

SB

287

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/22/10

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Resources Committee considered SENATE BILL NO. 287

SB 287 IN-STATE GAS PIPELINE

"An Act amending the powers and duties of the Alaska Railroad Corporation and the Alaska Housing Finance Corporation related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in-state use, and transferring exclusive and primary responsibility for the initiation and development of that project from the Office of the Governor and the Department of Natural Resources to those corporations; and providing for an effective date."

and recommends:

- be replaced with SCS or CS SB 287 (RES)
- adopt previous SCS or CS _____ ()
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/> Same Title	
<input checked="" type="checkbox"/> New Title	
<hr/>	
HOUSE BILL:	
<input type="checkbox"/> Same Title	
<input type="checkbox"/> Technical Title Change	
<input type="checkbox"/> New Title w/ SCR # _____	

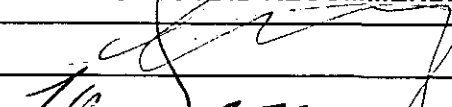

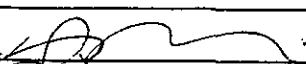

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	03/19	✓			
REV	03/20			✓	

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Huggins	X		✓	/
	French				✓
CO-CHAIR: 	Wielechowski				✓
CO-CHAIR: 	McElwee	X			

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR WAGONER

TO: CSSB 287(RES), Draft Version "R"

1 Page 5, following line 13:

2 Insert a new subsection to read:

3 "(e) The exemption in AS 42.40.920(b)(6) does not apply to the North Slope
4 natural gas pipeline project authorized by this section."

ALASKA STATE LEGISLATURE

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Chair
Senate Special Committee on Energy
Senate Committee on World Trade,
Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Changes to Senate Bill 287: 26-LS 1467\R in CS SB 287: 26-LS1467\E

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following references are to the R version of SB 287

- Section 1** The following changes were made to the *Findings and Purposes* section:
1. Page 2, line 1: following "significant" inserted "short term"
 2. Page 2, line 8: deleted "developing" and inserted "studying"
 3. Page 2, line 14: deleted "will result in" and inserted "is necessary for"
 4. Page 2, lines 26-29: deleted all material and renumbered accordingly.
 5. Page 2, line 30: deleted "achieve construction of" and inserted "to advance to the point of project sanction"
- Section 2** The following changes were made to AS 42.40.560
1. Page 3, line 22: following "either or both of these sources" inserted "or from any other source of natural gas."
 2. Page 4, line 1: inserted a reference to AS 43.90 (AGIA)
- Section 4** The following changes were made to AS 42.40.560
1. Page 4, inserted a new subsection (d)(1) directing the Alaska Railroad Corporation to establish a subsidiary of the corporation to perform the work described in this subsection.
 2. Page 4, line 6: deleted "acquisitions" and inserted "authorizations"
 3. Page 4, lines 20-31 through page 5, lines 1-13: inserted new language recommended by Department of Law regarding right-of-way issues.
- Section 5** The following changes were made to the provisions in the uncodified law
1. Page 5, line 29: following "2010" inserted "any initial" and following "the project" inserted "to the Governor and the presiding officers of each house of the legislature."
 2. Page 6, line 14-22: deleted all material.
 3. Page 6, line 30: changed "and" to "or" and inserted new subsection (c)(1)(C) allowing the project to be cancelled due to "other circumstances."
 4. Page 6, line 31: inserted a new subsection clarifying that the Legislature expresses its approval by a concurrent resolution.

NEW CS 03/22/10

26-LS1467E
Chenoweth
3/22/10

CS FOR SENATE BILL NO. 287(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS MCGUIRE, Davis

A BILL
FOR AN ACT ENTITLED

1 **"An Act amending the powers and duties of the Alaska Railroad Corporation related to**
2 **the exercise of authority to purchase, transport, and sell natural gas produced on the**
3 **North Slope for in-state use, and transferring exclusive and primary responsibility for**
4 **the initiation and development of that project to that corporation; and providing for an**
5 **effective date."**

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

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

- 9 **LEGISLATIVE FINDINGS AND PURPOSE.** (a) The legislature finds that
10 (1) by 2018, declining oil flow through the Trans Alaska Pipeline System will
11 seriously diminish state revenue;
12 (2) Cook Inlet natural gas reserves are depleting at a rate that could cause
13 significant short-term shortages for residential and commercial gas users in Southcentral

1 Alaska by 2013;

2 (3) a proposed natural gas pipeline to deliver North Slope gas reserves to the
3 North American domestic gas pipeline grid at a connection in central Alberta will not produce
4 revenue for the benefit of the state before 2020;

5 (4) the state's significant reserves of natural gas should be made available on a
6 priority basis in the state to enhance employment opportunities, expand the state's economy,
7 and supply a significant portion of community energy needs;

8 (5) the Alaska Natural Gas Development Authority is studying a pipeline spur,
9 aggregating in-state demand for natural gas, and facilitating delivery of natural gas and
10 natural gas liquids to Alaskans; and

11 (6) in light of competing demands for future uses of the state's North Slope
12 natural gas reserves, an aggressive effort involving planning, permitting, and coordination of
13 information sharing, of necessary agreements and commitments, and commercial negotiations
14 among interested parties is necessary for completion of construction of an in-state natural gas
15 pipeline that will provide significant direct benefit to the people of the state at the earliest
16 possible date.

17 (b) It is the purpose of this Act

18 (1) to give general direction to the Alaska Railroad Corporation, an agency
19 that enjoys express authority to acquire, construct, improve, maintain, equip, and operate a
20 natural gas pipeline and related facilities for the transportation of natural gas recovered from
21 the North Slope without regard to whether the facilities are or will be owned in whole or in
22 part by the corporation or located on land owned by the corporation, to plan and develop
23 construction of a high pressure in-state natural gas pipeline of appropriate diameter between
24 Alaska's North Slope and Cook Inlet sufficient to provide for the distribution of natural gas
25 for residential and commercial purposes at locations along the pipeline route; and

26 (2) to advance to the point of project sanction an in-state natural gas pipeline
27 that will provide significant direct benefit to the people of the state at the earliest possible
28 date.

29 * Sec. 2. AS 42.40.460 is amended by adding a new subsection to read:

30 (I) The provisions of AS 42.40.560(d) prevail over the provisions of this
31 section for the purpose of development of the North Slope natural gas pipeline project

1 described in that section.

2 * Sec. 3. AS 42.40.560 is amended to read:

3 Sec. 42.40.560. North Slope natural gas pipeline. The corporation may
4 provide [FINANCING] for the acquisition, construction, improvement, maintenance,
5 equipping, and operation of a natural gas pipeline and related facilities, and for the
6 financing of the pipeline project and related facilities, for the transportation of
7 natural gas recovered from the North Slope of this state without regard to whether the
8 facilities are or will be owned in whole or in part by the corporation or located on land
9 owned by the corporation. The authority provided by this section is limited to the
10 project popularly identified as the Stand-Alone Pipeline Project, or Stand-Alone
11 Project, that

12 (1) proposes to develop a gas pipeline system to transport natural
13 gas, and possibly additional natural gas liquids to markets in the Anchorage bowl
14 area, and the Kenai Peninsula, and to additional customers along the
15 transportation route;

16 (2) contemplates the commercial development of two primary
17 sources of natural gas, the Prudhoe Bay Central Gas Facility and the Gubik gas
18 field located in the northern foothills of the Brooks Range, and allows for use of
19 gas from either or both of those gas sources or from any other source of natural
20 gas;

21 (3) projects a pipeline system routing generally along the state's
22 existing transportation corridors between the North Slope and Southcentral
23 Alaska, starting from each potential gas source location, making its way to the
24 Trans Alaska Pipeline System and Dalton Highway corridor, generally
25 paralleling that corridor from the North Slope to the vicinity of Livengood, north
26 of Fairbanks, and continuing to the Cook Inlet area, using one of two routes that
27 are the existing transportation corridors between Fairbanks and Cook Inlet: the
28 Parks Highway and the Richardson and Glenn Highways; and

29 (4) is compatible but not competitive with the project described in
30 and authorized by AS 41.41 or the project described in and authorized by
31 AS 43.90.

