies may, consistent with law and after consultation with those agencies, be delegated to team members regardless of their agency affiliation.

12. Between the effective date of this Order and the date of execution of a reimbursement memorandum between the SPC and a Gas Pipelines sponsor, all Designated Agency funding requests associated with Gas Pipelines activities will be handled through the normal budget supplement and increment process coordinated by the Department of Natural Resources.
13. In order to develop a consolidated budget request, all Designated Agencies shall prepare and submit to the SPC an annual budget request for all appropriations, including costs reimbursed under AS 38.35.140(b) and permitting fees identified in statute or regulation, associated with Gas Pipelines projects. After review and approval by the SPC, the budget requests will be consolidated and submitted by the Department of Natural Resources through the budget review process. Gas Pipelines work by Designated Agencies may not be budgeted in the Executive Budget submitted to the legislature except through this process. Upon approval of the budget, and appropriation by the legislature, the SPC shall negotiate reimbursable services agreements with Designated Agencies to cover the approved costs associated with Gas Pipelines preconstruction and construction activities and shall ensure that reimbursement is secured promptly for costs incurred under approved appropriations.
14. If a Designated Agency requires additional staff position(s) to carry out its responsibilities, the agency shall, with the concurrence of the SPC as to appropriation, appoint additional staff.
15. In the event of a dispute between Designated Agencies regarding a matter covered under this Order, including matters involving annual appropriation requests, each affected liaison officer and the SPC will resolve the dispute to the maximum extent possible. If the dispute cannot be resolved between each affected liaison officer and the SPC, then the matter will be resolved by the affected agency heads and the commissioner of the Department of Natural Resources. If the dispute cannot be resolved by the affected agency heads and the commissioner of the Department of Natural Resources, then the matter will be resolved by the governor, after considering any recommendations of the Gas Pipelines Cabinet.

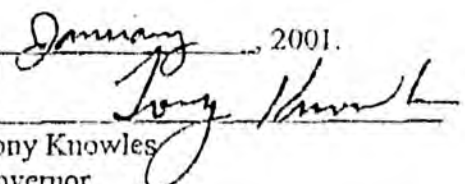
Unless contrary to any dispute resolution process in statute or regulation, in the event of a dispute between Designated Agencies involving a matter subject to the Designated Agencies' statutory or regulatory authority, each affected liaison officer and the SPC will resolve the dispute to the maximum extent possible. If the dispute cannot be resolved by the affected liaison officer and the SPC, then the matter will be resolved by the affected agency heads. If the dispute cannot be resolved by the agency heads, then the matter may be considered by the governor, after consideration of any recommendations of the Gas Pipelines Cabinet. The decision of the head of the Designated Agency responsible for administering the statute or regulation in question is final. In all such disputes, the head of the Designated Agency responsible for administering the statute or regulation shall seek and consider the views of other affected agency heads before making a decision.

16. The Office of the Governor, Division of Governmental Coordination (DGC), shall coordinate the Alaska Coastal Management Program consistency review of activities related to Gas Pipelines as provided under AS 44.19.145 and 6 AAC 50. To the maximum extent allowed by law, the SPC and DGC shall coordinate their respective Gas Pipelines activities.
17. Consistent with AS 44.23.020, the Attorney General, as legal advisor to the State of Alaska, shall provide legal services to the SPCO Gas Pipelines Group and all Designated Agencies within the SPCO Gas Pipelines Group.
18. This Order is for administrative purposes only. It does not create any third party rights nor modify the statutory and regulatory authorities of Designated Agencies.
19. The SPC will submit to the Governor and the Gas Pipelines Cabinet periodic progress reports that summarize goals and objectives and accomplishments against those goals and objectives.

To the extent that this Administrative Order is inconsistent with Administrative Order No. 134, this Order supersedes those portions of that order. This Order revokes Administrative Order No. 70.

This Order takes effect immediately.

DATED at Juneau, Alaska, this 3th day of January, 2001.



Tony Knowles
Governor

4/10/02
JNGP

22-LS1649L

SENATE BILL NO. 360

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION**

BY THE SENATE RESOURCES COMMITTEE

Introduced: 4/10/02

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing additional requirements for the consideration of applications
2 under the Right-of-Way Leasing Act for an Alaska North Slope natural gas project,
3 authorizing expeditious priority treatment of all applications under that Act and under
4 other relevant state laws for issuance of a right-of-way lease for that project, authorizing
5 the commissioner of natural resources to act to modify the terms of certain state oil and
6 gas leases related to the project and to act, with legislative approval, to waive, reduce, or
7 defer the collection of royalties due the state, and authorizing the commissioner of
8 revenue to act, with legislative approval, to waive, reduce, or defer the levy and
9 collection of taxes by the state and municipalities under the oil and gas exploration,
10 production, and pipeline transportation property tax related to the project, authorizing
11 the Alaska Railroad Corporation to provide financing for the acquisition, construction,
12 improvement, maintenance, equipping, operation, or expansion of the project and

SB0360A

-1-

SB 360

New Text Underlined [DELETED TEXT BRACKETED]

1 related facilities for the transportation of natural gas within and outside the state by
2 others and the corporation's issuance of its bonds to finance the project and facilities,
3 and limiting consideration of judicial challenges to decisions made with respect to that
4 project under this Act; and providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 **SHORT TITLE.** This Act may be cited as the Alaska Natural Gas Project Act.

9 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **LEGISLATIVE FINDINGS WITH RESPECT TO BILL SECTIONS AMENDING**
12 **THE RIGHT-OF-WAY LEASING ACT (AS 38.35) AND RELATED PROVISIONS.** The
13 legislature finds that

14 (1) expediting the development, production, and transportation of northern
15 Alaska natural gas is a matter of statewide significance because of its vital importance to the
16 state's economy;

17 (2) the best interests of the state would be served by a North Slope natural gas
18 pipeline project following a route that parallels the Trans Alaska Pipeline System and the
19 Alaska Highway to the Canadian border or a project from the North Slope to tidewater in
20 southcentral Alaska;

21 (3) in accordance with 15 U.S.C. 719 - 729o (the Alaska Natural Gas
22 Transportation Act of 1976), in a series of actions and decisions that recognize the critical
23 importance of the project, the President and the Congress have approved and authorized
24 completion of a North Slope natural gas pipeline project;

25 (4) under a portion of pending federal legislation referred to as the "Alaska
26 Natural Gas Pipeline Project of 2002," another North Slope natural gas project may be
27 approved and authorized;

28 (5) under the Alaska Natural Gas Transportation Act of 1976, Yukon Pacific
29 Corporation has received a presidential waiver to export Alaska natural gas, and holds several

1 permits, authorizations, and licenses to construct and operate a North Slope natural gas project
2 to tidewater;

3 (6) other entities have expressed interest in constructing various North Slope
4 natural gas projects;

5 (7) the maximum benefit for Alaskans from the commercialization of northern
6 Alaska natural gas lies in market exposure for the gas, opportunities for in-state use of the gas,
7 participation by Alaskans in construction, maintenance, and operation of the project, and
8 competition in the exploration, development, and production of additional reserves of
9 northern Alaska natural gas;

10 (8) 15 U.S.C. 719k(b) (section 13(b), Alaska Natural Gas Transportation Act
11 of 1976) provides that the "State of Alaska is authorized to ship its gas on the approved
12 transportation system for use within Alaska . . . and . . . to withdraw such gas from the
13 interstate market for use within Alaska; the Federal Power Commission shall issue all
14 authorizations necessary to effectuate such shipment and withdrawal subject to review by the
15 Commission only of the justness and reasonableness of the rate charged for such
16 transportation";

17 (9) the President's decision in support of his choice of the route approved
18 under the Alaska Natural Gas Transportation Act of 1976 recognized that Alaska gas could
19 "supply the energy base required for long-term economic development" within the state and it
20 could supply natural gas to communities within the state along the route and to other
21 communities through local distribution lines;

22 (10) it is vital for the continued exploration and development of natural gas
23 resources in northern Alaska that oil and gas companies that do not have an ownership interest
24 in the project have access to it on a fair and reasonable basis and have the ability to seek the
25 pipeline's expansion when economically and technically feasible;

26 (11) it is vital to the economic development of the state that Alaskans and
27 Alaska businesses have access to gas from a North Slope natural gas pipeline project;

28 (12) it has the constitutional responsibility set out in art. VIII, sec. 2,
29 Constitution of the State of Alaska, to provide for the utilization, development, and
30 conservation of the state's natural resources for the maximum benefit of the people; and

31 (13) because of the magnitude and complexity of the development of a

1 project, issuance of a right-of-way lease under the Alaska Right-of-Way Leasing Act and of
2 permits, certificates, authorizations, and similar actions to be taken by state agencies in
3 connection with the development of a project implicates unique legal and administrative
4 considerations.

5 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 **FINDINGS, INTENT, AND PURPOSE RELATING TO AMENDMENTS TO THE**
8 **ALASKA RAILROAD CORPORATION ACT (AS 42.40).** (a) The Alaska State Legislature
9 finds that

10 (1) the Alaska Railroad Corporation is uniquely suited to serve essential
11 functions of the state by providing financing for an Alaska North Slope natural gas project;

12 (2) providing financing for the project furthers the purposes of both the state
13 and the Alaska Railroad Corporation by assuring that the state's northern Alaska natural gas
14 resources will be transported to their appropriate markets, thus creating revenue for the
15 Alaska Railroad Corporation and for the state and providing employment opportunities for
16 residents of the state;

17 (3) the project also will enhance and improve the state's ability to develop and
18 transport other natural resources of the state, including oil and gas resources located off the
19 North Slope of this state; and

20 (4) these results are essential purposes of the state, and the achievement of
21 these purposes is critical to the health and welfare of the state.

22 (b) A purpose of the amendments made by secs. 6 - 9 and 13 of this Act is to clarify
23 the statutory functions and powers of the Alaska Railroad Corporation by expressly including
24 the power to provide financing for transportation facilities as described in this Act.

25 (c) It is the intent of the legislature that

26 (1) secs. 6 - 9 and 13 of this Act be construed broadly to permit the Alaska
27 Railroad Corporation the greatest flexibility to accomplish the purpose described in (b) of this
28 section within the limitations set out in this Act; and

29 (2) other provisions of AS 42.40 in existence before the enactment of this Act
30 be similarly construed to complement the provisions of this Act.

31 * **Sec. 4.** AS 38.05.180 is amended by adding a new subsection to read:

1 (ee) In conjunction with the development and construction of an Alaska North
 2 Slope natural gas project, as defined by AS 38.35.259, that requires the grant of a
 3 right-of-way lease under AS 38.35 for which the project applicant has complied with
 4 AS 38.35.240 and obtained all certificates described in that section, the commissioner
 5 may

6 (1) with the consent of the lessee,

7 (A) modify any provision of an oil and gas lease entered into
 8 under this section, except a provision described in (B) of this paragraph, that
 9 impedes development of the project; and

10 (B) waive, reduce, or defer the payment of all or any portion of
 11 the royalty due the state under this chapter; a waiver, reduction, or deferral of
 12 the royalty due made by the commissioner under this subparagraph is not
 13 effective unless approved by the legislature; the legislature may approve a
 14 waiver, reduction, or deferral of royalty under this subparagraph only by
 15 enacting legislation;

16 (2) take an action described in (1)(B) of this subsection only if

17 (A) the commissioner has considered whether other
 18 jurisdictions in which the project will be located have granted financial
 19 incentives;

20 (B) the project applicant, or a lessee that has contracted with
 21 the applicant to ship natural gas through the project, shows, by clear and
 22 convincing evidence, that construction and operation of the project would not
 23 otherwise be economically feasible; and

24 (C) the commissioner and the project applicant have entered
 25 into an agreement to begin construction of the project by a date certain.

26 * **Sec. 5.** AS 38.35 is amended by adding new sections to read:

27 **Sec. 38.35.235. Purpose of AS 38.35.235 - 38.35.259.** It is the purpose of
 28 AS 38.35.235 - 38.35.259

29 (1) to expedite the approval, construction, and operation of a project
 30 while ensuring that the maximum benefits consistent with the Constitutions of the
 31 United States and Alaska are achieved for the people of the state;

1 (2) to ensure access to the project by oil and gas companies that do not
2 have an ownership interest in the project on an equal and nondiscriminatory basis, and
3 to promote competition in the exploration, development, and production of northern
4 Alaska natural gas;

5 (3) to ensure access to state royalty gas in the project for Alaskans and
6 Alaska businesses; and

7 (4) to ensure employment of Alaskans and the use of Alaska firms in
8 the construction and operation of the project.

9 **Sec. 38.35.240. Applicability to Alaska North Slope natural gas project.**

10 (a) The provisions of AS 38.35.235 - 38.35.259 apply to an applicant for a right-of-
11 way lease under this chapter for an Alaska North Slope natural gas project that
12 submits a written plan and study, as appropriate, and obtains the certificates described
13 in (b) - (d) of this section.

14 (b) Based upon the applicant's written plan, if the commissioner of labor and
15 workforce development is satisfied that the plan fulfills the requirements of this
16 subsection and makes an appropriate finding, the commissioner may certify that

17 (1) consistent with law, the applicant will use the applicant's best
18 efforts to train and employ state residents and, whenever feasible, will contract with
19 firms in this state for the construction and operation of the project; and

20 (2) the applicant's plan maximizes the opportunities for training and
21 employment of state residents and for the use of Alaska firms in the state for the
22 construction and operation of the project consistent with the Constitutions of the
23 United States and Alaska and AS 38.35.235(4); the commissioner may not make a
24 finding under this paragraph unless the commissioner conducts at least one public
25 hearing on the plan.

26 (c) Based upon the applicant's written plan and study, if the Regulatory
27 Commission of Alaska is satisfied that the plan and study fulfill the requirements of
28 this subsection and makes an appropriate finding, the commission may certify that the
29 applicant

30 (1) has completed a study examining in-state demand for northern
31 Alaska natural gas and, with the completed study, has submitted a plan demonstrating

1 that the applicant's plan will maximize the opportunities for access to state royalty gas
2 transported in the project to meet the reasonably projected in-state demand identified
3 in the study and is consistent with AS 38.35.235(3);

4 (2) has completed a study of the potential supply of northern Alaska
5 gas, including known and discovered reserves and undiscovered resources, and the
6 applicant has submitted a plan demonstrating how the applicant's plan and design of
7 the project will maximize the opportunities for access to initial and expansion capacity
8 on the project consistent with AS 38.35.235(2); the commission may not make a
9 finding under this paragraph unless the commission conducts at least one public
10 hearing on the study and plan; and

11 (3) agrees to complete for review by the commission updated studies
12 and plans consistent with (1) and (2) of this subsection at a date that is 10 years after
13 the construction commencement date of the project.

14 (d) Based upon the application submitted under this chapter, if the
15 commissioner is satisfied that the application meets all other requirements of law and
16 fulfills the requirements of this subsection and makes an appropriate finding, the
17 commissioner may certify that the applicant agrees to provisions of the lease
18 stipulating that the applicant will

19 (1) provide access to the project to the state or its designee to ship the
20 state's royalty gas for use within the state; and

21 (2) use the applicant's best efforts to seek and obtain

22 (A) all authorizations necessary to carry out the shipment and
23 withdrawal described in 15 U.S.C. 719k(b) (section 13(b), Alaska Natural Gas
24 Transportation Act of 1976) or other appropriate federal law from the Federal
25 Energy Regulatory Commission or any other applicable governmental agency
26 to ensure that access; and

27 (B) authorization from the Federal Energy Regulatory
28 Commission or any other applicable governmental agency to expand the
29 project if the Regulatory Commission of Alaska, upon application by an entity
30 seeking to ship Alaska natural gas through the project, determines that
31 expansion is in the best interests of the state and is in accordance with this

1 section and finds that

2 (i) the rates for expansion of the natural gas
3 transportation service will ensure the recovery, on an incremental or
4 rolled-in basis, of the costs of the facilities necessary for expansion,
5 including a reasonable rate of return on the applicant's investment;

6 (ii) the rates do not require the then-existing shippers of
7 North Slope natural gas in the project to subsidize the use of the project
8 by expansion shippers;

9 (iii) facilities necessary for expansion will not adversely
10 affect the operation of the project or diminish the contract rights of
11 then-existing shippers to previously certificated capacity;

12 (iv) all necessary environmental reviews have been
13 completed; and

14 (v) the expansion is required by the present and future
15 public convenience.

16 (e) Each authority that may issue a certificate under (b) or (c) of this section
17 shall act within 90 days after receiving a request for a certificate. The commissioner
18 shall act under (d) of this section not later than 90 days after the commissioner
19 receives from the applicant the stipulations described in that subsection.

20 **Sec. 38.35.245. Treatment of Alaska North Slope natural gas project lease**
21 **application by commissioner.** In the commissioner's consideration of an application
22 under this chapter for a lease for the Alaska North Slope natural gas project, when the
23 applicant has complied with requirements of AS 38.35.240 and obtained all
24 certificates described in that section, the commissioner may limit the scope of review,
25 analysis, and finding for the applicant's proposed lease application under this chapter
26 to a particular phase of the project if, in the judgment of the commissioner, the project
27 is capable of proceeding in discrete phases and

28 (1) the uses and activities involving the project on the land for which
29 the approval is to be granted are part of that discrete phase;

30 (2) before the next phase of the project may proceed, the commissioner
31 gives public notice and opportunity for comment about that phase, unless the use or

1 activity to be approved is subject to a consistency determination under AS 46.40 and
2 public notice and the opportunity to comment are provided under AS 46.40.096(c);

3 (3) the commissioner's approval is required before the next phase of
4 the project may proceed; and

5 (4) the commissioner sets out the reasons for proceeding on the
6 application in discrete phases.

7 **Sec. 38.35.250. Expeditious priority treatment by state officials and**
8 **agencies in support of development and construction of Alaska North Slope**
9 **natural gas project under this chapter.** (a) In the development and construction of
10 an Alaska North Slope natural gas project that requires the grant of a right-of-way
11 lease under this chapter for which the project applicant has complied with
12 AS 38.35.240 and obtained all certificates described in that section, every state official
13 and agency shall give full cooperation to the commissioner, or to any official to whom
14 delegation of the authority of the commissioner is made by or under law,

15 (1) by assembling and furnishing all requested information;

16 (2) consistent with the provisions of the law administered by the
17 official or agency, by issuing or granting necessary permits, certificates,
18 authorizations, and similar actions required to be taken at the earliest practicable date,
19 on an expedited basis and, notwithstanding any other provision of law, with
20 precedence over any like matter pending before the official or agency; and

21 (3) consistent with the provisions of the law administered by the
22 official or agency, with respect to any previously issued or granted permit, certificate,
23 authorization, or similar action as to which the official or agency may exercise
24 discretion, by adding to, amending, or abrogating any term or condition as necessary
25 to further the purposes set out in AS 38.35.235 except

26 (A) changing or altering the basic nature or general route of an
27 Alaska North Slope natural gas project to which the federal government has
28 agreed; or

29 (B) otherwise significantly preventing or impairing the
30 expeditious construction and operation of an Alaska North Slope natural gas
31 project.

1 **Sec. 38.35.255. Waiver of law.** If the governor finds that any provision of
2 law applicable to actions to be undertaken by a state agency or official with respect to
3 any authorization necessary for a right-of-way lease or any other authorization
4 necessary for a project under this chapter or any action to be taken in the exercise of
5 rights conferred by that lease constitutes an obstacle to the expeditious construction
6 and initial operation of an Alaska North Slope natural gas project for which the project
7 applicant has complied with AS 38.35.240 and obtained all certificates described in
8 that section, the governor may submit a measure for the legislature's consideration to
9 provide by law for the waiver of the provision.

10 **Sec. 38.35.257. Judicial review.** Notwithstanding AS 38.35.200 and
11 notwithstanding any other provision of law, with respect to a decision made or action
12 taken bearing upon the development, construction, and operation of an Alaska North
13 Slope natural gas project for which the project applicant has complied with
14 AS 38.35.240 and obtained all certificates described in that section, a person may seek
15 judicial review of a decision of the commissioner under AS 38.35.100 or
16 AS 38.35.235 - 38.35.259 or of any agency or employee relating to the project only on
17 the grounds provided in AS 38.35.200(b). The claim for judicial review may be
18 brought only within 60 days after the making of the decision or taking of the action.

19 **Sec. 38.35.259. Definitions.** In AS 38.35.235 - 38.35.259,

20 (1) "Alaska North Slope natural gas project" or "project" means a
21 North Slope natural gas pipeline, as defined in AS 38.35.120, and related facilities,
22 including extraction and petrochemical plants, liquefaction plants, regasification
23 plants, and conditioning plants, and the expansion of that pipeline and those related
24 facilities, constructed to transport northern Alaska natural gas following a route that
25 parallels the Trans Alaska Pipeline System and the Alaska Highway to the Canadian
26 border or that initially parallels the Trans Alaska Pipeline System and then turns south
27 to tidewater in southcentral Alaska;

28 (2) "northern Alaska natural gas" means natural gas from the area of
29 the state lying north of 64 degrees North latitude.

30 * **Sec. 6.** AS 42.40.250 is amended by adding a new paragraph to read:

31 (31) provide financing for the acquisition, construction, improvement,

1 maintenance, equipping, operation, and expansion of an Alaska North Slope natural
2 gas project, as that term is defined in AS 38.35.259, within and outside the state
3 without regard to whether the project or facilities are or will be owned in whole or in
4 part by the corporation or located on land owned by the corporation.

5 * **Sec. 7.** AS 42.40 is amended by adding a new section to read:

6 **Sec. 42.40.605. Public purpose of bonds.** Bonds of the corporation issued to
7 finance the project and related facilities described in AS 42.40.250(31) are issued by a
8 public corporation and an instrumentality of the state for an essential public and
9 governmental purpose.

10 * **Sec. 8.** AS 42.40.630 is amended by adding a new subsection to read:

11 (b) Before issuing bonds to provide the financing described in
12 AS 42.40.250(31) for a facility related to the Alaska North Slope natural gas project to
13 be owned in whole or in part by an entity other than the corporation, the corporation
14 shall enter into a contract, lease, or other form of agreement that will, in the judgment
15 of the corporation, provide sufficient consideration to

16 (1) pay the principal of and interest on the bonds as they become due;

17 (2) create and maintain the reserves for the payments that the
18 corporation considers necessary or desirable; and

19 (3) pay all costs necessary to service or additionally secure the bonds,
20 including trustee's fees and bond insurance premiums, unless these costs are to be paid
21 by a party other than the corporation.

22 * **Sec. 9.** AS 42.40 is amended by adding a new section to read:

23 **Sec. 42.40.695. Alaska North Slope natural gas project bonds.** (a) In
24 conjunction with the development and construction of an Alaska North Slope natural
25 gas project that require the grant of a right-of-way lease under AS 38.35 for which the
26 project applicant has complied with AS 38.35.240 and obtained all certificates
27 described in that section, and subject to the requirements of AS 42.40.630(b), the
28 corporation is authorized to issue bonds under the power granted to it in this chapter to
29 finance the construction of a natural gas pipeline and related facilities for the
30 transportation of natural gas recovered from the North Slope of this state.

31 (b) The maximum principal amount of bonds that the corporation may issue

1 under this section is \$18,000,000,000.

2 (c) The corporation

3 (1) shall negotiate with an applicant as the corporation considers
4 appropriate and shall enter into agreements with the applicant to provide revenue
5 sufficient to accomplish the purposes described in AS 42.40.630; and

6 (2) may issue the bonds in a single issuance or in several issuances,
7 without limitation as to number of issuances or timing, and as the corporation
8 determines best furthers the purpose of financing the project and related facilities.

9 (d) The proceeds of the bonds described in this section shall be used only for
10 an Alaska North Slope natural gas project and related facilities that are owned by one
11 or more entities other than the corporation.

12 (e) In this section, "Alaska North Slope natural gas project" has the meaning
13 given in AS 38.35.259.

14 * **Sec. 10.** AS 43.56 is amended by adding a new section to read:

15 **Sec. 43.56.185. Commissioner may waive, reduce, or defer application of**
16 **certain tax laws with legislative approval.** (a) In conjunction with the development
17 and construction of an Alaska North Slope natural gas project, as defined by
18 AS 38.35.259, that requires the grant of a right-of-way lease under AS 38.35 for which
19 the project applicant has complied with AS 38.35.240 and obtained all certificates
20 described in that section, the commissioner may waive, reduce, or defer the payment
21 of all or any portion of the tax levied by the state or a municipality of the state under
22 this chapter. The commissioner may take an action described in this subsection only if

23 (1) the commissioner has consulted with any affected municipality, has
24 considered and prepared a report on the socioeconomic effects of the project on any
25 affected municipality, and has considered whether other jurisdictions in which the
26 project will be located have granted financial incentives;

27 (2) the project applicant shows, by clear and convincing evidence, that
28 construction and operation of the project would not otherwise be economically
29 feasible; and

30 (3) the commissioner and the project applicant have entered into an
31 agreement to begin construction of the project by a date certain.

1 (b) A waiver, reduction, or deferral of tax made by the commissioner under (a)
2 of this section is not effective until approved by the legislature. The legislature may
3 approve a waiver, reduction, or deferral of tax under this section only by enacting
4 legislation.

5 * **Sec. 11.** AS 46.40.094 is amended by adding a new subsection to read:

6 (d) Notwithstanding any other provision of this section, for a natural gas
7 pipeline project from the Alaska North Slope following a route that parallels the Trans
8 Alaska Pipeline System and the Alaska Highway to the Canadian border or a route
9 that runs south to Alaska tidewater for which the project applicant has complied with
10 AS 38.35.240 and obtained all certificates described in that section, any agency
11 responsible for the consistency determination with respect to proposed uses or
12 activities involved in the project may, in its discretion, conduct the review and make
13 the consistency determination in separate phases in a manner that promotes review of
14 proposed uses and activities based upon the project's design, construction sequence,
15 and schedule.

16 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 **LIMITATION OF CERTAIN ACTIONS.** A legal proceeding may not be initiated to
19 challenge the constitutionality of sec. 2 of this Act or the constitutionality of AS 38.35.235 -
20 38.35.259, added by sec. 5 of this Act, more than 60 days after the effective date of this Act.

21 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 **LEGISLATIVE AUTHORIZATION AND APPROVAL.** AS 42.40.695, added by
24 sec. 9 of this Act, and this section constitute the approval required by AS 42.40.285 for the
25 issuance of the bonds described in AS 42.40.695.

26 * **Sec. 14.** This Act takes effect immediately under AS 01.10.070(c).

HOUSE CONCURRENT RESOLUTION NO. 8
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES WHITAKER, Harris

Introduced: 3/16/01

Referred: House Special Committee on Oil and Gas, Resources

A RESOLUTION

1 **Expressing the legislature's opposition to the proposed "northern" or "over-the-top"**
2 **route for a natural gas pipeline to transport North Slope natural gas reserves to the**
3 **domestic North American market, and expressing the legislature's support of**
4 **commercialization of North Slope natural gas for the maximum benefit of the people of**
5 **the state.**

6 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 **WHEREAS** 35 trillion cubic feet of known natural gas reserves are acknowledged to
8 be adherent to oil and gas leases on the North Slope of Alaska, and, additionally, realistic
9 estimates of total recoverable gas from the reserves exceed 100 trillion cubic feet; and

10 **WHEREAS** demand for new sources of natural gas supply in North American and
11 Asian markets places Alaska's North Slope natural gas in the unique position of being
12 attractive to both markets; and

13 **WHEREAS** improved economics, technological advances, and the possibility of
14 public financing of a natural gas pipeline have removed previously perceived barriers to the
15 commercialization of Alaska's North Slope natural gas; and

1 **WHEREAS** oil and gas leaseholders on Alaska's North Slope continue to develop
2 competing gas projects elsewhere in the world while Alaska gas remains warehoused; and

3 **WHEREAS** art. VIII, sec. 1, Constitution of the State of Alaska, provides that it is the
4 policy of the state to encourage the settlement of its land and the development of its resources
5 by making them available for maximum use consistent with the public interest; and

6 **WHEREAS** art. VIII, sec. 2, Constitution of the State of Alaska, requires the
7 legislature to provide for the utilization, development, and conservation of all natural
8 resources belonging to the state, including land and waters, for the maximum benefit of its
9 people; and

10 **WHEREAS** it is widely recognized that maximum benefit to Alaska from the
11 commercialization of North Slope natural gas lies in maximum market exposure for Alaska
12 North Slope gas reserves, maximum opportunities for in-state use of the natural gas,
13 maximum opportunities for participation by Alaskans in construction, maintenance, and
14 operation of the gas line transportation project, and maximum revenue to the state from the
15 development, transport, and sale of Alaska North Slope gas reserves; and

16 **WHEREAS** the "northern" or "over-the-top" route for the proposed pipeline, running
17 east from the North Slope to Canada's Mackenzie River Valley, then south through that valley
18 to link to existing pipeline networks, under consideration by the North American Gas Pipeline
19 Group, offers none of these benefits;

20 **BE IT RESOLVED** that the Alaska State Legislature supports the commercialization
21 of Alaska North Slope natural gas for the maximum benefit of the people of the state; and be
22 it

23 **FURTHER RESOLVED** that the legislature will exercise every power within its
24 constitutionally required authority to guarantee commercialization of Alaska North Slope
25 natural gas for the maximum benefit of the people of the state; and be it

26 **FURTHER RESOLVED** that the legislature opposes construction of a "northern" or
27 "over-the-top" route for a natural gas pipeline; and be it

28 **FURTHER RESOLVED** that the legislature will exercise every power within its
29 authority to prevent the routing of a North Slope natural gas pipeline that bypasses Alaska.

HOUSE BILL NO. 9

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE GREEN

Introduced: 1/8/01

Referred: House Special Committee on Oil and Gas, Resources

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the standards applicable to determining whether a proposed new
2 investment constitutes a qualified project for purposes of the Alaska Stranded Gas
3 Development Act; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 43.82.100 is amended to read:

6 **Sec. 43.82.100. Qualified project.** Based on information available to the
7 commissioner, the commissioner may determine that a proposal for new investment is
8 a qualified project under this chapter only if the project

9 (1) [IS A PROJECT FOR THE EXPORT OF LIQUEFIED
10 NATURAL GAS;

11 (2)] would produce at least 500,000,000,000 cubic feet of stranded gas
12 within 20 years from the commencement of commercial operations; and

13 **(2)** [(3)] is capable, subject to applicable commercial regulation and
14 technical and economic considerations, of making gas available to meet the reasonably

- 1 foreseeable demand in this state for gas within the economic proximity of the project.
- 2 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

HOUSE BILL NO. 21

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES PORTER AND MULDER, Dyson

Introduced: 1/8/01

Referred: House Special Committee on Oil and Gas, Resources

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the construction of an overland natural gas pipeline to transport
2 natural gas from North Slope reserves to North American markets."

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

4 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **LEGISLATIVE FINDINGS.** The legislature finds that

7 (1) known natural gas resources on the oil and gas leases of the North Slope of
8 Alaska, amounting to 35 trillion cubic feet (Tcf) that are ready for production, together with
9 estimates of total recovery from gas fields that may ultimately exceed an estimated 100 Tcf,
10 confirm Alaska as a principal source of energy to meet North American market demands for
11 cleaner, more efficient energy in this new century;

12 (2) an improved investment climate, technological and engineering
13 improvements that have reduced the cost of construction and operation of a natural gas
14 transportation system under arctic and subarctic conditions, and strong demand for the gas in

1 the North American market have significantly improved prospects for development of these
2 gas reserves and delivery of the gas to the population and industrial centers of Canada and the
3 United States;

4 (3) the gas reserves of Alaska's North Slope are so large that, without
5 foreclosing consideration of projects involving gas-to-liquids and liquefied natural gas
6 technologies, the projected demands of the North American market will require completion of
7 an overland gas pipeline between the North Slope and the existing natural gas pipeline
8 network in north central Alberta;

9 (4) producers have identified two major routes--a "northern" route running
10 east from the North Slope to Canada's Mackenzie River Valley, then south through that valley
11 to link to the pipeline network, and a "southern" route parallel to the trans Alaska oil pipeline
12 to the state's Interior, branching to parallel the Alaska Highway through the Yukon Territory
13 and northern British Columbia to link to the pipeline network--as the only natural gas pipeline
14 projects worthy of full consideration;

15 (5) it is in the best interest of the State of Alaska that the natural gas pipeline
16 be constructed along the "southern" route, for construction along this route will

17 (A) provide the benefit of a less expensive, cleaner energy source to
18 the Interior of the state and provide the opportunity for additional gas
19 commercialization throughout the state;

20 (B) have the benefit of transportation access and support infrastructure,
21 following in part a route for which environmental studies have already been
22 developed;

23 (C) add significant property value to the tax base of the state and its
24 local governments, generating millions of dollars of additional state and local
25 government revenue; and

26 (D) provide direct short-term construction and long-term operation-
27 related employment opportunities for Alaskans.

HOUSE BILL NO. 38

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/8/01

Referred: House Special Committee on Oil and Gas, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the application deadline, and the standards applicable to
2 determining whether a proposed new investment constitutes a qualified project, for
3 purposes of the Alaska Stranded Gas Development Act; and providing for an effective
4 date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 43.82.100 is amended to read:

7 **Sec. 43.82.100. Qualified project.** Based on information available to
8 the commissioner, the commissioner may determine that a proposal for new
9 investment is a qualified project under this chapter only if the project

10 (1) [IS A PROJECT FOR THE EXPORT OF LIQUEFIED
11 NATURAL GAS;

12 (2)] would produce at least 500,000,000,000 cubic feet of
13 stranded gas within 20 years from the commencement of commercial

1 operations; and

2 (2) [(3)] is capable, subject to applicable commercial regulation
3 and technical and economic considerations, of making gas available to meet the
4 reasonably foreseeable demand in this state for gas within the economic
5 proximity of the project.

6 * **Sec. 2.** AS 43.82.170 is amended to read:

7 **Sec. 43.82.170. Application deadline.** The commissioner of revenue
8 or the commissioner of natural resources may not act on an application for a
9 contract submitted under AS 43.82.120 unless the application is received by the
10 Department of Revenue no later than December 31, 2001 [JUNE 30, 2001].

11 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

SENATE BILL NO. 17

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/8/01

Referred: Transportation, Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the application deadline, and the standards applicable to
2 determining whether a proposed new investment constitutes a qualified project, for
3 purposes of the Alaska Stranded Gas Development Act; and providing for an effective
4 date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 43.82.100 is amended to read:

7 **Sec. 43.82.100. Qualified project.** Based on information available to
8 the commissioner, the commissioner may determine that a proposal for new
9 investment is a qualified project under this chapter only if the project

10 (1) [IS A PROJECT FOR THE EXPORT OF LIQUEFIED
11 NATURAL GAS;

12 (2)] would produce at least 500,000,000,000 cubic feet of
13 stranded gas within 20 years from the commencement of commercial

1 operations; and

2 (2) [(3)] is capable, subject to applicable commercial regulation
3 and technical and economic considerations, of making gas available to meet the
4 reasonably foreseeable demand in this state for gas within the economic
5 proximity of the project.

6 * **Sec. 2.** AS 43.82.170 is amended to read:

7 **Sec. 43.82.170. Application deadline.** The commissioner of revenue
8 or the commissioner of natural resources may not act on an application for a
9 contract submitted under AS 43.82.120 unless the application is received by the
10 Department of Revenue no later than December 31, 2001 [JUNE 30, 2001].

11 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

HOUSE BILL NO. 60

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/16/01

Referred: House Special Committee on Oil and Gas, Resources

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Right-of-Way Leasing Act; and providing for an effective date."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 38.35.020(a) is amended to read:

4 (a) Rights-of-way on state land including rights-of-way [OVER, UNDER,
5 ALONG, ACROSS, OR UPON THE RIGHT-OF-WAY OF A PUBLIC ROAD OR
6 HIGHWAY OR THE RIGHT-OF-WAY OF A RAILROAD OR OTHER PUBLIC
7 UTILITY, OR] across, upon, over, or under a river or other body of water or land
8 belonging to or administered by the state may be granted by noncompetitive lease by
9 the commissioner for pipeline purposes for the transportation of oil, products, or
10 natural gas under those conditions prescribed by statute [LAW] or by
11 [ADMINISTRATIVE] regulation. Except to the extent authorized by an oil and gas
12 lease or unit agreement approved by the state, a [NO] person may **not** engage in any
13 construction or operation of any part of an oil, products, or natural gas pipeline, which
14 in whole or in part is or is proposed to be on state land unless that person has obtained
15 from the commissioner a right-of-way lease of the land under this chapter.

1 * **Sec. 2.** AS 38.35.110 is amended to read:

2 **Sec. 38.35.110. Term of lease.** Each lease of state land for pipeline right-of-
3 way purposes must contain a provision that the lease shall run for a specified term of
4 not greater than 30 years, and shall be renewable for additional periods of up to 30
5 [10] years each, so long as the lessee is in commercial operation and is in full
6 compliance with all state law, including [BUT NOT LIMITED TO] state law
7 pertaining to regulation and taxation of the pipeline facility, and is in compliance with
8 all terms of the lease. In making this determination the commissioner shall take into
9 consideration the cost of the proposed pipeline, its useful life, and the probable
10 financing requirement for the proposed pipeline.

11 * **Sec. 3.** AS 38.35.140(b) is amended to read:

12 (b) The lessee shall reimburse the state for all reasonable costs incurred in
13 processing an application filed under AS 38.35.050 and in monitoring the
14 construction, operation, maintenance, and termination of the pipeline on the right-
15 of-way.