1 * Sec. 4. AS 42.40.560 is amended by adding new subsections to read:

2 (b) In the exercise of its authority under (a) of this section for a North Slope
3 natural gas pipeline project, the corporation shall

4 (1) establish, maintain, and operate a subsidiary of the corporation to
5 perform the work described in this section;

6 (2) aggressively pursue the acquisition of all necessary federal permits
7 and authorizations essential for the development and operation of the project;

8 (3) provide monthly reports to the presiding officers of each house of
9 the legislature and to the governor on the corporation's activities relating to the
10 project;

11 (4) initiate a cost study for construction of a gas-to-liquids facility; in
12 the exercise of its authority under this paragraph, the corporation may arrange for
13 essential engineering and design work; and

14 (5) initiate efforts to identify and develop in-state markets for the
15 natural gas to be delivered by the project and, to the extent necessary to ensure the
16 long-term feasibility of the project, work to identify and develop overseas markets for
17 the gas.

18 (c) Subject to AS 36.30.015(e), the board may provide that all or any portion
19 of the project described in this section shall be subject to competitive sealed bid or
20 competitive sealed proposal procedures.

21 (d) To fulfill its obligations under this section, the corporation shall identify
22 all or a portion of a proposed natural gas pipeline transportation corridor:

23 (1) to the maximum extent possible consistent with ensuring the long-
24 term feasibility of the project, the corporation shall make reasonable efforts to locate
25 the proposed corridor between Fairbanks and the Kenai Peninsula on its land;

26 (2) notwithstanding any contrary provision of law, the Department of
27 Natural Resources shall grant the corporation a right-of-way lease under AS 38.35 for
28 the transportation corridor identified under (1) of this subsection if

29 (A) the corporation submits a complete right-of-way lease
30 application under AS 38.35.050;

31 (B) the lease application is made the subject of notice and other

1 reasonable and appropriate publication requirements under AS 38.35.070; and

2 (C) the corporation agrees to be bound by the right-of-way
3 lease covenants set out in AS 38.35.120;

4 (3) notwithstanding any contrary provision of law, a right-of-way lease
5 granted under (2) of this subsection is subject to AS 38.05, except that the best interest
6 findings requirements of AS 38.05 do not apply to a lease made under this subsection.

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

9 ALASKA RAILROAD CORPORATION: TRANSITIONAL PROVISIONS
10 AFFECTING OBLIGATIONS UNDER AS 42.40.560. (a) Subject to (c) of this section, in
11 discharging its obligations under AS 42.40.560(b)(2), enacted by sec. 4 of this Act, the Alaska
12 Railroad Corporation shall

13 (1) initiate permit and acquisition applications in accordance with the federal
14 permit schedule that was provided to the legislature by the Office of the Governor on or about
15 December 15, 2009;

16 (2) seek letters of intent from buyers and sellers of natural gas to ship gas
17 using the facilities of the project and, from information obtained, by February 15, 2011,
18 define the project parameters that would allow the project to be commercially viable;

19 (3) seek letters of interest from private pipeline construction and operating
20 companies to develop the project; the work under this paragraph should be initiated between
21 November 15, 2010, and shall be completed by March 15, 2011;

22 (4) prepare and submit to the governor and the presiding officer of each house
23 of the legislature, by December 15, 2010, any initial legislation necessary to advance the
24 project;

25 (5) identify or define and submit to the legislature, not later than January 15,
26 2011, the corporation's estimates of any long-lead time cost items or work tasks to achieve an
27 early start-up for the project;

28 (6) prepare a final bankable feasibility document; the work under this
29 paragraph should be initiated by July 1, 2011, and shall be completed by June 30, 2012; and

30 (7) unless otherwise provided in the monthly report required by
31 AS 42.40.560(b)(3), enacted by sec. 4 of this Act, prepare and submit a report at each of the

1 dates set out in (1) - (6) of this subsection to the governor, the speaker of the house of
2 representatives, and the president of the senate.

3 (b) The parties having responsibility for contracts, permit and acquisition
4 applications, and studies in progress on the effective date of this Act entered into by the
5 Office of the Governor or a state agency shall transfer those obligations and initiatives to the
6 Alaska Railroad Corporation. Transfer of those obligations and initiatives may not be
7 unreasonably delayed.

8 (c) The corporation shall cease its activities under this section and AS 42.40.560, as
9 amended by secs. 3 and 4 of this Act, if the corporation receives a communication that

10 (1) the governor, after setting out with particularity the reasons that support
11 the decision, has entered a finding that

12 (A) an agreement has been entered into that will result in construction
13 of the project described in AS 43.90;

14 (B) construction of the project described in this section would prevent
15 initiation and completion of the project described in AS 43.90; or

16 (C) other circumstances warrant cessation of activities under this
17 section and AS 42.40.560;

18 (2) the legislature expresses its approval of the finding of the governor made
19 under (1) of this subsection by concurrent resolution.

20 * Sec. 6. This Act takes effect ~~immediately~~ under July 1, 2010.

amendment.

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 287(RES), Draft Version "E"

1 Page 4, line 13, following "work;":

2 Delete "and"

3

4 Page 4, line 17, following "gas":

5 Insert "; and

6 (6) commit to negotiate, before construction of the natural gas pipeline
7 project begins, a project labor agreement to the maximum extent permitted by law; if
8 the corporation determines that the natural gas pipeline project is to be constructed by
9 a private pipeline construction company or companies, the corporation shall
10 incorporate the requirements of this paragraph into its construction contract agreement
11 as a binding commitment applicable to the corporation's contractors; in this paragraph,
12 "project labor agreement" means a comprehensive collective bargaining agreement
13 between the corporation or, if construction is to be undertaken by one or more private
14 pipeline construction companies, the corporation's contractor or contractors and the
15 appropriate labor representatives to ensure expedited construction with labor stability
16 for the natural gas pipeline project by qualified residents of the state"

AMENDMENT #3

OFFERED IN THE SENATE

BY SENATOR WAGONER

TO: CSSB 287(RES), Draft Version "R"

1 Page 5, following line 13:

2 Insert a new subsection to read:

3 "(e) The exemption in AS 42.40.920(b)(6) does not apply to the North Slope
4 natural gas pipeline project authorized by this section."

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 287(RES), Draft Version "R"

1 Page 4, line 12, following "work;":

2 Delete "and"

3

4 Page 4, line 16, following "gas":

5 Insert "; and

6 (5) commit to negotiate, before construction of the natural gas pipeline
7 project begins, a project labor agreement to the maximum extent permitted by law; if
8 the corporation determines that the natural gas pipeline project is to be constructed by
9 a private pipeline construction company or companies, the corporation shall
10 incorporate the requirements of this paragraph into its construction contract agreement
11 as a binding commitment applicable to the corporation's contractors; in this paragraph,
12 "project labor agreement" means a comprehensive collective bargaining agreement
13 between the corporation or, if construction is to be undertaken by one or more private
14 pipeline construction companies, the corporation's contractor or contractors and the
15 appropriate labor representatives to ensure expedited construction with labor stability
16 for the natural gas pipeline project by qualified residents of the state"

ALASKA STATE LEGISLATURE

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Chair
Senate Special Committee on Energy
Senate Committee on World Trade,
Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Sectional Analysis of Senate Bill 287: 26-LS 1467\A

Please note that a sectional analysis is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

- Section 1** of the bill establishes legislative findings and provides the general purpose of the act.
- Section 2** of the bill amends AS 18.56.086 to authorize the Alaska Housing Finance Corporation to create subsidiary corporations to finance or facilitate the financing of the project described in section 5.
- Section 3** of the bill provides a broad authority to the Alaska Housing Finance Corporation, or a subsidiary thereof, working with the Alaska Railroad, to finance or facilitate the financing of the project described in section 5.
- Section 4** of the bill clarifies that the provisions in subsection (d) of section 5 supersede other land transfer processes set out in current law.
- Section 5** of the bill expands the authority of the Alaska Railroad under AS 42.40.560 in relationship to financing a natural gas pipeline project, provides direction for the management of a project and directs the Railroad to identify a right-of-way for the project. Section 5 also directs the Department of Natural Resources to convey the selected land and waives the best interest findings of AS 38.05.
- Section 6** of the bill amends uncodified law by providing further direction for the transfer of responsibility for the Alaska Stand Alone Pipeline project to the Alaska Railroad.
- Section 7** of the bill provides an immediate effective date.

Prepared By: Michael Pawlowski, Aide to Senator McGuire

LATEST VERSION
OF THE BILL
CS FOR SENATE BILL NO. 287(RES)

26-LS1467R
Chenoweth
3/16/10

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

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS MCGUIRE, Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act amending the powers and duties of the Alaska Railroad Corporation related to
2 the exercise of authority to purchase, transport, and sell natural gas produced on the
3 North Slope for in-state use, and transferring exclusive and primary responsibility for
4 the initiation and development of that project from the Office of the Governor and the
5 Department of Natural Resources to that corporation; and providing for an effective
6 date."