16 * **Sec. 4.** AS 38.35.230(9) is amended to read:

17 (9) "state land" means

18 (A) "state land" as defined in AS 38.05.965;

19 (B) public land of the United States selected by the state under
20 sec. 6 [§ 6] of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as
21 amended, and real property of the United States transferred to the state under
22 secs. 21, 35, and 45 [§§ 21, 35 and 45] of the Alaska Omnibus Act of 1959
23 (PL 86-70; 73 Stat. 141), as amended;

24 (C) any interest owned by the state in land, if the interest is
25 sufficient to permit the state to lease it under the authority of this chapter;

26 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 **APPLICABILITY.** This Act applies to all new right-of-way leases, and amendments
29 and renewals of existing leases, issued under AS 38.35 and entered into on or after the
30 effective date of this Act.

31 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

SENATE BILL NO. 32

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/12/01

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Right-of-Way Leasing Act; and providing for an effective date."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 38.35.020(a) is amended to read:

4 (a) Rights-of-way on state land including rights-of-way [OVER, UNDER,
5 ALONG, ACROSS, OR UPON THE RIGHT-OF-WAY OF A PUBLIC ROAD OR
6 HIGHWAY OR THE RIGHT-OF-WAY OF A RAILROAD OR OTHER PUBLIC
7 UTILITY, OR] across, upon, over, or under a river or other body of water or land
8 belonging to or administered by the state may be granted by noncompetitive lease by
9 the commissioner for pipeline purposes for the transportation of oil, products, or
10 natural gas under those conditions prescribed by statute [LAW] or by
11 [ADMINISTRATIVE] regulation. Except to the extent authorized by an oil and gas
12 lease or unit agreement approved by the state, a [NO] person may **not** engage in any
13 construction or operation of any part of an oil, products, or natural gas pipeline, which
14 in whole or in part is or is proposed to be on state land unless that person has obtained
15 from the commissioner a right-of-way lease of the land under this chapter.

1 * **Sec. 2.** AS 38.35.110 is amended to read:

2 **Sec. 38.35.110. Term of lease.** Each lease of state land for pipeline right-of-
3 way purposes must contain a provision that the lease shall run for a specified term of
4 not greater than 30 years, and shall be renewable for additional periods of up to **30**
5 [10] years each, so long as the lessee is in commercial operation and is in full
6 compliance with all state law, including [BUT NOT LIMITED TO] state law
7 pertaining to regulation and taxation of the pipeline facility, and is in compliance with
8 all terms of the lease. In making this determination the commissioner shall take into
9 consideration the cost of the proposed pipeline, its useful life, and the probable
10 financing requirement for the proposed pipeline.

11 * **Sec. 3.** AS 38.35.140(b) is amended to read:

12 (b) The lessee shall reimburse the state for all reasonable costs incurred in
13 processing an application filed under AS 38.35.050 and in monitoring the
14 construction, **operation, maintenance, and termination** of the pipeline on the right-
15 of-way.

16 * **Sec. 4.** AS 38.35.230(9) is amended to read:

17 (9) "state land" means
18 (A) "state land" as defined in AS 38.05.965;
19 (B) public land of the United States selected by the state under
20 **sec. 6** [§ 6] of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 399), as
21 amended, and real property of the United States transferred to the state under
22 **secs. 21, 35, and 45** [§§ 21, 35 and 45] of the Alaska Omnibus Act of 1959
23 (PL 86-70; 73 Stat. 141), as amended;
24 (C) any interest owned by the state in land, **if the interest is**
25 **sufficient to permit the state to lease it under the authority of this chapter;**

26 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 **APPLICABILITY.** This Act applies to all new right-of-way leases, and amendments
29 and renewals of existing leases, issued under AS 38.35 and entered into on or after the
30 effective date of this Act.

31 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

SENATE BILL NO. 76
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY SENATORS THERRIAULT, Wilken, Kelly, Green

Introduced: 2/7/01
Referred: Resources

A BILL
FOR AN ACT ENTITLED

1 **"An Act amending the permissible period of renewal of a lease entered into under the**
2 **Alaska Right-of-Way Leasing Act, and providing for treatment of a pending application**
3 **for lease renewal as a lease continued under its existing terms until entry of the final**
4 **determination affecting the application for renewal; and providing for an effective**
5 **date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1.** AS 38.35.110 is amended to read:

8 **Sec. 38.35.110. Term of lease.** Each lease of state land for pipeline right-of-
9 way purposes must contain a provision that the lease shall run for a specified term of
10 not greater than 30 years, and shall be renewable for additional periods of up to 30
11 [10] years each, so long as the lessee is in commercial operation and is in full
12 compliance with all state law, including but not limited to state law pertaining to
13 regulation and taxation of the pipeline facility, and is in compliance with all terms of

1 the lease. In making this determination, the commissioner shall take into consideration
2 the cost of the proposed pipeline, its useful life, and the probable financing
3 requirement for the proposed pipeline.

4 * **Sec. 2.** AS 38.35.110 is amended by adding a new subsection to read:

5 (b) If, not later than the date of expiration of the term of a lease made under
6 (a) of this section, the lessee of a lease renewable under (a) of this section requests
7 renewal and the lease has not been renewed, the commissioner shall continue the lease
8 subject to the terms and conditions that were applicable to the lease in effect at the
9 time of expiration of the lease's term. The commissioner shall continue the lease until
10 the commissioner determines the duration of the renewed lease and renews the lease
11 for that duration with any additional terms and conditions of the lease under renewal,
12 or until the commissioner denies renewal if the commissioner determines that the
13 lessee is not in commercial operation or that the lessee is not in full compliance with
14 state law, and the denial has been adjudicated to a final decision not subject to further
15 appeal.

16 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 COMMISSIONER OF NATURAL RESOURCES TO AMEND CERTAIN
19 EXISTING LEASES UNDER ALASKA RIGHT-OF-WAY LEASING ACT TO
20 INCORPORATE PROVISION FOR RENEWAL PERIODS OF UP TO 30 YEARS. If,
21 before expiration of the term of the original specified term of a lease first entered into under
22 AS 38.35 that is in effect on the effective date of this Act, the lessee makes a written request,
23 the commissioner of natural resources shall amend the lease to amend the terms under which
24 the lease is renewable to conform to AS 38.35.110(a), amended by sec. 1 of this Act.

25 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

HOUSE BILL NO. 83

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Introduced: 1/19/01

Referred: House Special Committee on Oil and Gas, Resources

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to natural gas pipelines, providing a statutory definition for the portion
2 of the constitutional statement of policy on resource development as applicable to the
3 development and transportation of the state's natural gas reserves, amending Acts
4 relating to construction of natural gas pipelines to require conformance to the
5 requirements of the statutory definition, and amending the standards applicable to
6 determining whether a proposed new investment constitutes a qualified project for
7 purposes of the Alaska Stranded Gas Development Act; and providing for an effective
8 date."

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 * **Section 1.** AS 38.05.910 is amended by adding a new subsection to read:

11 (b) Consistent with the statements of general state policy guiding resource
12 development set out in art. VIII, sec. 1, Constitution of the State of Alaska, that the

1 resources of the state be developed "by making them available for maximum use
2 consistent with the public interest" that appears in (a) of this section, and set out in art.
3 VIII, sec. 2, Constitution of the State of Alaska, directing that provision shall be made
4 by the legislature for "the utilization, development, and conservation of all natural
5 resources belonging to the State . . . for the maximum benefit of its people," it is the
6 policy of this state that the overall strategy for development, use, and control of a
7 project or projects to develop and transport the state's substantial natural gas resources
8 be directed

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

10 (A) ensuring that, in conjunction with out-of-state market-
11 driven commercial demand for the natural gas, state residents and businesses
12 will have access, direct or indirect, to that portion of the gas that will meet the
13 reasonably foreseeable in-state demands for it, including substitution of the
14 natural gas for depleting gas reserves in order to maintain a low-cost domestic
15 and industrial energy source, and that the pipeline or pipelines for the
16 transportation of the natural gas will be designed and located to be responsive
17 to these requirements;

18 (B) making the maximum contribution to the development of
19 job opportunities in this state by providing direct short-term construction and
20 long-term operation- and maintenance-related employment on the pipeline or
21 pipelines and by providing necessary support services; and

22 (C) adding significant long-term property value to the tax base
23 of the state and its local governments, thereby providing the means to support
24 public education, public health, transportation, and other essential state and
25 local government projects and services;

26 (2) to ensure that the design, location, and construction of a pipeline or
27 pipelines of natural gas from this state to North American markets through connection
28 to the North American natural gas pipeline network does not foreclose implementation
29 of gas delivery using alternative technologies and the construction of other pipelines to
30 accommodate delivery of natural gas to tidewater for delivery to foreign and domestic
31 markets; and

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

7 * Sec. 2. AS 38.35.100(a) is amended to read:

8 (a) The commissioner shall promptly determine, in a written finding, on an
 9 application filed under AS 38.35.050, whether the applicant is fit, willing, and able to
 10 perform the transportation or other acts proposed in a manner that will be required by
 11 the present or future public interest. **For a natural gas pipeline, the commissioner**
 12 **shall also promptly determine, in a written finding, on an application filed under**
 13 **AS 38.35.050, whether the applicant's proposed use of the right-of-way will**
 14 **comply with the overall strategy for development, use, and control of a project or**
 15 **projects to develop and transport the state's natural gas resources set out in**
 16 **AS 38.05.910(b).** In making a determination the commissioner shall consider whether
 17 or not

18 (1) the proposed use of the right-of-way will unreasonably conflict
 19 with existing uses of the land involving a superior public interest;

20 (2) the applicant has the technical and financial capability to protect
 21 state and private property interests;

22 (3) the applicant has the technical and financial capability to take
 23 action to the extent reasonably practical to

24 (A) prevent any significant adverse environmental impact,
 25 including but not limited to erosion of the surface of the land and damage to
 26 fish and wildlife and their habitat;

27 (B) undertake any necessary restoration or revegetation; and

28 (C) protect the interests of individuals living in the general area
 29 of the right-of-way who rely on fish, wildlife, and biotic resources of the area
 30 for subsistence purposes;

31 (4) the applicant has the financial capability to pay reasonably

1 foreseeable damages for which the applicant may become liable on claims arising
2 from the construction, operation, maintenance, or termination of the pipeline;

3 (5) the applicant has agreed that, in the construction and operation of a
4 pipeline within the right-of-way,

5 (A) the applicant will comply with, and require contractors and
6 their subcontractors to comply with, applicable and valid laws and regulations
7 regarding the hiring of residents of the state then in effect or that take effect
8 subsequently, **and**

9 (B) **for a project or projects to develop and transport the**
10 **state's natural gas resources, the applicant will also use the applicant's**
11 **best efforts to contract with qualified contractors and firms in this state**
12 **for work to be performed, including the fabrication and installation of**
13 **required facilities; in this subparagraph, a contractor or firm is**
14 **considered as qualified if the contractor or firm qualifies as an Alaska**
15 **bidder under AS 36.30.170(b);**

16 (6) **for a North Slope natural gas pipeline, as that term is defined**
17 **in AS 42.06.630, the applicant voluntarily agrees to use the applicant's best**
18 **efforts to employ residents of this state, consistent with law; for purposes of this**
19 **paragraph, a person is considered a resident if the person is physically present in**
20 **the state with the intent to remain in the state indefinitely and has a home in the**
21 **state.**

22 * Sec. 3. AS 38.35.100(b) is amended to read:

23 (b) If the commissioner makes the determinations under (a) of this section
24 favorably to the applicant, then the commissioner may grant the whole or part of the
25 application. If the commissioner makes the determinations under (a) [(a)(1) - (5)] of
26 this section favorably to the applicant but determines that the applicant is not then fit,
27 willing, and able to perform under the application, the commissioner may grant the
28 application under a conditional lease subject to conditions established by the
29 commissioner that will ensure that the applicant will, within a prescribed period of
30 time not exceeding 10 years, establish that the applicant is fit, willing, and able, under
31 (a) of this section, to perform the transportation or other acts that will be required by

1 the present or future public interest. An applicant is not entitled to a notice or
 2 authorization to proceed to construction, or its equivalent, under a conditional lease
 3 until the commissioner determines in writing that the applicant has satisfactorily
 4 established that the applicant is then fit, willing, and able to perform under (a) of this
 5 section. Otherwise, the commissioner shall deny the application.

6 * Sec. 4. AS 42.06.310(d) is amended to read:

7 (d) To reduce the time and cost of future connections for the injection and
 8 removal of gas from the main North Slope natural gas pipeline in order to
 9 maintain and facilitate access to a portion of the gas for use in intrastate
 10 commerce to meet the reasonably foreseeable in-state demands for it, including
 11 substitution of the natural gas for depleting gas reserves in order to maintain a
 12 low-cost domestic and industrial energy source, the [THE REQUIREMENT OF
 13 (c) OF THIS SECTION DOES NOT APPLY TO A NORTH SLOPE NATURAL
 14 GAS PIPELINE CARRIER TO THE EXTENT THAT THE CAPACITY OF THE
 15 CARRIER'S NORTH SLOPE NATURAL GAS PIPELINE DOES NOT ALLOW
 16 FOR EXPANDED CAPACITY, AND DOES NOT APPLY TO REQUIRE A
 17 NORTH SLOPE NATURAL GAS PIPELINE CARRIER TO ENLARGE OR
 18 EXTEND ITS NORTH SLOPE NATURAL GAS PIPELINE SYSTEM.
 19 HOWEVER, THE] commission

20 (1) shall, notwithstanding the criteria applicable under (c) of this
 21 section, [MAY] require a North Slope natural gas pipeline [CARRIER] to be
 22 designed and constructed in size and operating capability beyond the capacity, as
 23 measured by the average daily volume throughput, sufficient to provide gas in
 24 interstate commerce, and shall enter other appropriate orders under
 25 AS 42.06.340(b); and

26 (2) may otherwise require a North Slope natural gas pipeline
 27 carrier to expand, enlarge, or extend its North Slope natural gas pipeline system if,
 28 after notice and opportunity for hearing, the commission determines that

29 (A) [(1)] a person making a request for expanded, enlarged, or
 30 extended service by a North Slope natural gas pipeline carrier has made a firm
 31 contractual commitment to the North Slope natural gas pipeline carrier to

1 transport North Slope natural gas; and

2 **(B)** [(2)] the expansion, enlargement, or extension will not
3 result in

4 **(i)** [(A)] substantial injury, including economic injury,
5 to the North Slope natural gas pipeline facility or its customers;

6 **(ii)** [(B)] substantial detriment to the services furnished
7 by the North Slope natural gas pipeline facility; or

8 **(iii)** [(C)] the creation of safety hazards.

9 * **Sec. 5.** AS 43.82.100 is amended to read:

10 **Sec. 43.82.100. Qualified project.** Based on information available to the
11 commissioner, the commissioner may determine that a proposal for new investment is
12 a qualified project under this chapter only if the project

13 (1) [IS A PROJECT FOR THE EXPORT OF LIQUEFIED
14 NATURAL GAS;

15 (2)] would produce at least 500,000,000,000 cubic feet of stranded gas
16 within 20 years from the commencement of commercial operations; and

17 **(2) complies with the overall strategy for development, use, and**
18 **control of a project or projects to develop the state's natural gas resources set out**
19 **in AS 38.05.910(b)** [(3) IS CAPABLE, SUBJECT TO APPLICABLE
20 COMMERCIAL REGULATION AND TECHNICAL AND ECONOMIC
21 CONSIDERATIONS, OF MAKING GAS AVAILABLE TO MEET THE
22 REASONABLY FORESEEABLE DEMAND IN THIS STATE FOR GAS WITHIN
23 THE ECONOMIC PROXIMITY OF THE PROJECT].

24 * **Sec. 6.** AS 42.06.240(f) is repealed.

25 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).

SENATE BILL NO. 82

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE COUNCIL

Introduced: 2/9/01

Referred: State Affairs, Judiciary

A BILL

FOR AN ACT ENTITLED

1 "An Act making corrective amendments to the Alaska Statutes as recommended by the
2 revisor of statutes; and providing for an effective date."

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

4 * **Section 1.** AS 06.05.005(a)(3) is amended to read:

5 (3) review and approve or disapprove applications for new state banks
6 under AS 06.05.344 [AS 06.05.345], new bank branches under AS 06.05.399, and
7 international or interstate branch banks under AS 06.05.555;

8 * **Sec. 2.** AS 13.06.050(29) is amended to read:

9 (29) "minor" means a person who is under 18 [19] years of age;

10 * **Sec. 3.** AS 16.05.930(g) is amended to read:

11 (g) AS 16.05.330 - 16.05.723 [AS 16.05.440 - 16.05.723] do not apply to an
12 activity authorized by a permit issued under AS 16.40.100 or 16.40.120, or to a person
13 or vessel employed in an activity authorized by a permit issued under AS 16.40.100 or
14 16.40.120.

1 * **Sec. 4.** AS 21.27.560(a) is amended to read:

2 (a) A client who appoints an insurance producer as its broker in this state or
3 relative to a subject resident, located, or to be performed in this state shall execute a
4 written contract that specifically sets out the duties, functions, powers, authority, and
5 compensation of the insurance producer, if the broker is compensated by a fee paid **by**
6 the client or by a combination of a fee paid by a client and a commission paid by an
7 insurer with which coverage has been placed. The written contract shall be kept in the
8 permanent records of the insurance producer and be open to inspection by the director.

9 * **Sec. 5.** AS 21.42.500 is amended to read:

10 **Sec. 21.42.500. Definitions.** In AS 21.42.345 - 21.42.500 [AS 21.42.345 -
11 21.42.395],

12 (1) "copayment" means the portion of medical care expenses in excess
13 of the deductible to be paid by a covered individual;

14 (2) "deductible" means the portion of medical care expenses for which
15 a covered individual must pay before benefits become payable;

16 (3) "excepted benefits" has the meaning given in AS 21.54.160;

17 (4) "fraternal benefit society" has the meaning given in AS 21.84.900;

18 (5) "health care insurance plan" has the meaning given in
19 AS 21.54.500;

20 (6) "health care insurer" has the meaning given in AS 21.54.500;

21 (7) "placed for adoption" has the meaning given in AS 21.54.500.

22 * **Sec. 6.** AS 21.54.160(4)(A) is amended to read:

23 (A) Medicare **supplemental policy** [SUPPLEMENT HEALTH
24 INSURANCE] as defined in 42 U.S.C. 1395ss(g)(1) [42 U.S.C. 1345ss(g)(1)]
25 (Social Security Act);

26 * **Sec. 7.** AS 21.56.050(d)(3) is amended to read:

27 (3) subject to the approval of the director, the board shall make an
28 adjustment to the assessment formula for reinsuring carriers that are approved health
29 maintenance organizations that are federally qualified under 42 U.S.C. 300e [42
30 U.S.C. 300], to the extent, if any, that restrictions are imposed on those organizations
31 that are not imposed on other small employer insurers;

1 * **Sec. 8.** AS 23.40.215(c) is amended to read:

2 (c) Notwithstanding (b) of this section, the monetary terms of an agreement
3 entered into between a school district or regional educational attendance area and its
4 employees are not **required to be submitted to** [SUBJECT TO APPROVAL BY] the
5 legislature.

6 * **Sec. 9.** AS 24.45.041(b)(7) is amended to read:

7 (7) the identification of a legislator, legislative employee, or public
8 official to whom the lobbyist is married or who is the spousal equivalent of the
9 lobbyist; in this paragraph, "spousal equivalent" has the meaning given in
10 **AS 39.50.200(a)** [AS 39.50.030(g)].

11 * **Sec. 10.** AS 38.04.900(c) is amended to read:

12 (c) If the regulations adopted by the commissioner under (a) of this section fail
13 to provide for a process by which decisions of the commission may be appealed, an
14 interested person may petition for reconsideration of a decision. The petition shall
15 contain the information required to be submitted by AS 44.62.220 and shall be acted
16 upon by the commissioner in the manner provided in AS 44.62.230. For purposes of
17 this **subsection** [SECTION], a municipality is an interested person with respect to its
18 interests in land defined in (b) of this section.

19 * **Sec. 11.** AS 38.05.810(i) is amended to read:

20 (i) Subject to AS 38.05.820, the commissioner may lease undeveloped state
21 land, including tideland, to a port authority established under AS 29.35.600 -
22 29.35.730, if the state land is within the physical boundaries of the authority and is
23 needed by the authority for purposes provided in AS 29.35.600 - 29.35.730. The
24 commissioner may lease developed state land, including tideland, to a port authority
25 established under AS 29.35.600 - 29.35.730 only if, (1) the developed state land is
26 within the physical boundaries of the authority; (2) the developed state land is needed
27 by the authority for purposes provided in AS 29.35.600 - 29.35.730; and (3) the
28 legislature approves the lease. A lease of state land under this **subsection** [SECTION]
29 may be for less than the appraised market value.

30 * **Sec. 12.** AS 38.05.821(a) is amended to read:

31 (a) Notwithstanding any other provision of law, a home rule or general law

1 municipality **that** [WHICH] accepts by conveyance or other disposition from the state
 2 a public recreation area facility developed under the terms of **P.L. 84-507, 70 Stat.**
 3 **130** [P.L. 507 (70 STAT. 130)], upon application, shall receive by conveyance from
 4 the director all land owned by the state seaward of the public recreation area facility
 5 **that** [WHICH] is between the mean high tide line and the mean low tide line. The
 6 director may adopt necessary regulations providing for the conveyance of land under
 7 this section.

8 * **Sec. 13.** AS 38.20.060(a)(10) is amended to read:

9 (10) Zone 10 is a Lambert conformal conic projection of the Clarke
 10 spheroid of 1866, having standard parallels at north latitude 51 degrees 50 minutes
 11 [AS] and 53 degrees 50 minutes, along which parallels the scale shall be exact. The
 12 origin of coordinates is at the intersection of the meridian 176 degrees 00 minutes west
 13 of Greenwich and the parallel 51 degrees 00 minutes north latitude. This origin is
 14 given the coordinates: x = 3,000,000 feet and y = 0 feet.

15 * **Sec. 14.** AS 38.20.060(b)(10) is amended to read:

16 (10) Zone 10 is a Lambert conformal conic projection of the World
 17 Reference Ellipsoid, having standard parallels at north latitude 51 degrees 50 minutes
 18 [AS] and 53 degrees 50 minutes, along which parallels the scale shall be exact. The
 19 origin of coordinates is at the intersection of the meridian 176 degrees 00 minutes west
 20 of Greenwich and the parallel 51 degrees 00 minutes north latitude. This origin is
 21 given the coordinates: x = 1,000,000 meters and y = 0 meters.

22 * **Sec. 15.** AS 38.35.120(a)(1) is amended to read:

23 (1) it assumes the status of and will perform all of its functions
 24 undertaken under the lease as a common carrier and will accept, convey, and transport
 25 without discrimination crude oil or natural gas, depending on the kind of pipeline
 26 involved, delivered to it for transportation from fields in the vicinity of the pipeline
 27 subject to the lease throughout its route both on state land obtained under the lease and
 28 on the other land; **it will accept, convey, and transport crude oil or natural gas**
 29 **without unjust or unreasonable discrimination in favor of one producer or**
 30 **person, including itself, as against another but will take the crude oil or natural**
 31 **gas, depending on the kind of pipeline involved, delivered or offered, without**

1 unreasonable discrimination, that the Regulatory Commission of Alaska shall,
2 after a full hearing with due notice to the interested parties and a proper finding
3 of facts, determine to be reasonable in the performance of its duties as a common
4 carrier; however, a lessee that owns or operates a natural gas pipeline

5 (A) subject to regulation either under the Natural Gas Act (15
6 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
7 with respect to rates and charges for the sale of natural gas, is, to the extent of
8 that regulation, exempt from the common carrier requirement in this
9 paragraph; [IT WILL ACCEPT, CONVEY, AND TRANSPORT CRUDE OIL
10 OR NATURAL GAS WITHOUT UNJUST OR UNREASONABLE
11 DISCRIMINATION IN FAVOR OF ONE PRODUCER OR PERSON,
12 INCLUDING ITSELF, AS AGAINST ANOTHER BUT WILL TAKE THE
13 CRUDE OIL OR NATURAL GAS, DEPENDING ON THE KIND OF
14 PIPELINE INVOLVED, DELIVERED OR OFFERED, WITHOUT
15 UNREASONABLE DISCRIMINATION, THAT THE REGULATORY
16 COMMISSION OF ALASKA SHALL, AFTER A FULL HEARING WITH
17 DUE NOTICE TO THE INTERESTED PARTIES AND A PROPER
18 FINDING OF FACTS, DETERMINE TO BE REASONABLE IN THE
19 PERFORMANCE OF ITS DUTIES AS A COMMON CARRIER;]

20 (B) that is a North Slope natural gas pipeline (i) is required to
21 operate as a common carrier only with respect to the intrastate transportation of
22 North Slope natural gas, as that term is defined in AS 42.06.630, and (ii) is not
23 required to operate as a common carrier as to a liquefied natural gas facility or
24 a marine terminal facility associated with the pipeline, and is not otherwise
25 required to perform its functions under the lease as a common carrier; for
26 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
27 facilities of a total system of pipe, whether owned or operated under a contract,
28 agreement, or lease, used by a carrier for transportation of North Slope natural
29 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
30 transportation, and including all pipe, pump, or compressor stations, station
31 equipment, tanks, valves, access roads, bridges, airfields, terminals and

1 terminal facilities, including docks and tanker loading facilities, operations
 2 control centers for both the upstream part of the pipeline and the terminal,
 3 tanker ballast treatment facilities, fire protection system, communication
 4 system, and all other facilities used or necessary for an integral line of pipe,
 5 taken as a whole, to carry out transportation, including an extension or
 6 enlargement of the line;

7 * **Sec. 16.** AS 38.95 is amended by adding a new section to article 3 to read:

8 **Sec. 38.95.085. Definitions for AS 38.95.075 - 38.95.085.** In AS 38.95.075 -
 9 38.95.085,

10 (1) "commissioner" means the commissioner of natural resources;

11 (2) "director" means the director of the division of lands.

12 * **Sec. 17.** AS 40.15.050 is amended to read:

13 **Sec. 40.15.050. Plats legalized.** All plats filed or recorded with the recorder
 14 before March 30, 1953, whether executed and acknowledged in accordance with this
 15 chapter or not, are validated and all streets, alleys, or public thoroughfares shown on
 16 these plats are considered to be dedicated to public use. The last plat of the area of
 17 record on March 30, 1953, is the official plat of the area as of that date, and the streets,
 18 alleys, or thoroughfares shown on it are considered to be dedicated to public use. The
 19 streets, alleys, or thoroughfares shown on an earlier plat of the same area, or any part
 20 of it, that are [WHICH IS] in conflict with those shown on the official plat are
 21 considered to be abandoned and vacated.

22 * **Sec. 18.** AS 41.10.100(b) is amended to read:

23 (b) The board shall also

24 (1) receive and review reports concerning the use of soil resources of
 25 the state;

26 (2) hold public hearings and meetings to determine whether land in the
 27 state is being used in a manner consistent with sound soil and water conservation
 28 practices;

29 (3) make recommendations for specific action necessary to provide for
 30 the effective and orderly development of agricultural, forest, and grazing land in the
 31 state;

1 (4) review an appeal by an applicant or lessee from a decision of the
2 director of the division of lands [LAND AND WATER MANAGEMENT]
3 concerning a sale or lease of state agricultural or grazing land and submit its
4 recommendations to the commissioner or hearing officer;

5 (5) act in an advisory capacity to the soil and water conservation
6 districts in the state;

7 (6) act in an advisory capacity to the commissioner and director of the
8 division of agriculture in the review of farm conservation plans for all state
9 agricultural land sales in the state.

10 * **Sec. 19.** AS 41.17.950(13) is amended to read:

11 (13) "riparian area" means

12 (A) the areas specified in AS 41.17.116(a) on private land in
13 the coastal forest of spruce or hemlock;

14 (B) the areas specified in regulations adopted by the
15 commissioner under AS 41.17.116(b) on private land outside the coastal forest
16 of spruce or hemlock;

17 (C) the area 100 feet from the shore or bank of [OR] an
18 anadromous or high value resident fish water body on state land managed by
19 the department and on other public land;

20 * **Sec. 20.** AS 43.40.100(4) is amended to read:

21 (4) "user" means a person consuming or using motor fuel, who

22 [EITHER]

23 (A) purchases the fuel out of the state and ships it into the state
24 for personal use in the state;

25 (B) manufactures the fuel in the state; or

26 (C) purchases or receives fuel in the state that is not taxed at
27 the time of purchase or receipt or is taxed at a rate that is less than the rate
28 prescribed by AS 43.40.010.

29 * **Sec. 21.** AS 44.85.320(a) is amended to read:

30 (a) A trustee appointed under AS 44.85.310 [THIS SECTION] may, and shall
31 in the trustee's name, upon written request of the holders of 25 percent [PER CENT]

1 in principal amount of the outstanding notes or bonds,

2 (1) by civil action enforce all rights of the noteholders or bondholders,
3 including the right to require the bond bank authority to collect rates, charges, and
4 other fees and to collect interest and amortization payments on municipal bonds and
5 notes held by it adequate to carry out an agreement as to, or pledge of, the rates,
6 charges, and other fees and of the interest and amortization payments, and to require
7 the bond bank authority to carry out any other agreements with the holders of the notes
8 or bonds and to perform its duties under this chapter;

9 (2) bring a civil action upon the notes or bonds;

10 (3) by civil action require the bond bank authority to account as if it
11 were the trustee of an express trust for the holders of the notes or bonds;

12 (4) by civil action enjoin anything that may be unlawful or in violation
13 of the rights of the holders of the notes or bonds;

14 (5) declare all the notes or bonds due and payable, and if all defaults
15 are made good, then with the consent of the holders of 25 percent [PER CENT] of the
16 principal amount of the outstanding notes or bonds, annul the declaration and its
17 consequences;

18 (6) [THE TRUSTEE,] in addition to the foregoing, exercise [HAS]
19 all the powers necessary for the exercise of functions specifically set out or incident to
20 the general representation of bondholders or noteholders in the enforcement and
21 protection of their rights.

22 * **Sec. 22.** AS 08.20.180(b); AS 14.43.310(b)(2); AS 18.65.250; AS 39.50.200(b)(17);
23 AS 44.19.110, 44.19.112, 44.19.114, 44.19.116, 44.19.118, 44.19.120, and 44.19.122 are
24 repealed.

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

SENATE BILL NO. 121
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY SENATOR LEMAN

Introduced: 2/27/01
Referred: Resources, Finance

A BILL
FOR AN ACT ENTITLED

1 **"An Act adding, for purposes of the Alaska Right-of-Way Leasing Act, a definition of**
2 **'substantial change' as applied to an amended right-of-way lease application; and**
3 **providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 38.35.050(c) is amended to read:

6 (c) Any amendment to an application filed under this section **that** [WHICH]
7 constitutes a substantial change in the application is subject to all provisions of this
8 chapter applying to an original application. **For purposes of this subsection,**

9 **(1) an amendment constitutes a substantial change in the**
10 **application only if the amendment proposes**

11 **(A) a net increase in the amount of state acreage to be**
12 **leased for the right-of-way that exceeds by at least 10 percent the amount**
13 **of the acreage in the applicant's original application; or**

14 **(B) a change in the design of the pipeline that would use less**

1 effective environmental or safety mitigation measures or less advanced
2 technology than proposed in the original application;

3 (2) in calculating the percentage increase in acreage under (1)(A)
4 of this subsection, each of the following must be excluded:

5 (A) the acreage attributable to an amendment to a right-of-
6 way grant across federal land originally issued by the federal government,
7 whether administered by the state or the federal government; and

8 (B) land subject to an existing federal right-of-way grant
9 held by the applicant that is transferred to the state for its administration.

10 * Sec. 2. AS 38.35.080(b) is amended to read:

11 (b) Upon completion of the analysis but not less than 30 days before the date
12 set for hearing an application or an amendment to an application that, under
13 AS 38.35.050(c), constitutes a substantial change in the [AMENDMENT TO AN]
14 application, the commissioner shall publish notice, and make copies available as
15 provided in AS 38.35.070.

16 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

KNOWLES ADMINISTRATION GAS PIPELINE PROJECT

MISSION STATEMENT

The Knowles-Ulmer administration is working aggressively to develop Alaska's enormous North Slope natural gas resources by advancing construction of an Alaska Highway natural gas pipeline. This pipeline project is designed to achieve the three principles most Alaskans agree on when it comes to commercializing Alaska's gas:

- Alaska hire, use of Alaska businesses and development of new gas-related industries,
- Access to natural gas for Alaskan communities, including use of gas for future projects such as liquid natural gas exports or gas-to-liquids facilities, and
- A fair share of revenues for Alaskans.

Planning Assumptions for FY 2002 Gas Pipeline Capital Budget

Timeline: July 2001 – June 2002
Project Status: Pre- and post-application
Funding Source: July to December 2001 – general fund
January to June 2002 – reimburseable under AS 38.35.140(b)

1. The FY 2001 Supplemental gas pipeline project budget is passed by the Legislature including funding for records review and work planning essential to summer 2001 field work.
2. A gas pipeline right-of-way application will be received on or about December 1, 2001 for the Alaska Highway route.
3. Construction activities will not occur during FY 2002.
4. All agencies will have a liaison and technical staff available to accomplish the FY 2002 gas pipeline activities once a capital appropriation is received.
5. Major state agency activities during this period will include:
 1. field work to identify specific route and facility siting exclusions and /or special considerations i.e., to address access, land ownership, streams, material sites, camps, compressors, solid waste facilities etc.
 2. data gathering for permit requirements (air, water, fish etc.) to help establish design requirements for the pipeline based on environmental considerations, fill information gaps, etc.
 3. participation in the Alaska Coastal Management Program process
 4. pre-application consultations with producers
 5. execution of memoranda of understanding with federal and Canadian agencies
 6. preparation for 2002 field season and development of FY 2003 work plan
 7. application and technical plan review starting in December 2001
6. A consolidated, multi-agency Gas Pipeline Office (GPO) will physically be in place beginning in July 2001.
7. As provided in Administrative Order 187, agency liaisons shall be available to manage and perform work necessary to process agency permits and authorizations, assist as necessary with other agency permits and authorizations, and provide other assistance to the State Pipeline Coordinator in their areas of expertise. Agency liaisons are responsible for supervision of staff hired to work at the GPO. Staff providing support from a regional or central office on short-term work assignments will continue to work for their supervisor.
8. SPCO will budget for and provide all work space, computers, equipment, supplies and administrative services for agency liaisons and staff assigned to the GPO unless expressly agreed otherwise.
9. Some costs incurred during the pre-application period from July – December could be reimburseable under AS 38.35.140(b) if the application is for the Alaska Highway

route. However, the working assumption is that expenditures during this period will not be reimbursable.

**Description of Services in the Governor's FY 2002 Capital Gas Pipeline
Budget Request**
(Financial Summary Attached)

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Summary **\$1,204.5**

The Department of Environmental Conservation (DEC) traditionally plays an important role in projects such as the proposed gas pipeline. The department is responsible for ensuring that impacts to the environment and human health are minimized. The project will require numerous DEC permits, plan approvals, state certifications of federal permits or approvals to operate under established general permits or DEC regulations.

During FY 2001 and FY 2002, the department will participate in updating the environmental impact studies, reviewing the State right-of-way application, and reviewing the overall project design for compliance with DEC statutes and regulations. DEC will provide pre-application assistance and permitting for major air pollution sources, such as compressor stations, and perform site-specific reviews for camp and other discharges, which take into account specific discharge and receiving water characteristics.

DEC believes that the proposed scope of work for FY 2001 and FY 2002 is the minimum level of effort necessary to provide the site-specific information needed for the planning process. By initiating the program immediately, DEC will capture the current (2001) summer field season. This proactive approach to integration of environmental protection and human health concerns into the planning process will minimize costly delays to the gas pipeline project.

Assumptions

In addition to the general planning assumptions used by all agencies, DEC has made the following assumption:

- Pre-application work with the project sponsor to update and perfect DEC permit applications¹ and supporting environmental documentation will reduce future delays in applying DEC permit applications. A proactive approach to permitting issues before the applications are filed will eliminate the need for time-consuming and costly modifications down the road, ensuring that

¹ DEC approvals: The project will require numerous DEC permits, plan approvals, state certifications of federal permits or approvals to operate under established general permits or DEC regulations.

- Compressor stations - construction and operation air permits, approval of stormwater pollution control plans, fuel storage spill prevention and response contingency plan approval.
- Construction Camps - water quality certification of fill permits, fuel storage spill prevention and response contingency plan approvals, solid waste disposal permits, domestic wastewater plans and permits, non domestic wastewater permits, contaminated site assessments and cleanups, food service permits, drinking water plan approval, pesticide permits.
- Pipeline excavation or VSMs - non-domestic wastewater permits, contaminated site assessments and cleanups.
- Construction material sites - non-domestic wastewater permits, contaminated site assessments and cleanups.

environmental protection is "built-in" to the project applications that are published for public review.

- DEC will be able to determine by December 2001 whether any ROW work will be done during summer 2002 that will require a permit for herbicide/pesticide use.
- DEC will receive permit applications in December 2001 that have been perfected to minimize need for additional information.