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

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

10 LEGISLATIVE FINDINGS AND PURPOSE. (a) The legislature finds that

11 (1) by 2018, declining oil flow through the Trans Alaska Pipeline System will
12 seriously diminish state revenue;

13 (2) Cook Inlet natural gas reserves are depleting at a rate that could cause

1 significant shortages for residential and commercial gas users in Southcentral Alaska by 2013;

2 (3) a proposed natural gas pipeline to deliver North Slope gas reserves to the
3 North American domestic gas pipeline grid at a connection in central Alberta will not produce
4 revenue for the benefit of the state before 2020;

5 (4) the state's significant reserves of natural gas should be made available on a
6 priority basis in the state to enhance employment opportunities, expand the state's economy,
7 and supply a significant portion of community energy needs;

8 (5) the Alaska Natural Gas Development Authority is developing a pipeline
9 spur, aggregating in-state demand for natural gas, and facilitating delivery of natural gas and
10 natural gas liquids to Alaskans; and

11 (6) in light of competing demands for future uses of the state's North Slope
12 natural gas reserves, an aggressive effort involving planning, permitting, and coordination of
13 information sharing, of necessary agreements and commitments, and commercial negotiations
14 among interested parties will result in completion of construction of an in-state natural gas
15 pipeline that will provide significant direct benefit to the people of the state at the earliest
16 possible date.

17 (b) It is the purpose of this Act

18 (1) to give general direction to the Alaska Railroad Corporation, an agency
19 that enjoys express authority to acquire, construct, improve, maintain, equip, and operate a
20 natural gas pipeline and related facilities for the transportation of natural gas recovered from
21 the North Slope without regard to whether the facilities are or will be owned in whole or in
22 part by the corporation or located on land owned by the corporation, to plan and develop
23 construction of a high pressure in-state natural gas pipeline of appropriate diameter between
24 Alaska's North Slope and Cook Inlet sufficient to provide for the distribution of natural gas
25 for residential and commercial purposes at locations along the pipeline route;

26 (2) to transfer the exclusive and primary responsibility for the development of
27 the project described in (1) of this subsection, for which money was appropriated by sec. 19,
28 ch. 14, SLA 2009, from the Office of the Governor and the Department of Natural Resources
29 to the parties identified in this Act; and

30 (3) to achieve construction of an in-state natural gas pipeline that will provide
31 significant direct benefit to the people of the state at the earliest possible date.

1 * Sec. 2. AS 42.40.460 is amended by adding a new subsection to read:

2 (l) The provisions of AS 42.40.560(d) prevail over the provisions of this
3 section for the purpose of development of the North Slope natural gas pipeline project
4 described in that section.

5 * Sec. 3. AS 42.40.560 is amended to read:

6 Sec. 42.40.560. North Slope natural gas pipeline. The corporation may
7 provide [FINANCING] for the acquisition, construction, improvement, maintenance,
8 equipping, and operation of a natural gas pipeline and related facilities, and for the
9 financing of the pipeline project and related facilities, for the transportation of
10 natural gas recovered from the North Slope of this state without regard to whether the
11 facilities are or will be owned in whole or in part by the corporation or located on land
12 owned by the corporation. The authority provided by this section is limited to the
13 project popularly identified as the Stand-Alone Pipeline Project, or Stand-Alone
14 Project, that

15 (1) proposes to develop a gas pipeline system to transport natural
16 gas, and possibly additional natural gas liquids to markets in the Anchorage bowl
17 area, and the Kenai Peninsula, and to additional customers along the
18 transportation route;

19 (2) contemplates the commercial development of two primary
20 sources of natural gas, the Prudhoe Bay Central Gas Facility and the Gubik gas
21 field located in the northern foothills of the Brooks Range, and allows for use of
22 gas from either or both of those gas sources;

23 (3) projects a pipeline system routing generally along the state's
24 existing transportation corridors between the North Slope and Southcentral
25 Alaska, starting from each potential gas source location, making its way to the
26 Trans Alaska Pipeline System and Dalton Highway corridor, generally
27 paralleling that corridor from the North Slope to the vicinity of Livengood, north
28 of Fairbanks, and continuing to the Cook Inlet area, using one of two routes that
29 are the existing transportation corridors between Fairbanks and Cook Inlet; the
30 Parks Highway and the Richardson and Glenn Highways; and

31 (4) is compatible but not competitive with the project described in

AUTHORIZES
CONSTRUCTION

1 **and authorized by AS 41.41.**

2 * **Sec. 4.** AS 42.40.560 is amended by adding new subsections to read:

3 (b) In the exercise of its authority under (a) of this section for a North Slope
4 natural gas pipeline project, the corporation shall

5 (1) aggressively pursue the acquisition of all necessary federal permits
6 and acquisitions essential for the development and operation of the project;

7 (2) provide monthly reports to the presiding officers of each house of
8 the legislature and to the governor on the corporation's activities relating to the
9 project;

10 (3) initiate a cost study for construction of a gas-to-liquids facility; in
11 the exercise of its authority under this paragraph, the corporation may arrange for
12 essential engineering and design work; and

13 (4) initiate efforts to identify and develop in-state markets for the
14 natural gas to be delivered by the project and, to the extent necessary to ensure the
15 long-term feasibility of the project, work to identify and develop overseas markets for
16 the gas.

17 (c) Subject to AS 36.30.015(e), the board may provide that all or any portion
18 of the project described in this section shall be subject to competitive sealed bid or
19 competitive sealed proposal procedures.

20 (d) To fulfill its obligations under this section, the corporation shall identify
21 all or a portion of a proposed natural gas pipeline transportation corridor. To the
22 maximum extent possible consistent with ensuring the long-term feasibility of the
23 project, the corporation shall make reasonable efforts to locate the proposed corridor
24 between Fairbanks and the Kenai Peninsula, on its land. For land identified by the
25 corporation under this subsection that is not then subject to the corporation's
26 ownership,

27 (1) the Department of Natural Resources shall promptly reserve the
28 entirety of the corridor across state land identified by the corporation, subject to valid
29 existing rights and provisions of this section;

30 (2) on an interim basis, the Department of Natural Resources shall
31 condition authorizations for activities on the reserved land to protect the right of the

1 corporation to initiate and undertake construction of the project or other uses identified
2 for the land; and

3 (3) the Department of Natural Resources shall convey to the
4 corporation the state's entire interest in the land within the pipeline corridor, subject to
5 valid existing rights; in making the conveyance under this paragraph, the department
6 may reserve to the state (A) the interests required by AS 38.05.125; (B) the right of the
7 department to identify and reserve rights-of-way for potential future crossings under
8 AS 42.40.460(g); and (C) the authority of the department to identify, reserve,
9 authorize, and manage land within the pipeline corridor for future right-of-way leases
10 and uses under AS 38.35; the conveyance of land under this paragraph shall be
11 without cost to the corporation except for the direct administrative costs of the
12 department; the best interest findings requirements of AS 38.05 do not apply to
13 reservations and conveyances made under this subsection.

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

16 ALASKA RAILROAD CORPORATION: TRANSITIONAL PROVISIONS
17 AFFECTING OBLIGATIONS UNDER AS 42.40.560. (a) Subject to (d) of this section, in
18 discharging its obligations under AS 42.40.560(b)(1), enacted by sec. 4 of this Act, the Alaska
19 Railroad Corporation shall

20 (1) initiate permit and acquisition applications in accordance with the federal
21 permit schedule that was provided to the legislature by the Office of the Governor on or about
22 December 15, 2009;

23 (2) seek letters of intent from buyers and sellers of natural gas to ship gas
24 using the facilities of the project and, from information obtained, by February 15, 2011,
25 define the project parameters that would allow the project to be commercially viable;

26 (3) seek letters of interest from private pipeline construction and operating
27 companies to develop the project; the work under this paragraph should be initiated between
28 November 15, 2010, and shall be completed by March 15, 2011;

29 (4) prepare and submit, by December 15, 2010, legislation necessary to
30 advance the project;

31 (5) identify or define and submit to the legislature, not later than January 15,

TIMELINE

1 2011, the corporation's estimates of any long-lead time cost items or work tasks to achieve an
2 early start-up for the project;

3 (6) prepare a final bankable feasibility document; the work under this
4 paragraph should be initiated by July 1, 2011, and shall be completed by June 30, 2012; and

5 (7) unless otherwise provided in the monthly report required by
6 AS 42.40.560(b)(2), enacted by sec. 4 of this Act, prepare and submit a report at each of the
7 dates set out in (1) - (6) of this subsection to the governor, the speaker of the house of
8 representatives, and the president of the senate.