FY 2001 Immediate Pre-Application Work Tasks (April - June 2001)

- Hire Department of Environmental Conservation liaison to work with the State Pipeline Coordinator and other state agencies to establish an operating gas pipeline office.
- Hire four environmental program specialists (air, water, spill prevention & response, environmental health) to work with the project sponsor, and other state and federal agencies on issues within their program jurisdiction and expertise.
- Hire an air quality chemist to work with the project sponsor on summer air quality monitoring objectives.
- Complete a preliminary analysis of existing environmental information (ANGST EIS, federal and state lease documents, environmental plans etc.) and identify data gaps and additional information needs.
- Identify pollution prevention or control issues of concern including air, liquid and solid waste reduction, recycling and reuse plans, waste collection, treatment and disposal systems, fuel storage and handling systems, drinking water source protection, collection and treatment systems, food safety practices and pesticide or herbicide use requirements.
- Meet with the project sponsor to outline the scope of the project design, DEC authorities and approval requirements, potential issues and DEC/sponsor work contacts to work specific issues.
- Develop FY 2002 permit review staff work plans and begin recruitment to hire in July.

FY 2002 Short Term Pre-Application Work Tasks (July - December 2001)

- Hire eight plan approval and permit specialists (domestic and non-domestic wastewater, solid waste, air quality, spill prevention and response, contaminated sites) to work with project sponsor on pre-application issues and begin public notice of applications received in December.
- Provide technical field work assistance to collect ambient pre-construction air and water quality data, environmental sensitivity mapping, contaminated site identification and assessments, solid waste disposal site assessments, drinking water source assessments, and sewage disposal site assessments.
- Develop State right-of-way pollution prevention and control lease stipulations consistent with the department's authority under AS 46.03.024.
- Draft provisions in MOUs with appropriate federal and Canadian agencies on a coordinated gas pipeline approval process that serves DEC's authorities and interests.
- Conduct pre-application meetings with the project sponsor to discuss department requirements for the planning and design of fuel storage and handling facilities, drinking water, wastewater, solid waste, and food preparation facilities, stormwater and other non-domestic wastewater collection, treatment and disposal systems, air emission control systems, and review potential pesticide use.
- Review drafts of the project sponsors environmental plans as sections become available.
- Review field operations planned for summer 2002 and meet with the applicant to determine if a pesticide permit will be needed at that time.

FY 2002 Long Term Post-Application Work Tasks (December 2001- July 2002)

- If pesticides will be applied during summer 2002, hire permitting staff.
- Complete site-specific reviews for camp and other construction related discharges, which take into account specific discharge and receiving environment quality.
- Develop construction monitoring requirements and construction camp mobilization field work plans.
- Coordinate contaminated sites and assessment/cleanup schedules to compliment pipeline construction schedules.

- Participate in the development and review of the federal environmental impact statement.
- Review and approve facility plans and/or permits for camp drinking water, domestic wastewater, solid waste, and sanitation systems.
- Review and approve non-domestic wastewater engineering plans and permits for all stream crossings, fills in wetlands, stormwater, excavation dewatering for gravel extraction and construction, discharge of hydrotest wastewaters for pipelines and storage tanks, and other environmental systems.
- Assess whether new air emissions will cause or contribute to a violation of an ambient air quality standards or air quality increment standards. Determine if the project is using the best available control technology for each applicable emission source and regulated pollutant.

DEPARTMENT OF FISH AND GAME

Summary \$636.7

The Alaska Department of Fish and Game (ADF&G) traditionally plays an important role in projects such as the proposed gas pipeline. The department is responsible for ensuring that impacts to fish, wildlife and their habitats are minimized. For planning and oversight purposes, the gas pipeline project can be broken into three distinct phases, pre-construction, construction and post-construction. Past experience has shown the most cost-effective approach to addressing potential impacts to fish and wildlife resources is through proactive participation in the planning process (design stage for engineering efforts). Early identification of issues provides both land management planners and design engineers the time and information needed to mitigate impacts.

ADF&G believes that the proposed scope of work for FY 2001 and FY 2002 is the minimum level of effort necessary to provide the site-specific information needed for the planning process. By initiating the program immediately, ADF&G will capture the current (2001) summer field season. This proactive approach to integration of fish and wildlife concerns into the planning process will minimize costly delays to the gas pipeline project.

Assumptions

In addition to the general planning and budgeting assumptions used by all agencies, ADF&G made the following additional assumption for FY 2001 budgeting:

- A compressed timetable for gas pipeline construction requires expedited action to fulfill ADF&G work activities. Since DNR has no timetable beyond FY02, ADF&G assumed the need to be prepared for some level of construction activity in FY03.
- The applicant is Foothills and not one of or a group of oil and gas companies. This is significant because Foothills holds a federal grant of right of way and the existing EIS may only require updating. A new applicant for the Alaska Highway route may be required to initiate a new EIS process, possibly without benefit of existing proprietary information.

FY 2001 Work Activities

- Fill two positions, the Pipeline Liaison/Surveillance Supervisor and the Design/Permitting Coordinator. Emphasis will be preparation for summer 2001 field activities through records review and analysis. Additional work activities include coordination with divisional representatives to identify potential data gaps, selection and hiring of staff joining the program in FY 2002 and, working with the SPC and other agency Liaisons to create the gas pipeline office. ADF&G would like to use the existing JPO facilities to house staff, however, if office space is not available, temporary space may be available in the ADF&G, Region II facility.
- The longer it takes for ADF&G to receive funding with which to hire two lead JPO staff in FY 2001, the greater the chance that the department will lose the first of three critical field seasons (Summer '01,

Winter '01-02, and Summer '02). We believe we need to have our Pipeline Liaison/Surveillance Supervisor (R22) and Gas Pipeline Design/Permitting Coordinator (R20) *in place by April 1st* in order to ensure that ADF&G will be able to evaluate enough of the existing archival information to be able to set up and conduct an effective summer field season. The amount of lead time ADF&G needs to make these hires by April 1st depends on whether we can find qualified applicants in-state, ...d whether these applicants can indeed be hired (given current restrictions on hiring retirees, including under the RIP program).

FY 2002 Work Activities

Based on the above assumptions, FY 2002 work activities will be critical in formation of recommendations to: prevent any significant adverse environmental impact, including but not limited to erosion of the surface of the land and fish and wildlife and their habitat; create guidelines for revegetation and restoration activities and; protect the interests of individuals living in the general vicinity of the right-of-way who rely on fish, wildlife, and biotic resources for subsistence purposes.

ADF&G feels that protection of environmental resources is best accomplished through early identification of concerns which allows engineers an opportunity to incorporate these concerns into the design process. Many of these concerns can be identified from past experiences associated with construction of TAPS, however, a chilled gas pipeline project of this magnitude comes with many unknowns.

The work activities proposed for FY 02 represent a measured approach to addressing environmental concerns associated with the proposed gas pipeline. A strong field component is necessary because of the compressed time table and the need to have site specific information for the planning process. It is important to note that while work will begin on the tasks listed below, completion may not be realized until the state right-of-way lease is finalized.

- Coordinate with other participating agencies to develop a wetland evaluation program (planning and field). Generally, participating environmental agencies form a work group to delineate wetlands along the proposed route through a modeling effort. Field assessment of the model's accuracy is a major component of the effort.
- Develop criteria to facilitate material site selection and mining, including rehabilitation (primarily a planning task with limited field support). Alyeska Pipeline Service Company plans an aggressive workpad maintenance program in anticipation of their lease renewal efforts. Up to 1,000,000 cubic yards of material may be needed for the program. In addition, DOT regularly uses material along the entire TAPS route for new construction and maintenance. The gas pipeline will need large quantities of material to bed the pipe, build a workpad, and build access roads. ADF&G provides technical expertise on the siting of material sites (upland, floodplain, etc.) and rehabilitation of the site (erosion control, use of the overburden and other factors that enhance fish or wildlife habitat).
- Develop a fish stream list for the gas pipeline, access roads, material sites, etc (field). The fish stream list developed for TAPS has proved to be an important document for both TAPS and agency staff. The document includes information on species present and sensitive life phases used by all staff to plan instream projects and to develop criteria to protect fish resources present.
- Provide engineers with fish passage design criteria and specifications (planning). Vehicle access for the construction and operation of a gas pipeline requires crossing fish streams. Criteria for bridge placement, culvert installation and low water crossing construction is important to protect fish passage.
- Analysis of environmental impacts associated with above versus below ground pipe (substantial differences in potential impacts, waste disposal, gravel requirements, long-term rehabilitation, etc.) (planning).
- Evaluate location and siting of construction camp sites (planning and field). Proposed construction camp sites need to be evaluated for proximity to fish streams or important wildlife habitat. In addition to primary impacts, possible secondary impacts associated with increased vehicle traffic and human use of the area need to be assessed.

- Develop a surveillance and monitoring agreement with the federal government (planning and field). State and federal agencies with similar surveillance and monitoring needs share resources to accomplish common goals.
- Provide fish stream crossing specifications for a chilled gas line (planning and field). ADF&G is concerned that a chilled gas line beneath a stream may create a freeze bulb with possible impacts to fish passage.
- Recommend fish streams to be crossed using directional drilling (planning and field).
- Develop trenching guidelines for crossing fish streams (planning and field).
- Update draft state lease stipulation 1.6.1 - Plans (human/bear interactions, revegetation/restoration, material sites, disposal sites, etc.), the intent of these plans was to include adequate design criteria and specifications which would allow development of the mile by mile design using site-specific data – this was one of the lessons learned from TAPS (planning).
- Develop construction guidelines for quality control/quality assurance monitoring (planning). Generally, companies are required to have a quality control/assurance program in place prior to beginning work. ADF&G would like these programs to include a section on environmental protection and will provide input for program development.
- Evaluate any design or route changes (planning and field). The current route and design is about 20 years old. Any proposed changes to either the route or design will require further assessment.
- Develop a conceptual plan to address wildlife mitigation (planning). ADF&G will identify sensitive wildlife habitats and propose timing or activity restrictions to protect these areas.
- Provide comments on the updated EIS (planning).
- Compile existing information on subsistence uses in communities along the proposed pipeline corridor, including areas used, seasonality of harvest activities, and harvest levels.
- Assess the adequacy of existing subsistence use information for application to pipeline planning, and develop mechanisms to fill data gaps and update information as needed.
- In consultation with corridor area communities and regional organizations;
 - (1) develop and prioritize a list of subsistence-related issues for consideration in formulating mitigation measures; and
 - (2) outline a proposed subsistence monitoring plan for implementation upon initiation of pipeline construction activities.

OFFICE OF THE GOVERNOR
DIVISION OF GOVERNMENTAL COORDINATION

Summary **S74.4**

The Division of Governmental Coordination (DGC), in the Office of the Governor, is the lead agency for the Alaska Coastal Management Program (ACMP). Projects located in Alaska's coastal zone are reviewed by DGC for consistency with the ACMP. The portion of the gas pipeline projects that falls within Alaska's coastal zone is subject to consistency review by DGC per 6 AAC 50.

Assumptions

In addition to the general planning assumptions used by all agencies, DGC has made the following assumptions:

- DGC Project Analyst hired on May 1, 2001.
- The new DGC hire will locate either in the GPO, if it is open for business with available office space and computer equipment, or temporarily at the SPCO until the GPO office is opened.
- When available and collectable, all DGC Project Analyst costs will be fully reimbursable.

A DGC Project Analyst position will be dedicated to the start up of the GPO and coordination of pre-application assistance, the coordination of the State's review of proposals for consistency with the Alaska Coastal Management Program (ACMP) and other GPO related activities.

FY 2001 Work Activities

The ACMP involves decision making from the local government, state agencies, and federal agencies. The earlier these players get together to discuss the issues presented by the proposed project, the easier it is to avoid costly and time-consuming conflicts during the project review process. Specifically the pre-application process is a forum to:

- 1) Identify necessary permits;
- 2) Identify agency and district concerns early enough to affect design without costly added re-design;
- 3) Get coordinators, permittees, local government and applicants on the same page and fosters productive dialogue;
- 4) Avoid duplication of efforts as everyone is aware of who is responsible for what;
- 5) Identify potentially conflicting agency and local government requirements at the outset so that they may be resolved; and
- 6) Give applicants a reasonable and predictable timeline rather than starting a review that is incomplete or exceeds agency capacity.

During FY 2001, DGC will fill the Project Analyst position. The new hire will be trained on the purpose and procedures of the ACMP and agency procedures including how to coordinate consistency reviews and facilitate interagency interactions. The new position will begin to assume the primary and technical liaison role between the ACMP and other participating agencies involved in setting up the GPO pipeline office. A work plan will be developed for the DGC Project Analyst in coordination with GPO management. The DGC Project Analyst will develop briefing papers for the director on issues related to the gas pipeline.

FY 2002 Work Activities

- Coordinate among SPCO agencies during the final stages of the start up of the SPCO office.
- Provide pre-application and pre-review assistance to applicants. Work with applicants, State and federal agencies to ensure review packets and permit applications are complete.
- Assess whether it will be necessary to phase the consistency review of the project or whether all of the activities can be reviewed at one time.
- Coordinate the State's reviews of gas pipeline project applications for consistency with the ACMP.
- Work with the applicants, local and State resource agencies, and any affected coastal districts and the public to identify information requirements, potential impacts to the coastal zone, and applicable standards and regulations.
- Provide ACMP procedural information to applicants and other review participants
- Review State agency and coastal district comments to ensure that they are within the legal boundaries of the ACMP.
- Develop proposed and final consistency determinations based on comments and recommendations.
- Develop an analysis of how the project is consistent with the ACMP
- Resolve/mediate disagreements about project impacts, necessity for stipulations and interpretation of State and district policies.

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

Summary \$152.3

The Department of Labor (DOL) will assess the demand for labor resulting from both the construction and operation of the gas pipeline. In an effort to ensure that a qualified workforce exists at the time of gas

pipeline construction, DOL will conduct occupational supply and demand analysis to identify potential workforce gaps. In addition, DOL will coordinate efforts to maximize the employment of Alaska residents and to ensure worker safety.

DOL will begin this work in FY 2001 by reviewing existing occupational information and identify data gaps. The information researched will include, though not be limited to, gas pipeline staffing patterns and indicators of occupational supply. Working with process industry experts, DOL will also review the existing occupational taxonomy (based on federal Standard Occupational Classifications) for adequacy. If additional occupational detail is needed to accurately analyze gas pipeline activity, more detailed occupational categories will be developed and data collection methods investigated.

FY 2002 Work Activities

Research and Analysis

- **Construct Gas Pipeline Staffing Patterns:** Based on the FY2001 research, DOL will construct a matrix of gas pipeline-related occupational needs by industry.
- **Expand Occupational Data Collection:** If needed, DOL's data collection programs will be expanded to include the collection of additional occupational information.
- **Forecast Future Industry Employment:** DOL will develop two industry employment forecasts, for the 2000 – 2005 and 2000 – 2010 time periods, reflecting the labor needs of the construction and maintenance of the gas pipeline. This analysis will include assessing the indirect effects of the gas pipeline project on Alaska's labor market.
- **Forecast Future Occupational Employment:** DOL will estimate future occupational demand resulting from the gas pipeline project.
- **Identify Potential Skills Gaps:** DOL will analyze occupational demand and supply data to identify potential workplace skills gaps.
- **Minimize the Potential Skills Gaps:** DOL will assist with the development of strategies to close the projected skills gap. Strategies may include the identification of "training gaps" and the development of career information products that encourage Alaskans, of all ages, to consider potential shortage occupations with planning their careers.

Commissioner's Office

The DOL will hire a CPO Liaison to represent the department in all inter and intra agency deliberations; provide liaison and outreach to external stakeholders with regard to employment and training of Alaskan workers and socio-economic impacts in general; and provide for appropriate review of mechanical, electrical and health and safety issues attendant to the application process. Stakeholders include contractors, communities, labor organizations, Alaska Native organizations, and others.

DEPARTMENT OF PUBLIC SAFETY **DIVISION OF FIRE PREVENTION**

Summary **\$188.9**

The Department of Public Safety, Division of Fire Prevention is tasked by AS 18.70 to review all new, remodel, addition and relocated construction for fire and life safety, fire alarm and fire suppression criteria. The fire and life safety review pertains to commercial, industrial, business, institutional and residential use containing four or more dwelling units as outlined in the state adopted building, fire and mechanical codes.

Additionally, the Division of Fire Prevention monitors system operation, testing and maintenance of all fire alarm and suppression systems and conducts fire prevention inspections and enforcement actions to insure identified hazards are corrected in a timely manner. It is assumed that we will be heavily involved in helping to develop workable, reliable, flexible and reasonable fire response plans for both permanent and temporary facility uses.

- In anticipation of the application for a natural gas pipeline and the creation of one stop shopping for the application process, centered at the Joint Pipeline Office, it is important to jump-start our participation. This is so training, research, documentation requirements and pre-engineering of technical obstacles can be speedily assessed and processes are put into place.
- The result of these actions will ensure a quick and professional response to technical engineering issues, plan review of gas line facilities, support camps, and fire alarm and suppression system building permit approvals.
- We will eliminate unnecessary lag time between project submittals and project approvals, allowing us to hit the ground running once there is an applicant.
- There will already be a system in place to serve the applicant and the learning curve for the technical issues and process documentation will have already been achieved.
- It is anticipated that parts of the project will be accomplished through the design/build process. This will allow concurrent design, review and phased construction of individual and group projects at the same time and as in any major new endeavor the newest technologies will be used to increase the efficient operation of the gas line. It is important that we be aware and educated on new technologies to support these concepts as they relate to natural gas production, distribution, compression and refrigeration.
- Early on we will be able to establish working relationships with partner agencies and applicant engineers to form a basis of understanding to the intent of building, mechanical and fire codes in support of their projects.

Required training for 2 new positions (including travel) in the engineering of natural gas distribution, compression, and refrigeration of pipelines and their associated facilities will be funded through the FY 2001 supplemental budget.

FY 2002 Work Activities

- State Fire Marshal (5% of time, salary and benefits) to act on behalf of the Commissioner of Public Safety as it pertains to the Gas Pipeline Cabinet and provide fire and life safety consultant services to the acting liaison.
- Assistant State Fire Marshal (20% of time, salary and benefits) to work with the new liaison and plan reviewer to learn state and JPO operating, documentation requirements, assist in the development of FY 2003 budget and work plan and provide fire and life safety consultation services as requested in support of the gas pipeline.
- Liaison (100% of time, salary and benefits) to manage and perform work necessary to process department permits, authorizations and inspections, consult and coordinate with the SPC, develop work plans, manage department administrative functions, and supervise staff assigned to the GPO.
- Administrative Manager (5% of time, salary and benefits) to provide accountability, RSA development and processing of billings.
- Plan Reviewer (100% of time, salary, and benefits) to process all requests for plan review; consult on fire detection and suppression; pre- and post-engineering support of the gas pipeline and related facilities as it relates to state adopted building, fire and mechanical codes.

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Summary **\$308.5**

Funds are needed for a liaison position for overall coordination of pipeline activities within the department and liaison to the SPCO. Technical staff is also needed to assist in highway right-of-way (ROW) permitting issues. Department of Transportation and Public Facilities (DOT&PF) is owner of the highway ROW and thus must participate in any permitting activities that take place on or across it.

Assumptions

In addition to the general planning and budgeting assumptions used by all agencies, DOT&PF made the following additional assumption for FY 2001 budgeting:

- The pipeline office will need copies of the full set of highway ROW files along the corridor as well as a full set of geotechnical reports.

Tasks and Resources

An SPCO Liaison/Engineer III will be hired May 1, 2001 and located in the Anchorage Pipeline Office. This position will act as gas pipeline coordinator for the department and as liaison to the SPCO. This position will be familiar with the processes related to ROW permits for encroachments, utilities, construction, driveways, lane closures, etc. This position must be able to deal with issues as they arise concerning bridge integrity and impacts of overweight and oversized loads on the state's road system.

A Right-of-Way Agent IV position will be hired in FY 2002 to coordinate the ROW issues related to DOT&PF. Each crossing of the highway will require a full survey of the ROW at that location, research of land ownership and coordination with the underlying fee owner. If the underlying fee owner is a federal agency, then 23 CFR requires that the federal agency also approve the permit. Surveys performed by the State would be accomplished under consultant contracts administered by this position. The position would oversee land ownership research conducted by the Dept. of Law or by contract. The position would also develop the permit terms necessary to protect the interests of the traveling public at each location.

A Right-of-Way Agent IV position will be hired in FY 2002 to coordinate activities between the Northern Region and the Pipeline Office. Since the proposed route is entirely within the Northern Region boundaries, most planning, design, construction, maintenance and operations of the highway system along the corridor will be impacted. Records research and issue resolution will be the primary duties of this position.

An Engineer I position will be hired in FY 2002 to provide technical engineering support for the DOT&PF permitting activities. The position will evaluate highway design and operation issues such as sight distance, highway geometrics, traffic analysis, structures, and maintenance impacts related to each permit. This position will coordinate the DOT&PF response to any proposed use of the State's bridges and potential changes to the hydraulic condition at bridge piers and abutments due to the addition of other structures. This position will also provide Department coordination of requests for overload permits on the State's highways and bridges during construction.

The FY 2002 also includes contractual funds to respond to requests from potential applicants for land ownership and other ROW files inventory and copying.

DEPARTMENT OF NATURAL RESOURCES STATE PIPELINE COORDINATOR'S OFFICE

Summary \$4,965.9

During FY 2001 and FY 2002, the State Pipeline Coordinator's Office (SPCO) will implement Administrative Order 187. The major task associated with AO 187 implementation is the creation of a functional Gas Pipeline Office (GPO). This task will be started in FY 2001 and completed in FY 2002.

The GPO will be an operating unit of the SPCO. The Federal-State Joint Pipeline Office is the other operating unit of the SPCO.

Gas Pipeline Office

The GPO will provide multi-agency one-stop permitting, authorization, and oversight, comparable to that provided to the Trans Alaska Pipeline and common carrier pipelines on the North Slope by the Joint Pipeline Office. The main tasks associated with creation of the GPO are finding and moving to new offices; staffing the office; and creating the internal policies and procedures that will allow the participating agencies to work effectively together. These tasks will be initiated in FY 2001 and completed in FY 2002, culminating in the opening of the new GPO in July 2002. Hiring of many technical staff will be delayed until an application is received to reduce expenses.

Before receipt of an application, the agencies involved in the GPO will:

- Inventory existing information on the Alaska Natural Gas Transportation System (highway) route. Determine which of the information may be proprietary.
- Create a comprehensive list of required permits and authorizations and information and actions needed to process those permits and approvals for a highway application. Identify impediments to issuance of permits and authorizations.
- Develop and implement an aggressive plan for filling information gaps. Implementing the plan will provide a technical jump-start to permit and authorization processing.
- Develop aggressive plans to quickly and efficiently overcome identified impediments and process authorizations and permits. Creation of the plans will provide a procedural jump-start to permit and authorization processing. Creating the plans within the GPO will allow coordination between the tasks and resources of individual agencies, reducing duplication and redundancy, and producing better products faster and cheaper.
- Work with federal and Canadian agencies to agree upon application requirements and quick, efficient, coordinated review and approval processes. The goals of the effort are Memoranda of Understanding between the parties and participation of those entities in the Gas Pipeline Office.
- Work with project proponents to assure that statutory and regulatory requirements are understood and that the applications that are submitted to agencies within the GPO are as complete and responsive to those requirements as possible. Minimizing post-application information requests may be the single most effective means of speeding application processing.
- Begin engaging and informing the public of permitting and authorization efforts. More public participation efforts at the beginning will streamline statutorily required efforts later.

Many of these tasks will be initiated in FY 2001, once a supplemental appropriation is received, and completed in FY 2002.

After receipt of permit applications during FY 2002, GPO staff will be processing those applications.

The SPCO will provide the management and administration of the GPO. SPCO technical staff within the GPO will perform lands and engineering work to process a gas pipeline right-of-way application, and will manage work by other state agencies and consultants in support of ROW application processing.

In addition to the general assumptions applicable to all gas pipeline budget requests, the SPCO budget request for GPO work is based on the following assumption:

- Hiring of SPCO and other GPO staff will be in the amounts and according to the timing indicated in the budget supporting documents.

Gas Pipeline Office Management

During FY2001, the State Pipeline Coordinator will delegate to his deputy all pipeline authorization and oversight responsibilities that do not relate to a gas pipeline. By May 2001, the SPC will be focused exclusively on the gas pipeline project. In FY2001 and FY 2002, he will focus on managing the Gas

Pipeline Office startup and other tasks identified above. The Deputy SPC will assist the SPC with gas pipeline work until those delegations are completed.

Two deputy SPCs for the Gas Pipeline Office will be hired, the first in May 2001 and the second at the beginning of FY2002. One will assume responsibility for office and project management, including: work plan review, approval, and consolidation; budget review, approval, and consolidation; permit and authorization requirement and progress tracking; and field season planning and implementation. The second deputy SPC will manage relations among the many interested and involved parties to the state gas pipeline process, including involved state commissions, committees, and agencies, the federal and Canadian governments, and other pipeline route landowners. The second deputy will also manage media relations and public outreach.

A Special Assistant will be hired at the beginning of FY 2002 to communicate and coordinate with the DNR Commissioner's Office, the Gas Pipeline Cabinet, and the Natural Gas Policy Council. The Special Assistant will provide staff support to the Commissioner and Gas Cabinet as requested by the DNR Commissioner.

The Public Information Officer hired at the beginning of FY 2002 will be responsible for responses to public and media inquiries, and for the Gas Pipeline Office public outreach program. The latter duty is now envisioned to include a quarterly newsletter, a web site, and bi-monthly public meetings, in addition to the notices, meetings, and hearing that will be statutorily required. The existing JPO PIO will provide support to SPCO gas pipeline efforts until the position is filled.

The Executive Secretary hired at the beginning of FY 2002 will provide support to the SPC and deputies. Existing staff will provide that support until the position is filled.

The Engineering, Right-of-Way, and Administration sections are discussed below.

Gas Pipeline Office Right-of-Way Section

During FY 2001, the ROW Section of the GPO will initiate the following work prior to receipt of an application:

- Review previously submitted materials for relevancy to statutory requirements and likely proposals.
- Begin to develop checklists of requirements for authorizations, lists of impediments to authorizations, and a workplan to address both.
- Assist in the establishment and maintenance of the administrative record.
- Begin coordination with other landowners and land managers.

The ROW Section will continue the tasks above in FY 2002, and assist in the preparation and review of work scopes and budgets for outside expertise (generally from other state agencies) to support the workplan.

During FY 2002, the ROW Section will receive the application, process the application fee, provide public notice of the application, and receive and respond to comments on the application. They will then:

- Review submitted materials.
- Begin the ACMP review.
- Begin acreage accounting.
- Begin preparation of the contract for the lease of the land, including development of special terms and conditions.
- Begin coordination with any NEPA process.
- Begin processing other required permits and authorizations, including those necessary for material sales, access roads, disposal sites, construction camps, communication sites, and water withdrawals.

During FY 2002, the ROW Section will provide quasi-legal assistance to the Commissioner and State Pipeline Coordinator.

Gas Pipeline Office Engineering Section

The Engineering Section will evaluate the adequacy of pipeline system engineering across state-owned land. The work will ensure that sound engineering practices have been followed and that, where assumptions or judgments have been made, they are reasonable and justified. The evaluation is likely to involve engineering expertise from SPCO staff, ADOT staff (through RSAs), and outside consultants.

The engineering staff will perform the following work during FY 2001 (assuming the supplemental appropriation is received):

- Review previously submitted materials for relevancy to requirements and likely proposals.
- Begin to develop checklists of engineering requirements for authorizations, lists of engineering challenges, questions, and impediments, and a responsive work plan.
- Assist project proponents in planning their engineering work, to assure that the work is performed in a manner that allows efficient review by GPO staff.
- Establish and maintain the engineering files and records.

During FY 2002, the engineering staff will continue the tasks above, and will:

- Coordinate with jurisdictional agencies to identify environmental, safety, and other requirements that must be addressed in the project design basis before detailed engineering is undertaken.
- Manage engineering consultants supporting the engineering work plan by developing scopes of work, budgets, and schedules, reviewing progress against work orders, and approving work products.
- Coordinate engineering reviews with other landowners and managers, and appropriate jurisdictional agencies.
- Approve design basis submittals.

Consulting engineers will provide specific discipline reviews of design basis documents and support data submitted by the applicant. Engineering disciplines that may be involved in the FY 2002 reviews include geotechnical, geophysical, hydrological, civil, electrical, mechanical, corrosion, and welding. In addition, reviews by chemists and physicists may be warranted.

Gas Pipeline Office Administration Section

An Administration Manager will be hired in May 2001 to oversee all administrative aspects of the startup and the functioning GPO. The manager will supervise the administrative staff that perform or support hiring, space procurement, supply and equipment procurement, space allocation, personnel management, computer system administration, document production, records management, budgeting, accounts payable and receivable, billing, reception, and other administrative tasks.

A System Administrator will be hired in May 2001 to set up and maintain a local area network for the new facility. He will purchase, set up, and configure computers. An Assistant System Administrator will be added to the GPO staff at the beginning of FY02.

A Records Manager will be hired in May 2001 to establish and maintain physical and electronic filing systems for agencies and functions with the GPO, and ensure compliance with applicable State and Federal retention schedules and regulations. The Records Manager will supervise the filing clerks; one clerk will be hired at the beginning of FY 2002, and two will be added after receipt of an application.

A temporary Procurement Specialist will be hired at the beginning of FY 2002 for a period of less than a year to establish new accounts with local vendors, and purchase equipment and supplies for the new office.

An Administrative Assistant will be hired at the beginning of FY 2002 to handle personnel actions, timesheets, billings, RSAs, accounts receivable and payable, training, assist the Procurement Specialist with purchasing, and supervise the Administrative Clerks. The clerks will handle word processing, filing, mail handling, travel coordination and reception. At the beginning of FY 2002, three clerks will be hired to provide support to designated agency staff within the GPO, and two clerks will be hired to handle GPO

travel and mail. A receptionist will be hired at the beginning of FY02 to greet visitors, keep track of staff, receive and distribute incoming faxes, and otherwise assist the administrative staff.

Gas Pipeline Office Procurement

Assumptions leading to contractual budget requests are provided in the support documents. Additional comments on specific items follow:

- We intend to "fast track" the file inventory contract, since much of the early GPO work will be based on the results of that effort. File inventory work will occur in FY 2001.
- The GPO will establish a shared records management system with the Joint Pipeline Office in FY 2002 that will require rental of an appropriate storage location and the purchase of basic files equipment.
- Engineering assistance was described above, and will occur in FY 2002.
- We expect staff recruitment to be difficult, and have included recruitment assistance in our request. Most of the costs are in FY 2001, with some continuing into FY 2002
- The requested archeological, sociological, economic, and appraisal assistance will be used for processing the right-of-way and other permit applications and for state interaction with federal processes such as NEPA. These are data that can be developed early, and that are normally developed by the state and not requested from the applicant. All work will occur in FY 2002.
- The public outreach items are based on an expectation that the GPO will begin a continuous outreach program in FY 2002 that will continue through permitting and construction.
- The Public Notice line item is for all Public Notices by all GPO agencies during FY 2002.
- The DNR Support Service Division will provide administrative support for the GPO in FY 2001 and FY 2002.
- Assumptions for rent, travel, equipment are provided.

DEPARTMENT OF NATURAL RESOURCES

Division of Mining, Land, and Water, Realty Services
Land Records Information Section
Division of Geological and Geophysical Survey
Division of Mining, Land, and Water, Water Section
Division of Parks and Outdoor Recreation, Office of History and Archaeology

Summary \$810.4

During Fiscal Year 2001, the Department of Natural Resources (DNR) will work with the State Pipeline Coordinator's Office (SPCO) and others to implement Administrative Order 187. The major DNR tasks associated with AO 187 implementation include land title work, mapping, geologic data assessment, hydrologic assessment, and archeological assessment. Each of these tasks will be completed in FY 2002.

Assumptions

- An early jump on land status and right-of-way issues will offer valuable input on routing alternatives and address permitting issues.
- The present demand for maps will continue and requests for increased detail will be made.
- Geologic hazard mitigation requires a state perspective that is broader than the narrow right-of-way focus of an applicant. The broader view can affect selection of routing alternatives.
- Preliminary knowledge of construction materials is needed to assist cost projections, site planning, and route adjustments.
- Initiating hydrographic review of existing literature and water data will save time, especially in the federal environmental review defined by the National Environmental Protection Act (NEPA).

- Initiating hydrologic review and compilation of existing literature and water data will save time, especially in the federal environmental review defined by the National Environmental Protection Act (NEPA).
- Compiling existing literature on archeological resources and preparing for site specific field work for summer 2001 will save time with the clearances required for permitting.

Deliverables

1. Title Report and Title System
This task includes the development of a title report for lands along the pipeline route that will define and ownership and use rights. Land title documents, maps, and text will be organized into a web-based storage and retrieval system accessible by all parties. This approach is much more efficient, cost effective, and user-friendly than a paper-based system.
2. Gas Pipeline Maps
Maps provide graphical information on routes, ownership, and landform. Initially supports needs of policy makers for preliminary information on routing and constraints. This effort will support agencies needs to view detailed information related to respective permitting duties.
3. Geologic Assessment
This task determines current level of knowledge about geologic hazards and construction materials that could affect future gas pipeline design, route adjustments, construction, and safety.
4. Hydrologic Assessment
This assessment of hydrologic data identifies and compiles current knowledge on surface and ground water quantity, quality, and timing. These data are needed for final pipeline routing and design. Protection of fisheries habitats and wetlands are dependent upon knowledge of water. Water data is critical to environmental analysis required under NEPA.
5. Archeological Assessment
This task assesses the current level of knowledge on archaeological sites listed on the Alaska Heritage Resources Site inventory, identifies information gaps, and assesses survey and evaluation needs.

Justification

Task 1: Title Report and System

- An overland route will traverse complex federal, state, and private land holdings. Knowledge of detailed land ownership, right-of-ways, and land use constraints are essential to routing and permitting decisions.
- Once issued, the title report can be easily updated electronically to include changes in conveyance.
- Sharing title reports knowledge via electronic / Internet networks will be much more efficient than the present paper-based solution. This project builds a web-based land title reporting system. Cost is minimized by simply extending existing system capability.
- The current system is not workable for customers. A single title report for one route could easily create a pile of paper over three feet thick - just for one copy. Customers include SPCO, Department of Law, federal solicitor's offices, public interest groups, and applicants.
- The means to associate related federal land records with state records is best accomplished with an electronic storage and retrieval system. This approach leverages federal investments in records automation.
- The interface will permit easy search of the records by location (e.g. meridian, township and range, or route milepost), geographic name, case file, etc.

Task 2: Gas Pipeline Maps

- New maps will be needed to help management make informed land and resource decisions related to the gas pipeline route. State mapping work will be coordinated across agencies.

- Customers: Maps will be requested and used by the Gas Pipeline Cabinet, SPCO, other DNR managers and staff, ADFG, ADEC, DOTPF, legislators, federal agencies, potential applicants, and others.
- Mapping needs range from general overviews to detailed route and land ownership information.

Task 3: Report on Status of Geologic Hazards and Materials

- This report will utilize existing data to identify potential geologic hazards and their probable extent. Identification of hazards is the first step in geologic hazard mitigation.
- Knowledge of prior geological work will help eliminate redundancy, saving time and money by avoiding duplicate studies.
- Contractors and engineers must know about geologic materials they will encounter on site, and the availability of construction materials (appropriate rock, sand, gravel). This report will provide a basis for personnel and equipment cost estimates by the applicant.
- Detailed, accurate, and current geologic data is the foundation of engineering geology and geologic hazard identification. Presently DNR does not know the state of the geologic information base for the proposed gas pipeline corridor nor for the geologic hazards that may exist within it.
- The most effective and economic construction and route adjustment alternatives can be outlined and compared without impeding progress during actual construction. For example, DOT has experienced significant cost overruns on some projects due to encountering more resistant bedrock than anticipated or from inadequate supplies of gravel accessible to contractors. Similar situations could arise during construction of the proposed gas pipeline if the state does not have adequate geologic information.

Task 4: Hydrologic Assessment

- This task will speed the application process and any required state decision process or federal NEPA update through the compilation of hydrologic data, and rapid access to all pertinent data needed for decisions on routing, design, and construction.
- Identification and compilation of applicable hydrologic data will eliminate repetition of previous work, and pin point where additional site specific data are needed. This efficiency will save time and reduce cost.
- Areas where conflicts between water quality/quantity issues and fisheries habitats, wetland habitats, or users of water can be identified early in the route assessment and design process. Substantial savings and speed of design and construction can be realized if routing and design are done to minimize mitigation efforts.
- Sizing of all stream and river crossings are dependent upon design for maximum expected discharge. Design engineers must know maximum expected flows for all effected waterways to protect the pipeline itself, the affected physical and biologic environment, and the safety of people.

Task 5: Archaeological Assessment

- Identification of known archaeological sites and unsurveyed areas of high potential for sites is essential information for policy makers.
- Knowledge of prior archaeological work will avoid duplication of field inventory and site evaluation studies, thereby saving time and money.
- The most effective route alternatives and adjustments can be outlined and compared, if adequate understanding of the archaeological sites within the corridor is available beforehand.
- Mitigation measures that protect archaeological sites can be formulated prior to construction to avoid cost overruns and delays during construction.

Immediate Pre-Application Work Tasks (April - July 2001)

- Build a working system for title reports; integrate with existing DNR land records.
- Hire Natural Resource Officer to begin title research.
- Hire GIS Specialist / Analyst Programmer III to support title work and mapping demands.
- Begin work on title reports; look for overlap between TAPS renewal and the gas line.
- Generate preliminary maps and routing graphics to support multiple user needs.