9 (b) The parties having responsibility for contracts, permit and acquisition
10 applications, and studies in progress on the effective date of this Act entered into by the
11 Office of the Governor or a state agency shall transfer those obligations and initiatives to the
12 Alaska Railroad Corporation. Transfer of those obligations and initiatives may not be
13 unreasonably delayed.

14 (c) Unless provision is made in legislation enacted in 2010 making and transferring
15 appropriations to reappropriate unexpended appropriations made in 2009 to the Office of the
16 Governor and executive branch agencies to support an in-state North Slope natural gas
17 pipeline project, the Alaska Railroad Corporation may apply to the governor to transfer those
18 unexpended balances of appropriations for uses described in AS 42.40.560(b), as enacted by
19 sec. 4 of this Act. The governor may not unreasonably withhold approval of the request.
20 AS 37.07.080(g) does not apply to an application made under this subsection. This subsection
21 constitutes legislative approval to implement the transfer of responsibilities between the
22 named entities as contemplated by AS 37.07.080(h).

23 (d) The corporation shall cease its activities under this section and AS 42.40.560, as
24 amended by secs. 3 and 4 of this Act, if the corporation receives a communication that

25 (1) the governor, after setting out with particularity the reasons that support
26 the decision, has entered a finding that

27 (A) an agreement has been entered into that will result in construction
28 of the project described in AS 43.90; and

29 (B) construction of the project described in this section would prevent
30 initiation and completion of the project described in AS 43.90; and

31 (2) the legislature expresses its approval of the finding of the governor made

ESTABLISHES & DESCRIBES
THE AUTHORITY OF THE
EXECUTIVE BRANCH

1 under (1) of this subsection.

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

26-LS1467R
Chenoweth
3/16/10

CS FOR SENATE BILL NO. 287(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS MCGUIRE, Davis

A BILL
FOR AN ACT ENTITLED

1 **"An Act amending the powers and duties of the Alaska Railroad Corporation related to**
2 **the exercise of authority to purchase, transport, and sell natural gas produced on the**
3 **North Slope for in-state use, and transferring exclusive and primary responsibility for**
4 **the initiation and development of that project from the Office of the Governor and the**
5 **Department of Natural Resources to that corporation; and providing for an effective**
6 **date."**

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

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

10 **LEGISLATIVE FINDINGS AND PURPOSE.** (a) The legislature finds that

11 (1) by 2018, declining oil flow through the Trans Alaska Pipeline System will
12 seriously diminish state revenue;

13 (2) Cook Inlet natural gas reserves are depleting at a rate that could cause

1 significant shortages for residential and commercial gas users in Southcentral Alaska by 2013;

2 (3) a proposed natural gas pipeline to deliver North Slope gas reserves to the
3 North American domestic gas pipeline grid at a connection in central Alberta will not produce
4 revenue for the benefit of the state before 2020;

5 (4) the state's significant reserves of natural gas should be made available on a
6 priority basis in the state to enhance employment opportunities, expand the state's economy,
7 and supply a significant portion of community energy needs;

8 (5) the Alaska Natural Gas Development Authority is developing a pipeline
9 spur, aggregating in-state demand for natural gas, and facilitating delivery of natural gas and
10 natural gas liquids to Alaskans; and

11 (6) in light of competing demands for future uses of the state's North Slope
12 natural gas reserves, an aggressive effort involving planning, permitting, and coordination of
13 information sharing, of necessary agreements and commitments, and commercial negotiations
14 among interested parties will result in completion of construction of an in-state natural gas
15 pipeline that will provide significant direct benefit to the people of the state at the earliest
16 possible date.

17 (b) It is the purpose of this Act

18 (1) to give general direction to the Alaska Railroad Corporation, an agency
19 that enjoys express authority to acquire, construct, improve, maintain, equip, and operate a
20 natural gas pipeline and related facilities for the transportation of natural gas recovered from
21 the North Slope without regard to whether the facilities are or will be owned in whole or in
22 part by the corporation or located on land owned by the corporation, to plan and develop
23 construction of a high pressure in-state natural gas pipeline of appropriate diameter between
24 Alaska's North Slope and Cook Inlet sufficient to provide for the distribution of natural gas
25 for residential and commercial purposes at locations along the pipeline route;

26 (2) to transfer the exclusive and primary responsibility for the development of
27 the project described in (1) of this subsection, for which money was appropriated by sec. 19,
28 ch. 14, SLA 2009, from the Office of the Governor and the Department of Natural Resources
29 to the parties identified in this Act; and

30 (3) to achieve construction of an in-state natural gas pipeline that will provide
31 significant direct benefit to the people of the state at the earliest possible date.

1 * Sec. 2. AS 42.40.460 is amended by adding a new subsection to read:

2 (f) The provisions of AS 42.40.560(d) prevail over the provisions of this
3 section for the purpose of development of the North Slope natural gas pipeline project
4 described in that section.

5 * Sec. 3. AS 42.40.560 is amended to read:

6 **Sec. 42.40.560. North Slope natural gas pipeline.** The corporation may
7 provide [FINANCING] for the acquisition, construction, improvement, maintenance,
8 equipping, and operation of a natural gas pipeline and related facilities, and for the
9 financing of the pipeline project and related facilities, for the transportation of
10 natural gas recovered from the North Slope of this state without regard to whether the
11 facilities are or will be owned in whole or in part by the corporation or located on land
12 owned by the corporation. The authority provided by this section is limited to the
13 project popularly identified as the Stand-Alone Pipeline Project, or Stand-Alone
14 Project, that

15 (1) proposes to develop a gas pipeline system to transport natural
16 gas, and possibly additional natural gas liquids to markets in the Anchorage bowl
17 area, and the Kenai Peninsula, and to additional customers along the
18 transportation route;

19 (2) contemplates the commercial development of two primary
20 sources of natural gas, the Prudhoe Bay Central Gas Facility and the Gubik gas
21 field located in the northern foothills of the Brooks Range, and allows for use of
22 gas from either or both of those gas sources;

23 (3) projects a pipeline system routing generally along the state's
24 existing transportation corridors between the North Slope and Southcentral
25 Alaska, starting from each potential gas source location, making its way to the
26 Trans Alaska Pipeline System and Dalton Highway corridor, generally
27 paralleling that corridor from the North Slope to the vicinity of Livengood, north
28 of Fairbanks, and continuing to the Cook Inlet area, using one of two routes that
29 are the existing transportation corridors between Fairbanks and Cook Inlet: the
30 Parks Highway and the Richardson and Glenn Highways; and

31 (4) is compatible but not competitive with the project described in

1 and authorized by AS 41.41.

2 * Sec. 4. AS 42.40.560 is amended by adding new subsections to read:

3 (b) In the exercise of its authority under (a) of this section for a North Slope
4 natural gas pipeline project, the corporation shall

5 (1) aggressively pursue the acquisition of all necessary federal permits
6 and acquisitions essential for the development and operation of the project;

7 (2) provide monthly reports to the presiding officers of each house of
8 the legislature and to the governor on the corporation's activities relating to the
9 project;

10 (3) initiate a cost study for construction of a gas-to-liquids facility; in
11 the exercise of its authority under this paragraph, the corporation may arrange for
12 essential engineering and design work; and

13 (4) initiate efforts to identify and develop in-state markets for the
14 natural gas to be delivered by the project and, to the extent necessary to ensure the
15 long-term feasibility of the project, work to identify and develop overseas markets for
16 the gas.

17 (c) Subject to AS 36.30.015(e), the board may provide that all or any portion
18 of the project described in this section shall be subject to competitive sealed bid or
19 competitive sealed proposal procedures.