- Hire non-perm geologists for compiling existing data on geologic hazards and construction materials, complete about 25% of this task.
- Map detailed route location showing proposed ANGTS pipeline route. Verify resolutions on information on alternate routes; initiate mapping database for the project.
- Hire non-perm archaeologists to compile known archaeological site location data and identify areas of insufficient data that require survey and evaluation.

Short Term Pre-Application Work Tasks (July 2001 – June 2002)

Title Report/System and Mapping

- Realty Services Section will complete title work associated with the gas pipeline route on a township-by-township basis. Realty Services provides the updated title report prior to the final approval process. Township reports become available through the web based system as each one is completed.
- Land title and legal support documents will be scanned to augment the title reports. These documents include any actions affecting the State of Alaska title to lands along the proposed route. The scanned images will be used in a low-cost web retrieval system.
- Status Graphics Unit will automate the remaining mylar-based townships that lie within the corridor. All townships will be combined into a parcel level database on state ownership and land status. These data will be used in title reports and detailed mapping. Pending actions that affect title will be updated on a priority basis.
- Build a geographic information system (GIS) that supports multi-agency mapping and spatial data demands as expressed primarily through the State Pipeline Coordinator's Office. Contain cost by adding incremental capacity to DNR GIS operation. Incorporate essential federal digital land records.

Geologic Hazards and Materials Assessment

- Locate and assemble all available and pertinent geologic data on the trans-Alaska pipeline corridor from Prudhoe Bay to Delta Junction, Alaska.
- Create a computer accessible geo-referenced database of all geologic maps and reports for the area within the corridor.
- Create a digital geologic map-file archive for the corridor and a digital document-file archive.
- Quantify geologic and geologic hazard data coverage within the corridor and display the ranking in map format (this is not a geologic hazards assessment).
- Compile an office-based reconnaissance of construction materials resources in the vicinity of the proposed gas pipeline route from Prudhoe Bay to the Yukon border.
- Create a GIS application that will allow a broad spectrum of users to easily access and display the currently available data.

Hydrologic Assessment

- Identify and compile all pertinent hydrologic data for the proposed pipeline corridor.
- Assemble a computer accessible GIS database of hydrologic data for the pipeline corridor route.
- Identify areas of conflict between users, e.g. areas of high value for fisheries or wetlands habitats with the design needs of the pipeline and/or other users of the water.
- Identify specific sites within the pipeline corridor where insufficient data exist to adequately address routing and design needs.
- Use a geographic information system (GIS) to display and share the results – i.e. use a computer system, not a paper system, to facilitate and encourage easy retrieval and use of needed hydrologic information.

Archeological Review

- Locate and assemble all available and pertinent archaeological data within the corridor.
- Create a digital archaeological map atlas of known archaeological site locations for the corridor in GIS compatible format with level of evaluation and status, i.e., tested, excavated, or determined eligible for the National Register.

- Verify locations and determine size of important archaeological sites in crucial areas of the corridor.
- Conduct field reconnaissance in specific, unsurveyed areas of high archaeological site potential within the corridor.

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS

Summary **S226.7**

Each of the following gas pipeline-related studies will be initiated in FY 2001 and completed in FY 2002.

ANS Gas Pipeline Studies (Royalty Modification)

In addition to the risks associated with the enormous cost of an ANS gas development project and the uncertain future of potential gas markets, successful completion of the project could depend on the economic impact of the State's fiscal regime. Of particular concern is how and when the State earns revenue for its royalty share of the resource. Alaska's royalty regime is regressive and insensitive to a project's profitability. The royalty regime also is insensitive to the risks assumed by the project developer. Although the State's tax policy vis-à-vis the gas pipeline have been examined, the effect of the State's royalty ownership of the gas resource has not been studied.

This study will examine how the royalty "take" of the State affects the ANS gas project and identify alternative royalty mechanisms. The alternatives will be designed to afford the greatest positive contribution to the success of the project at the least cost to the State's royalty revenue. Issues such as what is appropriate revenue share that the State should receive for its royalty ownership, the timing of royalty revenues, and how the royalty share should be valued will be studied. The study will be designed to precede a more detailed evaluation of ANS gas pipeline economics that would be needed if an AS 38.05.180(j)-type royalty modification is required.

Modification of the State's royalty on the gas that will supply the ANS Gasline project may remove an impediment to the project's successful completion. If this is the case, the State will need to understand what changes to the royalty regime will produce the best results.

ANS Gas Pipeline Study (Royalty-In-Kind ANS Gas Marketing Strategy and In-state Natural Gas Demand)

It is timely to fund this project as the ANS natural gas pipeline route location and out-of-state markets are being finally determined. Natural gas from Cook Inlet has provided Southcentral Alaskans with a low cost and clean burning fuel for over thirty years. The proximity of natural gas has given a location advantage for industry, and lower heating and electric bills for local businesses and residences. Other communities in Alaska could enjoy these same benefits if their requirements are identified and a portion of the large gas reserves on the Slope are directed to meet their needs.

In addition, the large, mature, Cook Inlet gas fields are nearing their end-of-life production discoveries of similar size in this well-known basin are uncertain, but unlikely. Any future loss of natural gas to Southcentral will cause unemployment and high investment cost to households forced to convert from their existing gas-fired furnaces and hot water heaters to alternative fuel sources.

The citizens of the state may benefit if royalty gas is sold in-state to guarantee a supply to local users and perhaps earn higher revenues. However, royalty gas sold in-state may crowd out small ANS gas producers from a ready market and produce a disincentive to new and smaller entrants on the North Slope who may bring competition to lease sales and energy to exploration ideas.

This research project will reconcile these conflicting forces and provide a structure for decision-making for royalty-in-kind policy and that produces the best overall, long-term, policy for the supply of ANS gas to Alaska residents.

Gas Pipeline Supply Side Study

For FY 2001, the Division of Oil and Gas will begin a study to quantify the additional gas resources that might be available for development from sources along and near possible natural gas pipeline routes across the state. Additional natural gas resources might be available from the eastern Beaufort Sea, the ANWR coastal plain, and the Brooks Range areas. Natural gas resources might also be found in the Yukon-Kandik, Tanana, Minchumina-Holitna, Susitna, Copper River and Cook Inlet Basins of central and south-central Alaska. Estimates of the volume of these potential gas resources and possible reserves, the types of gas present and their locations, a discussion of developmental issues and the timing with which such potential resources might be brought on-line to supply additional product to an Alaska gas pipeline (and possibly community trunk-lines) will contribute significantly to any gas-line feasibility study and to out-year planning as the project proceeds. This project will require FY 2002 capital budget funding for completion.

Approval of the supplemental will allow the division to initiate project planning and make early commitments for geological studies to be conducted during summer 2001. Failure to accomplish field work in 2001 will likely force the division's field studies to continue into summer 2002. Authorization of this supplemental will allow division staff to begin compilation and analyses of existing literature and geological data (maps, field samples, sample analyses, geophysical data) necessary for design of the summer's field programs.

ANS Gas Sales (Reservoir Studies)

Major gas sales from the Prudhoe Bay reservoir will likely result in lower annual reservoir pressures compared to the no-gas-sales case. Little reliable and detailed information exists in the public domain concerning the effect of major gas sales on oil production rates and ultimate recovery of oil from Prudhoe Bay. Some oil production could be deferred while some may also be lost forever depending on the timing of gas sales, the volumes involved and the mitigation measures employed to stem pressure decline. The goal of this project would be to gather information from the producers and various consultants and make the information available to interested parties. Detailed reservoir simulation models would not be built and run since the cost would be prohibitive. Information primarily would have to come from the Prudhoe Bay lessees. Without that cooperation the project would not succeed. Depletion options for the Point Thomson reservoir could, but need not, be included in this study. A consultant would be retained to review the data and results for completeness and accuracy.

The state as a North Slope gas and oil royalty owner needs to know what effect gas sales will have on future oil production (volume and timing) and how any perceived negative effects from major gas sales can be managed and mitigated. In addition to gas sales, NGLs and LPGs are available to send down the gas line along with the gas if sales of these products are justified. Sales of additional NGLs (now mixed with the oil in TAPS or sold to other north slope fields for enhanced oil recovery) and sales of LPGs (the same molecules now used at Prudhoe Bay for miscible injectant) can also effect future oil production both at Prudhoe Bay and across the North Slope. Understanding the effects and trade offs of the various gas sales options and analyzing the various pipeline scenarios against the effects on future oil production will reduce uncertainty around the project and help define "ramp up" strategy, use of gas from fields other than Prudhoe Bay, gas liquids options, reserves and timing trade offs and annual volumes of gas reasonably available for sale. Members of the public, the Legislature and the AOGCC will want these types of physical waste and economic waste questions analyzed and answered before the gas line project goes forward. The project sponsors will want at least implicit approval from the regulatory agencies that the project can proceed under the basic assumptions that the project sponsors put forward. Moving forward with this reservoir study now will prevent a later delay or reevaluation of the preferred alternative in the future. It will take considerable time to award a contract, establish contacts with the North Slope lessees, assemble the required data, analyze the data and then report the results. To the extent effort and work products can be shared between DNR and the AOGCC, that sharing will occur.

ALASKA OIL AND GAS CONSERVATION COMMISSION

Summary \$500.0

The Alaska Oil and Gas Conservation Commission (AOGCC) is required to evaluate the effects of gas sales on oil recovery from the Prudhoe Oil Pool in order to carry out its statutory obligation to prohibit physical waste of oil and gas, and achieve maximum ultimate recovery of those resources. Specifically, the AOGCC needs to know what effect gas sales will have on oil recovery and what options are available to mitigate potential negative effects on oil production. It is critical to identify and understand issues associated with Prudhoe gas sales versus continuing gas injection for enhanced oil recovery. Currently, the AOGCC does not have monetary resources or adequate staff to conduct this study.

Gas that is proposed for sale is currently being re-injected to maintain reservoir pressure to increase oil recovery. In general, maintaining reservoir pressure increases ultimate oil recovery. In the Prudhoe Bay Field, reservoir pressure is partially maintained through a combination of gas re-injection and water injection. Reservoir pressure is gradually declining in a controlled manner to accommodate the diverse recovery mechanisms in the reservoir. In general, gas production on a large scale will cause lower reservoir pressure that, if unmitigated, may result in reduction of ultimate oil recovery. We propose a study to evaluate how to most effectively and efficiently achieve greater recovery of both oil and gas.

The AOGCC proposes a two-phase approach to the problem. The first phase is currently in progress. An independent, outside expert was hired to assist in establishing a scope of critical issues and make recommendations for subsequent evaluation of gas sales issues and course of action for the AOGCC. Phase one will be paid from existing FY01 appropriations.

Recommendations of phase one will be carried out by phase two and will result in a comprehensive technical study and report that identifies effects on oil production by the Gasline Project and what methods can be employed to mitigate negative impacts on ultimate recovery.

Based on the recommendations developed in phase one, the second phase will encompass one of the three following options:

- Independent evaluation (estimated \$3,000,000)
- Audit of the owners' internal evaluation (estimated \$500,000)
- Other option recommended by the Phase I consultant

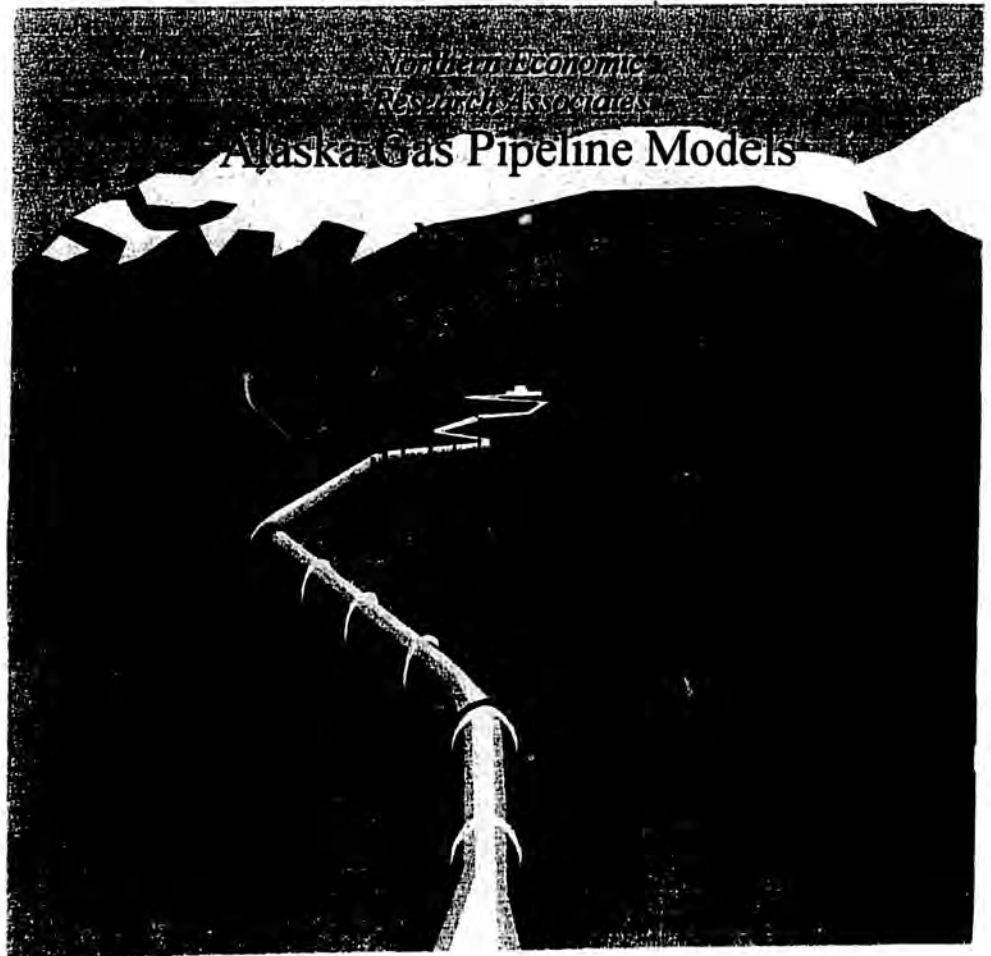
As a comparison, an AOGCC sponsored independent study of Prudhoe Bay reservoir performance and depletion plans performed in 1978 cost approximately \$7,000,000.

The cost of the project is dependent on two factors:

- The consultant's recommendations made from phase one, which should be received before April 30, 2001.
- The amount of information and internal evaluations the owners willingly share versus the amount of work the AOGCC must perform independently because the owners do not supply the information. The more information that is supplied, the lower the cost of phase two will be. Conceivably, if the owners supply enough information, the project cost could be less than \$500,000.

Depending on which option is executed, phase two could involve a tremendous amount of data and interpretation, resulting in significant staff-hours.

Early initiation of the study of gas recovery and its impact on fluid recovery will benefit the State of Alaska by identifying and understanding conservation issues early. The study will assure that mitigation factors



CD: ALASKA GAS PIPELINE
MODELS, BY NORTHERN
ECONOMIC RESEARCH
ASSOCIATES, MAY 13, 2002.

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LAWS OF ALASKA

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3

AN ACT

Relating to pipelines; and providing for an effective date.

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

* Section 1. AS 38.35.010 is amended by adding a new subsection to read:

(b) The State of Alaska reserves unto itself all rights, powers, privileges and immunities not preempted by federal interstate commerce laws and regulations in the right-of-way leasing of any state lands for pipeline construction, transmission, or operation within its boundaries.

* Sec. 2. AS 38.35.020 is amended to read:

Sec. 38.35.020. GRANT OF RIGHT-OF-WAY LEASE. (a) Rights-of-way on state land including rights-of-way over, under, along, across, or upon the right-of-way of a public road or highway or the right-of-way of a railroad or other public utility, or across, upon, over, or under a river or other body of water or land belonging to or administered by the state may be granted by noncompetitive lease by the commissioner for pipeline purposes for the transportation of oil, products or natural gas under those conditions prescribed by law or by administrative regulation. Except to the extent authorized by an oil and gas lease or unit agreement approved by the state, no person may engage in any construction or operation of any part of an oil, products, or natural gas pipeline, which in whole or in part is or is proposed to be on state land unless that person has obtained from the commissioner a right-of-way lease of the land under this chapter.

(b) The commissioner may by regulation exempt the construction or operation of field gathering lines or any

reasonable classification of them from the requirement of a right-of-way lease under this chapter.

- * Sec. 3. AS 38.35.030 is amended to read:

Sec. 38.35.030. ABANDONMENT, REDUCTION OR IMPAIRMENT OF SERVICE OF PIPELINE. No lessee may abandon any portion of a pipeline that is subject to a lease granted under this chapter, or operation or transportation, service, or sale by it, or reduce or impair service, except in accordance with the terms of the lease or sec. 40 of this chapter.

- * Sec. 4. AS 38.35.040 is amended to read:

Sec. 38.35.040. TEMPORARY OR EMERGENCY SERVICE OR TEMPORARY ABANDONMENT, REDUCTION OR IMPAIRMENT OF SERVICE BY LESSEE. The commissioner may, either upon a request made in the form he shall by regulation require, or upon his own motion without request, authorize or require temporary or emergency rendering of service or temporary or emergency abandonment, reduction or impairment of service by a pipeline of a lessee without compliance with secs. 50 - 100 of this chapter. Nothing in this section prevents a carrier from temporarily suspending operations in the event of an emergency which threatens public health or safety; however, notice shall be given the commissioner as soon as possible.

- * Sec. 5. AS 38.35.050 is repealed and re-enacted to read:

Sec. 38.35.050. APPLICATIONS FOR RIGHT-OF-WAY LEASES.

(a) A person or persons desiring to own a pipeline which is proposed to be located in whole or in part on state land, shall apply for a noncompetitive right-of-way lease of the state land.

(b) Applications under (a) of this section shall be made in a form and manner prescribed by regulation, and shall include any and all data, information, plans and exhibits which the commissioner determines are necessary to prepare the analysis required by sec. 80 of this chapter and to make a decision under sec. 100 of this chapter.

(c) Any amendment to an application filed under this section which constitutes a substantial change in the application is subject to all provisions of this chapter applying to an original application.

(d) All persons owning or planning to own an interest in a pipeline or proposed pipeline subject to a lease must join in the application under (a) of this section. Any person employed by the lessee in operating the pipeline is bound by the covenants of the lease applicable to functions within the scope of his employment as if he were an applicant under the lease and the state may enforce any breach of a covenant directly against an operator who is not in compliance with the covenant.

- * Sec. 6. AS 38.35.060 is repealed.

- * Sec. 7. AS 38.35.070 is amended to read:

Sec. 38.35.070. NOTICE OF APPLICATION. Upon receiving

an application under sec. 50 of this chapter, the commissioner shall

(1) cause notice of it to appear in a daily newspaper of general circulation published in the vicinity of the location of the proposed pipeline, the notice to include:

(A) a general description of the land involved;

(B) a summary of the substance of the application;

(2) file copies of the application with each coordinate agency;

(3) furnish at cost copies of a notice or application to persons requesting them; and

(4) provide other publication and notice he considers reasonable and appropriate to inform the public of the application.

* Sec. 8. AS 38.35.080 is amended to read:

Sec. 38.35.080. ANALYSIS AND PUBLIC HEARING. (a) The commissioner shall, within a reasonable time after receiving the application, prepare an analysis of the application or of the matter of which he was notified, including a proposal for action if feasible; a proposed lease and a general statement of his basis and purpose, if favorable action is proposed; or, when a proposal for action is not feasible before a hearing, a description of the subjects and issues involved.

(b) Upon completion of the analysis but not less than 30 days before the date set for hearing an application or a substantial amendment to an application, the commissioner shall publish notice, and make copies available as provided in sec. 70 of this chapter.

(c) The commissioner shall set all applications for public hearing as soon as practicable, if a public hearing on an application is requested by any person within 30 days of publication of notice under sec. 70(a) of this chapter or if the proposed action being considered involves a substantial public interest. The commissioner shall set the application for public hearing and publish notice of the time and place of the public hearing at least 30 days before the hearing.

(d) Except to the extent specified in sec. 190(b) of this chapter, the provisions of the Administrative Procedure Act (AS 44.62) do not apply to hearings held under this section.

* Sec. 9. AS 38.35.100 is repealed and re-enacted to read:

Sec. 38.35.100. DECISION ON APPLICATION. (a) The commissioner shall promptly determine, on an application filed with him under sec. 50 of this chapter, whether the

Chapter 3

applicant is fit, willing and able to perform the transportation or other acts proposed in a manner that will be required by the present or future public interest. In making a determination the commissioner shall consider whether or not

(1) the proposed use of the right-of-way will unreasonably conflict with existing uses of the land involving a superior public interest;

(2) the applicant has the technical and financial capability to protect state and private property interests;

(3) the applicant has the technical and financial capability to take action to the extent reasonably practical to

(A) prevent any significant adverse environmental impact, including but not limited to, erosion of the surface of the land and damage to fish and wildlife and their habitat;

(B) undertake any necessary restoration or revegetation; and

(C) protect the interests of individuals living in the general area of the right-of-way who rely on fish, wildlife and biotic resources of the area for subsistence purposes;

(4) the applicant has the financial capability to pay reasonably foreseeable damages for which he may become liable on claims arising from the construction, operation, maintenance or termination of the pipeline.

(b) If the commissioner makes these determinations favorably to the applicant, then he may grant the whole or part of the application. Otherwise, he shall deny the application. In order to grant the whole or part of the application the commissioner shall offer a lease to the applicant for its acceptance through signing of the lease and agreeing to comply with its terms, conditions, and obligations. Only upon proper acceptance of offered lease by the applicant within 30 days after its having been presented is the grant of the application consummated.

■ Sec. 10. AS 38.35.110 is amended to read:

Sec. 38.35.110. TERM OF LEASE. Each lease of state land for pipeline right-of-way purposes shall contain a provision that the lease shall run for a specified term of not greater than 30 years, and shall be renewable for additional periods of up to 10 years each, so long as the lessee is in commercial operation and is in full compliance with all state law, including but not limited to state law pertaining to regulation and taxation of the pipeline facility, and is in compliance with all terms of the lease. In making this determination he shall take into consideration the cost of the proposed pipeline, its useful life, and the probable financing requirement for the proposed pipeline.

■ Sec. 11. AS 38.35.120 is repealed and re-enacted to read:

Sec. 38.35.120. COVENANTS REQUIRED TO BE INCLUDED IN LEASE. (a) A noncompetitive lease of state land for a right-of-way for an oil or natural gas pipeline valued at \$1,000,000 or more may be granted only upon the condition that the lessee expressly covenants in the lease, in consideration of the rights acquired by it under the lease, that

(1) it assumes the status of and will perform all of its functions undertaken under the lease as a common carrier and will accept, convey, and transport without discrimination crude oil or natural gas, depending on the kind of pipeline involved, delivered to it for transportation from fields in the vicinity of the pipeline subject to the lease throughout its route both on state land obtained under the lease and on other land; however, a lessee who owns or operates a natural gas pipeline subject to regulation either (A) under the Natural Gas Act (15 U.S.C. 717 et. seq.) of the United States, or (B) by the state or political subdivisions with respect to rates and charges for the sale of natural gas, is, to the extent of that regulation, exempt from the common carrier requirement in this paragraph; it will accept, convey, and transport crude oil or natural gas without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another but will take the crude oil or natural gas, depending on the kind of pipeline involved, delivered or offered, without unreasonable discrimination, that the Alaska Pipeline Commission shall, after a full hearing with due notice to the interested parties and a proper finding of facts, determine to be reasonable in the performance of its duties as a common carrier;

(2) it will interchange crude oil or natural gas, depending on the kind of pipeline involved, with each like common carrier and provide connections and facilities for the interchange of crude oil or natural gas at every locality reached by both pipelines when the necessity exists, subject to rates and regulations made by the appropriate state or federal regulatory agency;

(3) it will maintain and preserve books, accounts and records and will make those reports that the state may prescribe by regulation or law as necessary and appropriate for purposes of administration of this chapter;

(4) it will accord at all reasonable times to the state and its authorized agents and auditors the right of access to its property and records, of inspection of its property, and of examination and copying of records;

(5) it will provide connections, as determined by the Alaska Pipeline Commission under AS 42.06.340, to facilities on the pipeline subject to the lease, both on state land and other land in the state, for the purpose of delivering crude oil or natural gas, depending on the kind of pipeline involved, to persons (including the state and its political subdivisions) contracting for the purchase at wholesale of crude oil or natural gas transported by the pipeline when required by the public interest;

(6) it shall, notwithstanding any other

Chapter 3

provision, provide connections and interchange facilities at state expense at such places the state considers necessary if the state determines to take a portion of its royalty or taxes in oil or natural gas;

(7) it will construct and operate the pipeline in accordance with applicable state laws and lawful regulations and orders of the Alaska Pipeline Commission;

(8) it will, at its own expense, during the term of the lease

(A) maintain the leasehold and pipeline in good repair;

(B) promptly repair or remedy any damage to the leasehold;

(C) promptly compensate for any damage to or destruction of property for which the lessee is liable resulting from damage to or destruction of the leasehold or pipeline;

(9) it will not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-way lease, or any rights under the lease or any pipeline subject to the lease to any person other than another owner of the pipeline (including subsidiaries, parents and affiliates of the owners), except to the extent that the commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing and able to perform the transportation or other acts proposed in a manner that will reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the commissioner shall not unreasonably withhold his consent to the transfer, assignment or disposal;

(10) it will file with the commissioner a written appointment of a named permanent resident of the state to be its registered agent in the state and to receive service of notices, regulations, decisions and orders of the commissioner; if it fails to appoint an agent for service, service may be made by posting a copy in the office of the commissioner and filing a copy of it in the office of the lieutenant governor and by mailing a copy to the lessee's last known address;

(11) the applicable law of this state will be used in resolving questions of interpretation of the lease;

(12) the granting of the right-of-way lease is subject to the express condition that the exercise of the rights and privileges granted under the lease will not unduly interfere with the management, administration, or disposal by the state of the land affected by the lease, and that the lessee agrees and consents to the occupancy and use by the state, its grantees, permittees, or other lessees of any part of the right-of-way not actually occupied or required by the pipeline for the full and safe utilization of the pipeline, for necessary operations

incident to land management, administration, or disposal;

(13) it will be liable to the state for damages or injury incurred by the state caused by the construction, operation or maintenance of the pipeline and it will indemnify the state for the liabilities or damages;

(14) it will procure and furnish liability and property damage insurance from a company licensed to do business in the state or furnish other security or undertaking upon the terms and conditions the commissioner considers necessary if the commissioner finds that the net assets of the lessee are insufficient to protect the public from damage for which the lessee may be liable arising out of the construction or operation of the pipeline.

(b) For a right-of-way lease granted under this chapter for an oil or natural gas pipeline valued at \$1,000,000 or more to be valid and of legal effect, it must contain the terms required to be inserted under the provisions of secs. 110 - 140 of this chapter. An oil or natural gas pipeline right-of-way lease granted under this chapter that does not contain the required terms is null and void and without legal effect and does not vest any interest in state land or any authority in the carrier granted the lease.

(c) The commissioner may insert in any right-of-way lease other reasonable provisions and conditions that he determines the public interest requires.

(d) The lease will also contain terms and conditions that are reasonably necessary to obligate the lessee, to the extent reasonably practicable, to

(1) prevent conflicts with other existing uses of the land involving a superior public interest;

(2) protect state and private property interests;

(3) prevent any significant adverse environmental impact, including but not limited to the erosion of the surface of the land, and damage to fish and wildlife and their habitat;

(4) restore and revegetate during the term and at termination of the lease; and

(5) protect the interests of individuals living in the general area of the right-of-way who rely on the fish, wildlife, and biotic resources of the area for subsistence purposes.

(e) In the event the commissioner proposes to offer a lease or leases to two or more lessees for the same pipeline, the commissioner may include terms in the lease or leases which establish the limit of the obligations and liabilities of each lessee arising under this chapter or under the lease or leases.

(f) The commissioner may, at his discretion, include any or all of the terms set out in this section in leases

of state land for products pipeline right-of-way purposes.

- Sec. 12. AS 38.35.130 is amended to read:

Sec. 38.35.130. RIGHT-OF-WAY EASEMENTS OR LEASES ACQUIRED FROM OTHERS. (a) The lessee may, if the commissioner delegates the function to it, condemn, by declaration of taking, under AS 09.55.420 - 09.55.450, real property and acquire leases of or easements or rights-of-way on lands in the state required for right-of-way purposes for a pipeline subject to the lease on behalf of and as agent for the state in which title to or interest in the land shall vest.

(b) The lease shall contain a covenant that the land, right-of-way, or easement acquired under this section is or will form part of the land leased to the lessee.

- Sec. 13. AS 38.35.140 is repealed and re-enacted to read:

Sec. 38.35.140. PAYMENT OF RENTAL AND COSTS. (a) The lease price for a right-of-way lease shall be the annual fair market rental of the state lands included in the right-of-way based on the appraised fair market value of the land. The lease price is payable annually in advance on or before the anniversary of the lease. The appraised fair market rental value shall be adjusted periodically under the provisions of AS 38.05.105. Rental may not be charged for any land acquired by the lessee under sec. 130(b) of this chapter and conveyed without cost to the state.

(b) The lessee shall reimburse the state for all reasonable costs incurred in monitoring the construction of the pipeline on the right-of-way.

- Sec. 14. AS 38.35.150 is repealed.

- Sec. 15. AS 38.35.160 is repealed.

- Sec. 16. AS 38.35.170 is repealed and re-enacted to read:

Sec. 38.35.170. FORFEITURE OF LEASE. Failure to begin construction of the pipeline facility within a reasonable time of the granting of a right-of-way lease under this chapter for reasons within the control of the lessee or failure of an owner of an interest in the granted right-of-way substantially to comply with the terms of the right-of-way shall be grounds for forfeiture of the right-of-way interest of the lessee or owner in an action brought by the commissioner in the superior court. Before the commencement of any action for forfeiture of an interest in a right-of-way under this section, the commissioner shall give the lessee or owner of the interest notice in writing of the alleged default and shall not commence the proceeding unless the lessee or owner of the interest has failed to initiate good faith efforts to cure the default within 60 days of the notice of the alleged default.

- Sec. 17. AS 33.35.180(c) is amended to read:

(c) Neither this section nor the state's obtaining an injunction or recovering penalties extinguishes any civil

cause of action arising out of a violation of this chapter or the provisions of a right-of-way lease.

- * Sec. 18. AS 38.35.190(b), (c) and (d) are repealed.
- * Sec. 19. AS 38.35.200 is repealed and re-enacted to read:

Sec. 38.35.200. JUDICIAL REVIEW OF DECISIONS OF COMMISSIONER ON APPLICATION. (a) An applicant or competing applicant or a person who has a direct financial interest affected by the lease who raises objections within 60 days of the publication of notice under sec. 70 of this chapter are the only persons with standing to seek judicial review of a decision of the commissioner under sec. 100 of this chapter.

(b) The only grounds for judicial review of a decision of the commissioner are

(1) failure to follow the procedures set out in this chapter; or

(2) abuse of discretion so capricious, arbitrary or confiscatory as to constitute a denial of due process.

- * Sec. 20. AS 38.35.210 is amended to read:

Sec. 38.35.210. DELEGATION OF COMMISSIONER'S AUTHORITY. The commissioner may delegate to an employee of the Department of Natural Resources or the Department of Law the authority granted under this chapter, except for the authority to execute leases.

- * Sec. 21. AS 38.35.220(d) is repealed.
- * Sec. 22. AS 38.35.230 is repealed and re-enacted to read:

Sec. 38.35.230. DEFINITIONS. In this chapter

(1) "commissioner" means the commissioner of natural resources;

(2) "coordinate agencies" includes Department of Labor, Department of Highways, Department of Environmental Conservation, and the Alaska Pipeline Commission;

(3) "lease" means the instrument or extension of an instrument issued under this chapter granting a leasehold interest in state land for pipeline right-of-way purposes to a person and authorizing the construction or operation of, or transportation, service or sale by a pipeline for crude oil, natural gas, or products;

(4) "lessee" means a person or persons holding a valid lease issued by the commissioner;

(5) "natural gas" includes all hydrocarbons produced at the wellhead not defined as oil;

(6) "oil" includes crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form and the liquid hydrocarbons

Chapter 3.

known as distillate or condensate recovered or extracted from gas, other than gas produced in association with oil and commonly known as casinghead gas;

(7) "pipeline" or "pipeline facility" means all the facilities of a total system of pipe (whether owned or operated under a contract, agreement, or lease) used by a carrier for transportation of crude oil, natural gas, or products for delivery, for storage, or for further transportation, and including all pipe, pump or compressor stations, station equipment, tanks, valves, access roads, bridges, airfields, terminals and terminal facilities, including docks and tanker loading facilities, operations control center for both the upstream part of the pipeline and the terminal, tanker ballast treatment facilities, and fire protection system, communication system, and all other facilities used or necessary for an integral line of pipe, taken as a whole, to effectuate transportation, including an extension or enlargement of the line;

(8) "product" means refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, fuel oil, treated crude oil, residuum, gas oil, casinghead gasoline, natural gas gasoline, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, blended gasoline, lubricating oil, blends or mixtures of petroleum and any liquid product or by-product derived from crude petroleum oil or natural gas;

(9) "state land" means

(A) "state lands" as defined in AS 38.05.-365;

(B) public land of the United States selected by the state under sec. 6 of the Alaska Statehood Act of 1958 (PL 85-508; 72 Stat. 395), as amended, and real property of the United States transferred to the state under secs. 21, 35 and 45 of the Alaska Omnibus Act of 1959 (PL 86-70; 73 Stat. 141), as amended;

(C) any interest owned by the state in land;

(10) "transportation" means the shipment or carriage by a pipeline of crude oil, natural gas, or products from an upstream terminus in one or more fields or points of production or supply of the minerals to a downstream terminus in one or more points for delivery of the minerals to a purchaser or consignee, for storage, or for further carriage or shipment, including shipment or carriage within the state that may be classified as interstate or foreign transportation to the extent that the transportation may constitutionally be subjected to the provisions of this chapter, as well as all services necessary to effectuate shipment or carriage, including, among other things, the receipt, storage, processing, handling, transfer in transit, forwarding and delivery of the minerals.

* Sec. 23. AS 38.35 as amended by adding new sections to

read:

Sec. 38.35.205. LEASE SAVINGS CLAUSE. A judicial finding that any term or condition of a right-of-way lease issued under this chapter is unlawful or invalid may not operate to invalidate the lease or any other term or condition of the lease.

Sec. 38.35.225. BINDING EFFECT OF COVENANTS. By entering into a lease under this chapter, the lessee is bound by all the covenants provided for in the lease to the full extent of the power of the state to impose those covenants under its authority as owner of the land to be leased or under its police or regulatory powers or otherwise; provided that the right of the lessee to challenge the power of the state to require such a covenant as owner of the land to be leased or under its police or regulatory powers or otherwise is preserved until such time as action to enforce the covenant is taken by the state.

* Sec. 24. AS 09.55.240(a)(12) is amended to read:

(12) for the location of pipelines for gathering, transmitting, transporting, storing, or delivering natural or artificial gas or oil or any liquid or gaseous hydrocarbons, including, but not limited to, pumping stations, terminals, storage tanks, or reservoirs, and related installations.

* Sec. 25. AS 38.05.020(c)(1) is amended to read:

(1) granting leases of state land for pipeline right-of-way purposes;

* Sec. 26. AS 38.05.020(c)(2) is amended to read:

(2) leasing, purchasing, or otherwise acquiring (including condemning by declaration of taking), easements or other interests in land in this state for the purpose of utilizing or granting leases of the land, easements or interests for pipeline right-of-way purposes;

* Sec. 27. AS 38.05.020(c)(4) is amended to read:

(4) investigating any matters concerning any lessee with a view to assuring compliance by it with its right-of-way lease, this chapter, and any other applicable state or federal law;

* Sec. 28. AS 38.05.330 is amended to read:

Sec. 38.05.330. PERMITS. The director, without the prior approval of the commissioner, may issue permits, rights-of-way or easements on state land for secondary roads, trails, ditches, field gathering lines or transmission and distribution pipelines not subject to AS 38.35, telephone and transmission lines, log storage, oil well drilling sites and production facilities for the purposes of recovering minerals from adjacent lands under valid lease, and other similar uses or improvements, or for the limited personal use of timber or materials. The commissioner, upon recommendation of the director, shall

Chapter 3

establish a reasonable rate or fee schedule to be charged for these uses. In the granting, suspension or revocation of a permit or easement of lands, the director shall give preference to that use of the land which will be of greatest economic benefit to the state and the development of its resources. However, first preference shall be granted to the upland owner for the use of a tract of tideland, or tideland and contiguous submerged land, which is seaward of the upland property of the upland owner and which is needed by the upland owner for any of the purposes for which the use may be granted.

* Sec. 29. AS 42.06.310 is amended by adding a new subsection to read:

(c) Every common carrier shall, when ordered by the Alaska Pipeline Commission, extend or enlarge its pipeline or storage facilities provided the extension or enlargement shall be found to be reasonable and required in the public interest and that the expense involved will not impair the ability of the common carrier or public utility to perform its duty to the public.

* Sec. 30. The commissioner of natural resources shall submit to the members of the Eighth Legislature not later than September 1, 1974 a full report covering all lands conveyed under provisions of AS 38.05.063 and 38.05.076. The report shall contain a description of all parcels conveyed under the Act including acreage (to include a detailed plat of each parcel), land classification, appraised value, lease or sale value, proposed land usage, and any other information the commissioner may feel necessary to an understanding of the particular disposal.

* Sec. 31. AS 38.05.063 and 38.05.076 are repealed effective September 1, 1974.

* Sec. 32. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.