20 (d) To fulfill its obligations under this section, the corporation shall identify
21 all or a portion of a proposed natural gas pipeline transportation corridor. To the
22 maximum extent possible consistent with ensuring the long-term feasibility of the
23 project, the corporation shall make reasonable efforts to locate the proposed corridor
24 between Fairbanks and the Kenai Peninsula, on its land. For land identified by the
25 corporation under this subsection that is not then subject to the corporation's
26 ownership,

27 (1) the Department of Natural Resources shall promptly reserve the
28 entirety of the corridor across state land identified by the corporation, subject to valid
29 existing rights and provisions of this section;

30 (2) on an interim basis, the Department of Natural Resources shall
31 condition authorizations for activities on the reserved land to protect the right of the

1 corporation to initiate and undertake construction of the project or other uses identified
2 for the land; and

3 (3) the Department of Natural Resources shall convey to the
4 corporation the state's entire interest in the land within the pipeline corridor, subject to
5 valid existing rights; in making the conveyance under this paragraph, the department
6 may reserve to the state (A) the interests required by AS 38.05.125; (B) the right of the
7 department to identify and reserve rights-of-way for potential future crossings under
8 AS 42.40.460(g); and (C) the authority of the department to identify, reserve,
9 authorize, and manage land within the pipeline corridor for future right-of-way leases
10 and uses under AS 38.35; the conveyance of land under this paragraph shall be
11 without cost to the corporation except for the direct administrative costs of the
12 department; the best interest findings requirements of AS 38.05 do not apply to
13 reservations and conveyances made under this subsection.

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

16 ALASKA RAILROAD CORPORATION: TRANSITIONAL PROVISIONS
17 AFFECTING OBLIGATIONS UNDER AS 42.40.560. (a) Subject to (d) of this section, in
18 discharging its obligations under AS 42.40.560(b)(1), enacted by sec. 4 of this Act, the Alaska
19 Railroad Corporation shall

20 (1) initiate permit and acquisition applications in accordance with the federal
21 permit schedule that was provided to the legislature by the Office of the Governor on or about
22 December 15, 2009;

23 (2) seek letters of intent from buyers and sellers of natural gas to ship gas
24 using the facilities of the project and, from information obtained, by February 15, 2011,
25 define the project parameters that would allow the project to be commercially viable;

26 (3) seek letters of interest from private pipeline construction and operating
27 companies to develop the project; the work under this paragraph should be initiated between
28 November 15, 2010, and shall be completed by March 15, 2011;

29 (4) prepare and submit, by December 15, 2010, legislation necessary to
30 advance the project;

31 (5) identify or define and submit to the legislature, not later than January 15,

1 2011, the corporation's estimates of any long-lead time cost items or work tasks to achieve an
2 early start-up for the project;

3 (6) prepare a final bankable feasibility document; the work under this
4 paragraph should be initiated by July 1, 2011, and shall be completed by June 30, 2012; and

5 (7) unless otherwise provided in the monthly report required by
6 AS 42.40.560(b)(2), enacted by sec. 4 of this Act, prepare and submit a report at each of the
7 dates set out in (1) - (6) of this subsection to the governor, the speaker of the house of
8 representatives, and the president of the senate.

9 (b) The parties having responsibility for contracts, permit and acquisition
10 applications, and studies in progress on the effective date of this Act entered into by the
11 Office of the Governor or a state agency shall transfer those obligations and initiatives to the
12 Alaska Railroad Corporation. Transfer of those obligations and initiatives may not be
13 unreasonably delayed.

14 (c) Unless provision is made in legislation enacted in 2010 making and transferring
15 appropriations to reappropriate unexpended appropriations made in 2009 to the Office of the
16 Governor and executive branch agencies to support an in-state North Slope natural gas
17 pipeline project, the Alaska Railroad Corporation may apply to the governor to transfer those
18 unexpended balances of appropriations for uses described in AS 42.40.560(b), as enacted by
19 sec. 4 of this Act. The governor may not unreasonably withhold approval of the request.
20 AS 37.07.080(g) does not apply to an application made under this subsection. This subsection
21 constitutes legislative approval to implement the transfer of responsibilities between the
22 named entities as contemplated by AS 37.07.080(h).

23 (d) The corporation shall cease its activities under this section and AS 42.40.560, as
24 amended by secs. 3 and 4 of this Act, if the corporation receives a communication that

25 (1) the governor, after setting out with particularity the reasons that support
26 the decision, has entered a finding that

27 (A) an agreement has been entered into that will result in construction
28 of the project described in AS 43.90; and

29 (B) construction of the project described in this section would prevent
30 initiation and completion of the project described in AS 43.90; and

31 (2) the legislature expresses its approval of the finding of the governor made

1 under (1) of this subsection.

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

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 287
 () Publish Date: _____

Identifier (file name): SB287-REV-TAX-03-19-10
 Title: In State Gas Pipeline
 Dept. Affected: Revenue
 RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Senator Lesil McGuire
 Requester: (S) Resources
 Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact to the Department of Revenue.

This bill amends the powers and duties of the Alaska Railroad Corporation (ARRC) and the Alaska Housing Finance Corporation (AHFC) related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in state use. This bill also transfers exclusive and primary responsibility for the initiation and development of the project from the Office of the Governor and Department of Natural Resources to the Alaska Railroad Corporation and the Alaska Housing Finance Corporation. Under this bill, the ARRC and AHFC may apply to the governor to transfer unexpended balances and appropriations for use in support of the in-state North Slope natural gas pipeline project. The effective date of the bill would be immediately under AS 01.10.070(c).

Prepared by: Dona B. Keppers, Audit Master Phone (907) 269-1034
 Division: Tax Division Date/Time 03-19-10; 6:32pm
 Approved by: Ginger Blaisdell, Director Date 03-20-10; 1:03pm
Administrative Services Division

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 287
 () Publish Date: _____

Identifier (file name): SB287-CED-ARR-3-19-10 Dept. Affected: DCCED
 Title In-State Gas Pipeline RDU _____
 Component Alaska Railroad
 Sponsor Senator McGuire
 Requester Senate Resources Committee Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0	
CHANGE IN REVENUES ()							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0	
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0	

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

SB 287 amends the Alaska Railroad Corporation's (ARRC or the corporation) enabling statute to require ARRC to initiate planning and development of construction of an in-state natural gas pipeline. The project is well outside ARRC's norms, both in type and size. Similar to the approach currently underway, this fiscal note addresses funding necessary for ARRC to bring the project through permitting and preliminary engineering phases. Construction costs are not included at this juncture. Also excluded from this analysis are estimated costs to be incurred by a pipeline company or other entity that would presumably complete design and build the project.

(Continued)

Prepared by: Wendy Lindskoog
 Division: Alaska Railroad Corporation
 Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development

Phone 907-265-2498
 Date/Time 3/19/10 12:00 AM
 Date 3/19/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 287

ANALYSIS CONTINUATION

This fiscal note assumes the corporation will establish a project office, staffed mainly by newly hired ARRC employees. The office will function autonomously from other railroad operations and be funded by the State of Alaska, presumably out of the General Fund. Contractors will be used for all major project functions including engineering, permitting, right of way acquisition, cost estimation, and marketing activities.

ARRC's preliminary evaluation is that substantial progress has been made to date along the critical path to project completion. First, an Environmental Impact Statement (EIS) is well underway. The EIS is almost certainly the most important effort to meet an aggressive project schedule. Second, a well-founded cost estimate for construction is due in June, 2010. This is critical to determining the project financial feasibility and for development of both supplier and customer contracts.

The fiscal analysis summary below is predicated upon ARRC hiring seven new employees to support this effort. By statute, ARRC employees are not state employees; the corporation has a distinct employment system separate from the State of Alaska. The initial basis for the cost estimates shown below are derived from analysis performed by the Office of the Governor, Alaska In-State Gas Pipeline Project office.

ARRC Funding Needs	(Thousands)							Totals
	2011	2012	2013	2014	2015	2016	2017	
Internal Costs	1,550	1,628	1,709	1,794	1,884	1,978	2,077	12,620
RSA's DNR & JPO	1,172							1,172
Pipeline Engineering	8,500	1,000						9,500
Permitting/ ROW	20,000	10,000						30,000
Facilities		5,000						5,000
Commercial Analysis	3,000	3,000	1,000					7,000
Totals - ARRC	34,222	20,628	2,709	1,794	1,884	1,978	2,077	65,292

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 287(RES)
 (S) Publish Date: 3/23/10

Identifier (file name): SB287-CED-ARR-3-19-10 Dept. Affected: DCCED
 Title In-State Gas Pipeline RDU _____
 Component Alaska Railroad
 Sponsor Senator McGuire
 Requester Senate Resources Committee Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0		0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	34,222.0		20,628.0	2,709.0	1,794.0	1,884.0	1,978.0
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	34,222.0		20,628.0	2,709.0	1,794.0	1,884.0	1,978.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	34,222.0		20,628.0	2,709.0	1,794.0	1,884.0	1,978.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

SB 287 amends the Alaska Railroad Corporation's (ARRC or the corporation) enabling statute to require ARRC to initiate planning and development of construction of an in-state natural gas pipeline. The project is well outside ARRC's norms, both in type and size. Similar to the approach currently underway, this fiscal note addresses funding necessary for ARRC to bring the project through permitting and preliminary engineering phases. Construction costs are not included at this juncture. Also excluded from this analysis are estimated costs to be incurred by a pipeline company or other entity that would presumably complete design and build the project.

(Continued)

Prepared by: Wendy Lindskoog
 Division: Alaska Railroad Corporation
 Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development

Phone 907-265-2498
 Date/Time 3/19/10 12:00 AM
 Date 3/19/2010

FISCAL NOTE # 1

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSSB 287(RES)

ANALYSIS CONTINUATION

This fiscal note assumes the corporation will establish a project office, staffed mainly by newly hired ARRC employees. The office will function autonomously from other railroad operations and be funded by the State of Alaska, presumably out of the General Fund. Contractors will be used for all major project functions including engineering, permitting, right of way acquisition, cost estimation, and marketing activities.

ARRC's preliminary evaluation is that substantial progress has been made to date along the critical path to project completion. First, an Environmental Impact Statement (EIS) is well underway. The EIS is almost certainly the most important effort to meet an aggressive project schedule. Second, a well-founded cost estimate for construction is due in June, 2010. This is critical to determining the project financial feasibility and for development of both supplier and customer contracts.

The fiscal analysis summary below is predicated upon ARRC hiring seven new employees to support this effort. By statute, ARRC employees are not state employees; the corporation has a distinct employment system separate from the State of Alaska. The initial basis for the cost estimates shown below are derived from analysis performed by the Office of the Governor, Alaska In-State Gas Pipeline Project office.

ARRC Funding Needs	(Thousands)							Totals
	2011	2012	2013	2014	2015	2016	2017	
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RSA's DNR & JPO	1,172							1,172
Pipeline Engineering	8,500	1,000						9,500
Permitting/ ROW	20,000	10,000						30,000
Facilities		5,000						5,000
Commercial Analysis	3,000	3,000	1,000					7,000
Totals - ARRC	34,222	20,628	2,709	1,794	1,884	1,978	2,077	65,292

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 287(RES)
 (S) Publish Date: 3/23/10

Identifier (file name): SB287-REV-TAX-03-19-10 Dept. Affected: Revenue
 Title: In State Gas Pipeline RDU: Taxation and Treasury
 Component: Tax Division
 Sponsor: Senator Lesil McGuire
 Requester: (S) Resources Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact to the Department of Revenue.

This bill amends the powers and duties of the Alaska Railroad Corporation (ARRC) and the Alaska Housing Finance Corporation (AHFC) related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in state use. This bill also transfers exclusive and primary responsibility for the initiation and development of the project from the Office of the Governor and Department of Natural Resources to the Alaska Railroad Corporation and the Alaska Housing Finance Corporation. Under this bill, the ARRC and AHFC may apply to the governor to transfer unexpended balances and appropriations for use in support of the in-state North Slope natural gas pipeline project. The effective date of the bill would be immediately under AS 01.10.070(c).

Prepared by: Dona B. Keppers, Audit Master
 Division: Tax Division
 Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone: (907) 269-1034
 Date/Time: 03-19-10; 6:32pm
 Date: 03-20-10; 1:03pm

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
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Chair
Senate Special Committee on Energy
Senate Special Committee on
World Trade, Technology, and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee
Joint Armed Services Committee

SENATOR LESIL MCGUIRE

Senator.Lesil.McGuire@legis.state.ak.us

SPONSOR STATEMENT FOR SENATE BILL 287

"Act amending the powers and duties of the Alaska Railroad Corporation and the Alaska Housing Finance Corporation related to the exercise of authority to purchase, transport, and sell natural gas produced on the North Slope for in-state use, and transferring exclusive and primary responsibility for the initiation and development of that project from the Office of the Governor and the Department of Natural Resources to those corporations; and providing for an effective date."

Since the discovery of natural gas in Cook Inlet by Unocal in 1958, the residents of Southcentral Alaska have enjoyed relatively cheap and abundant energy. While the development of Cook Inlet natural gas reserves over the succeeding decades was eclipsed by the discovery of the mammoth reserves at Prudhoe Bay; the Inlet has provided gas to generations of Alaskans and fueled the growth of Southcentral since statehood. From the LNG export terminal to the value-added manufacturing facility producing fertilizer at Nikiski, natural gas created an industrial hub on the Kenai. Cheap gas also fueled electric generation throughout the Railbelt, heated homes and facilitated economic growth throughout the region.

Today however, gas supplies in Cook Inlet are declining; threatening the energy security of major segments of Alaska's population. The challenge facing Southcentral is certainly not new; the residents of interior and rural Alaska have faced similar circumstances for generations. That is why the solution lies not in meeting the needs of Southcentral through imported LNG or stop-gap measures, but in a broader strategy to deliver gas to Alaskans. The vast supplies of gas on the North Slope provide an opportunity to meet not only the existing needs in Cook Inlet, but to distribute gas more widely across the state. In communities as diverse as Bethel and Fairbanks, community leaders are working to develop ways to get gas to their community and their efforts ultimately depend on access to a stable supply of gas.

Senate Bill 287 takes an important step towards that goal by tasking the Alaska Railroad, a public corporation of the State of Alaska with developing the Alaska Stand Alone Pipeline (ASAP) project. Work on the ASAP project was started in the latter days of the 2009 legislative session, when language was attached to the Supplemental Appropriations bill (Ch. 14 SLA 09) authorizing work on an in-state natural gas pipeline. As the project has progressed, the need to accelerate its development has become more apparent as the discovery of large deposits of previously inaccessible natural gas reserves in the lower 48 have clouded the future of the American natural gas market. SB 287 moves the ASAP pipeline project beyond legislative intent language into a more enduring statutory framework that will enable the project to progress.

Bringing Alaskans' natural gas to Alaskans will invigorate the economy and should enable the development of value-added industries; providing jobs in-state and a strong economic legacy to Alaskans. While the future demand for gas in the Lower 48 is questionable, the need for gas in Alaska is self-evident. SB 287 focuses the attention on that need and takes a first step toward bringing the energy security Cook Inlet has enjoyed statewide.

* EXPLANATION OF CHANGES

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
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Anchorage, Alaska 99501
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Chair
Senate Special Committee on Energy
Senate Committee on World Trade,
Technology and Innovations

Co-Chair
Senate Resources Committee

Member
Senate Judiciary Committee

SENATOR LESIL MCGUIRE

Changes to Senate Bill 287 in CS SB 287 (RES) 26-LS 1467R

Please note that the following is not an authoritative list of changes to the bill. The current version of the bill itself is the best statement of its contents.

General: The Alaska Housing Finance Committee has been removed from the bill.

Section 1: Legislative Findings and Purpose

1. Inserted new language on P. 2, lines 8-10 that recognizes the work the Alaska Natural Gas Development Authority has conducted on a spur-pipeline and in-state demand and deliverability of natural gas.
2. Deleted "only" from subsection (6) on P. 2, line 12.
3. On P. 2, lines 27-28 language was inserted to clarify the "project" described in the bill is the Alaska Stand Alone Pipeline for which an appropriation was made in section 19, ch. 14, SLA 2009.
4. On P. 2, lines 30-31 a new subsection (3) is inserted clarifying the purpose of the act.

Section 3: AS 42.40.560

1. Substantial new language has been inserted expanding the authority of the Alaska Railroad beyond the financing of a natural gas pipeline and allowing for the Railroad to be involved in the permitting and/or construction of a pipeline.
2. The authorization is narrowed to the scope of the specific Alaska Stand Alone Pipeline project.
3. Language has been inserted on P.3, line 31 clarifying that the project is compatible with the authorities granted to the Alaska Natural Gas Development Authority.

Section 5: Uncodified Law

1. New language has been added on P. 5, lines 20-31 through P.6 line 8 establishing firm timelines for the project.
2. New language has been added on P. 6, lines 23 through P. 7 line 1 establishing and describing the authority of the executive branch to terminate the project in the event that an agreement has been entered into to construct the project described in AS 43.90 (AGIA).

Prepared By: Michael Pawlowski, Aide to Senator McGuire

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Sectional Analysis of Senate Bill 287: 26-LS 1467R

Please note that a sectional analysis is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

- Section 1** of the bill establishes legislative findings and provides the general purpose of the act.
- Section 2** of the bill clarifies that the provisions in subsection (d) of section 5 supersede other land transfer processes set out in current law.
- Section 3** of the bill clarifies that the authority granted in AS 42.40.560 includes the permitting and construction of the Alaska Stand Alone Pipeline project.
- Section 4** of the bill expands on the authority of the Alaska Railroad under AS 42.40.560 in relationship to financing a natural gas pipeline project, provides direction for the management of a project and directs the Railroad to identify a right-of-way for the project. Section 5 also directs the Department of Natural Resources to convey the selected land and waives the best interest findings of AS 38.05.
- Section 5** of the bill amends uncodified law by providing further direction for the transfer of responsibility for the Alaska Stand Alone Pipeline project to the Alaska Railroad, establishes milestones for the project and allows for the cessation of the project.
- Section 6** of the bill provides an immediate effective date.

Prepared By: Michael Pawlowski, Aide to Senator McGuire

An entity managing the construction of a pipeline utilizing state funds may not require a contractor, subcontractor, or material supplier or carrier engaged in the construction of the pipeline construction project ^{to} execute or otherwise become a party to any project labor agreement, collective bargaining agreement, prehire agreement, or any other agreement with employees, their representatives, or any labor organization as a condition of bidding, negotiating, being awarded, or performing work on the pipeline project. This provision shall not prohibit a contractor after a contract award from voluntarily utilizing a collective bargaining agreement.

To the maximum extent permitted by law, a person managing a pipeline construction project utilizing state funds must commit to:

(A) hire qualified residents from throughout the state for management, engineering, construction, operations, maintenance, and other positions

(B) contract with businesses located in the state;

(C) establish hiring facilities or use existing hiring facilities in the state;

(D) use, as far as is practicable, the job centers and associated services operated by the Department of Labor and Workforce Development and an Internet-based labor exchange system operated by the state;

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Prepared By: Michael Pawlowski, Aide to Senator McGuire

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- Section 6** of the bill provides an immediate effective date.

Prepared By: Michael Pawlowski, Aide to Senator McGuire

March 22, 2010

Re: Senate Bill 287

To Whom It May Concern:

My name is John McGrath and am a thirty year member of Ironworkers Local 751 of Alaska. I am writing this letter out of concern that I have seen no language pertaining to a Project Labor Agreement (PLA) on the Bullet Line from the North Slope to Southcentral Alaska.

I urge you to think about all the people a project of this magnitude would employ. One could only hope that a job of this importance being built for *Alaskans* would be built by *Alaskans*.

Respectfully

A handwritten signature in cursive script, appearing to read "John P. McGrath". The signature is fluid and extends to the right with a long horizontal stroke.

John P. McGrath

Mar 22 10 12:24p

Marc Zimmerman

907-260-6792

p. 2

March 22, 2010

To:

Senate Resources Committee

From

Marc Zimmerman

36225 Mere Circle

Soldotna, Alaska 99669

907-260-6791

lmz@acsalaska.net

Re:

Senate Bill 287

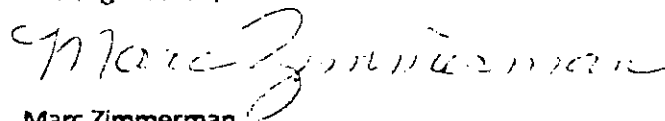
To Whom It My Concern:

I am contacting you to support the PLA language in SB 287 that is before your committee.

My father, brother and I worked on the Trans-Alaska Pipeline, it had a PLA. Passage of this bill will have a huge positive impact on the people and the State of Alaska. It is without question, the right thing for Alaska!

Thank you for your attention in this matter.

Lifelong Alaskan,



Marc Zimmerman

36225 Mere Circle

Soldotna, Alaska 99669

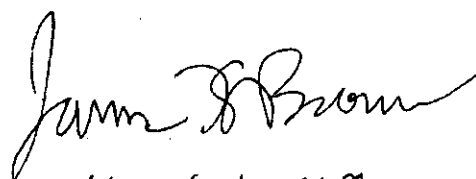
MARCH 22, 2010

Re: Senate Bill 287

To whom it may concern,

My name is James H. Brown and as a new Journeyman of I.W. Local 758, I am writing this letter to express my concern that there is no language pertaining to the Project Labor agreement on the Bullet Line from the North Slope to Southcentral Alaska.

This is a good job to be done by Alaskans for Alaskans.



5100 N. Susco Bluff Lp.
Wasilla, AK 99654

19074518864

Rural Alaska

10:35:50 a.m. 03-22-2010

1 / 2

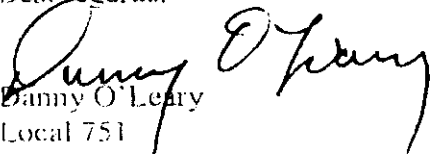
March 22, 2010

To the Senators of the Resource Committee,

I am asking for your support for the passing of Bill 287. This is the only way to ensure that Alaskans get fair treatment in regards to hiring. We cannot rely on the big oil companies to do the fair thing. When constructed, the Trans-Alaska Pipeline did have a PLA in place. We must do our part to ensure that Alaskans have the same, if not preferred rights to jobs, as we live here, raise our families here. We do not take the money provided and run to the lower 48. Alaskans must stand together, not on the sidelines to help preserve work for us. Please support Bill 287.

Thank you for your support.

Best regards,


Danny O'Leary
Local 751
North Pole, AK

March 22, 2010

To the Senate Recourses Committee:

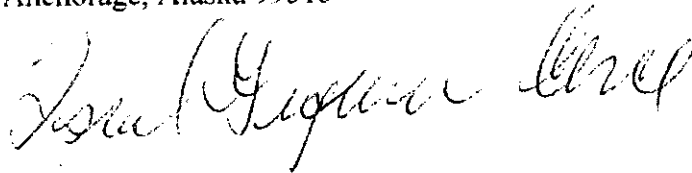
I am a resident of the State of Alaska since 1973. Over thirty years ago Alaska and our nation needed oil to support and maintain our infrastructure. Our state was on the forefront against other nations with the chokehold on oil supply.

A pipeline was needed and a pipeline was built with project labor agreement. Today this line still in operation because it was built with people that meet the requirements to do the work.

I respectfully request the passage of Bill 287.

Respectfully,

Israel Figueroa Arce
12541 Brandon St.
Anchorage, Alaska 99515

A handwritten signature in cursive script that reads "Israel Figueroa Arce".

19074518864

Rural Alaska

10:36:06 a.m. 03-22-2010

2 / 2

March 22, 2010

To the Senators of the Resource Committee,

I am asking for your support for the passing of Bill 287. This is the only way to ensure that Alaskans get fair treatment in regards to hiring. Otherwise, it will lead to more big companies hiring lower 48 workers, leaving Alaskans out in the cold. You must remember that the Trans-Alaskan pipeline did have a PLA in place. We cannot stand on the sidelines and let these jobs not be given away. We are isolated from the lower 48, meaning we must rely more on each other and the companies that come to Alaska to hire Alaskans.

Thank you for your support.

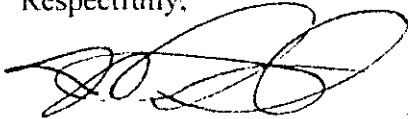
Best regards,


Amy O'Leary
North Pole, AK

To the Senate Resources Committee

I am Jake Rider I was born in Alaska and have lived in both Anchorage and Kenai. I have a worked for Spenard Builders, Sourdough Mining, and VECO's shop in Nikiski before I became an Ironworker. I just finished my Apprenticeship, passed my test to become a Journeyman. Now I need to go to work. This gas pipeline talk has since I was a kid. I am writing you because of the concern I have for Alaskan jobs and for that reason I would ask your committee to support an Amendment to insure that Project Labor Agreement language is part of Senate Bill 287 before it passes from you committee. PLA's are the best way to insure that Alaskans do the work on any Gas Pipeline big or bullet line. I have only been an IW for four years, but now have benefits Health & Welfare and a Pension and I here all the time how these funds need more contributions. Gas pipeline means contributions. Support the PLA please.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jake Rider', written in a cursive style.

Jake Rider

5-21-10

SENATOR COGHI & ALL
LEGISLATORS OF AK.
RE: BILL 287:

I'm A RETIRED IRONWORKER FROM YOUR
DISTRICT & LIVE @ MILA POST 53.8 -
GLENN HOOK, PALMER.

PLEASE MAKE SURE WE INCLUDE A 'PROJECT
LABOR AGREEMENT' IN THE BUDGET LINE
BILL 287.

CURRENTLY MUCH OF THE EMPLOYMENT ON
THE N. SLOPE IS FROM OUTSIDE AK.
SOME STILL WOULD BUT A PLA WOULD
HELP TO LEVEL THE PLAYING FIELD.

IT MIGHT EVEN REDUCE THE NUMBER OF
P.F. DIV. CHECKS ISSUED TO NON-RES.
FALSELY REPRESENTING THEMSELVES.

WE NEED THIS PIPE LINE & TO KEEP THE
ECONOMY FROM IT IN STATE AS MUCH
AS WE CAN.

THANKS FOR LISTENING

Rich Corbett

P.O. Box 75 PALMER, AK. 99645

March 22, 2010

To Whom It May Concern:

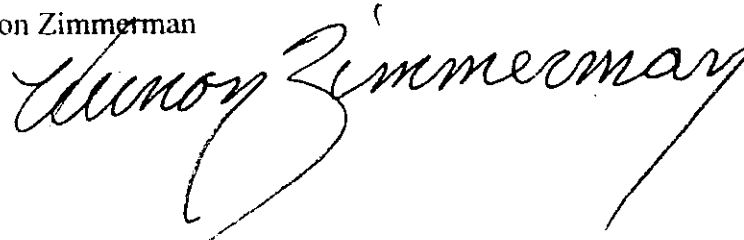
My name is Vernon Zimmerman; this letter is in regard to a project labor agreement in Senate Bill 287. I am a 30-year member of Ironworkers Local Union 751. My father worked in Drift River, ran work on all but one of the platforms in Cook Inlet. I worked on the pipeline and many other projects from Prudhoe Bay to Valdez, Shemya, and parts in between.

If it weren't for trade labor these projects wouldn't be there. In fact, if you're reading this in Anchorage there is a real good chance I stood where you're sitting right now when the building was built. In my view a PLA is a MUST on any large project of this sort, not just for the skilled labor, but trade unions are one of the best ways to insure a large percentage of the work force involved are residents of the state.

Thank you for your time,

Sincerely,

Vernon Zimmerman

A handwritten signature in cursive script that reads "Vernon Zimmerman". The signature is written in black ink and is positioned below the typed name.

Dear Senate Resources Committee:

My name is Robert J. Rodeheaver. I am a member of Ironworkers L.U. 751. I am writing you in the hope that you will support Alaskan families first. By supporting P.L.A. for the gas line project referenced in senate bill 287, you are making Alaskans your top priority.

This project would bring a lot of revenue to our pension and trust funds. I want the committee to realize the importance of a P.L.A. on a project of this magnitude for the workers of Alaska. We need to keep Alaskans working on Alaska's projects.

Thank you for your consideration.

Sincerely,



Robert J. Rodeheaver

Senate Resources Committee:

I am Anthony Ladd ironworker also work as an instructor for the Alaska Ironworkers local. I am writing you to urge you to support for my amendment of Senate bill 287 that includes P.L.A language the addition of project labor A will ensure that Alaskan build the Alaska Gas Pipeline. Whether it will be full scale or bullet line. Support the P.L.A amendment.

Respectfully yours,

Anthony Ladd

To the Senate Resources Committee:

My name is Brooks McCumby and I am a journeyman Ironworker in the local 751 I am writing you to ask you to support any amendment of senate bill 287 that includes P.L.A. Language I believe that a project labor agreement is the only way to insure that Alaskans build the Alaska gas pipeline whether it be full scale or a bullet line please support the PLA amendment.

Truly yours,

Brooks McCumby



**International Association of Bridge, Structural,
Ornamental and Reinforcing Iron Workers
Local 751**

John Lewis, President / Organizer
8141 Schoon Street Anchorage, AK 99518
(907) 563-4766 office (907) 563-2855 fax
iw751join@alaska.net ironworkers751.org



Dear Senator,

I would like to take a moment of your time to address my thoughts about SB 287 and how it will affect Alaskans. I think a recent event, which took place here in Anchorage, demonstrates the need for specific language that ensures jobs for Alaskans on any pipeline work.

The United States Air Force expanded their inventory of the F-22 fighter and recently built two hangars on Elmendorf Air Force Base. Great news for the local economy most thought at first. However, things did not look so promising for the locals after the contract to erect these multi-million dollar hangars was awarded to an out of state contractor. Disappointing to say the least, but not illegal. One only has to venture to the Anchorage Airport on a Sunday to watch hundreds of out of state workers as they commute to or from their place of employment.

In September, it was brought to the attention of the Alaska Workers Compensation Fraud Division that the California contractor erecting these hangars, had imported over 25 men to work on this project and was doing so without the required workers compensation coverage to work in Alaska. For a contractor to be in business and not carry workers compensation insurance is not only illegal, but also provides an enormous cost savings to that contractor and by virtue, allows them to significantly underbid any honest contractor.

U.S. Immigration and Customs Enforcement (I.C.E.) were notified that Steel System Erectors of California was employing undocumented aliens recently. Agents from the Anchorage office of ICE investigated and verified this company was employing men who were not supposed to be in the country, let alone working on a United States Air Force base constructing hangars for one of our most sophisticated fighter jets. ICE agents arrested a number of the employees and began deportation procedures.

Even as a disabled veteran, I find it a cumbersome process to be allowed access to Elmendorf, A.F.B. How is it a contractor is able to sneak workers onto our military base for months? ICE reported one of the apprehended workers had a criminal background in California. This criminal was allowed to steal employment for months from an American citizen. Through the illegal actions of this contractor they were able to "win" these jobs away from Alaskans who could surely have used the employment, while apparently receiving a pass for violations of state and federal law.

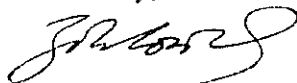
In the present contracting processes available, only one method of procuring a contract would guarantee local hire first and compliance with state and federal laws pertaining to workers comp insurance and prevailing wage requirements: utilization of a project labor agreement (PLA).

Unfortunately, those who typically argue against the virtues of PLAs are precisely the same ones whose "merit shop" philosophy is often defined by those who perpetuate illegal acts such as those committed in our back yard on Elmendorf AFB.

Ironically, because a Project Labor Agreement was not implemented, a select group of non-residents were able to secure this project through unlawful business practices and successfully implemented a "No Resident Hire" policy.

Senators, I respectfully request you support hiring Alaskans by supporting an amendment to SB 287, which would require a project labor agreement on a natural gas bullet line.

Sincerely,



John Lewis
President
Ironworkers Local Union 751

From
ABC

83.3% of Construction Workers In Alaska are Not Affiliated With Organized Labor

Union Membership, Coverage, Density and Employment by State, 2009 (details in table note)

State								
Code	State	Sector	Obs	Employment	Members	Covered	%Mem	%Cov
94	Alaska	Total	2,366	292,917	65,198	69,165	22.3	23.6
94	Alaska	Private	1,689	211,445	21,725	23,025	10.3	10.9
94	Alaska	Public	677	81,472	43,473	46,140	53.4	56.6
94	Alaska	Priv. Construction	129	17,355	2,896	2,896	16.7	16.7
94	Alaska	Priv. Manufacturing	60	7,336	508	508	6.9	6.9

Data Sources: Current Population Survey (CPS) Outgoing Rotation Group (ORG) Earnings Files, 2009. Sample includes employed wage and salary workers, ages 16 and over. Variable definitions are: State Code=Census state code used in CPS, Obs=CPS sample size, Employment=wage and salary employment, Members=employed workers who are union members, Covered=workers covered by a collective bargaining agreement, %Mem=percent of employed workers who are union members, and %Cov=percent of employed workers who are covered by a collective bargaining agreement.

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Press Archive

State of Alaska > Governor > Speeches > Speeches Archive

Weekly Gasline Briefing #10 - Apr. 13th, 2007 Printer Friendly

Governor Sarah Palin Weekly Gasline Briefing #10 April 12, 2007

Thanks for joining us. I'm Tom Irwin, Commissioner of DNR, and a member of the state's gasline team. I am so proud to be a part of this team. And I want you to know that the Governor is on the right track and doing what's best for Alaska.

The gasline team, including myself, and the Governor have traveled the state listening to Alaskans at town hall meetings and during appearances at various public forums, including radio call-in shows. Alaskans recognize that passage of AGIA and forward movement of a gasline project is obviously the top concern of the state. One of the most talked about provisions of AGIA is its Alaska hire provision and I'd like to take a moment to talk about that during this week's gasline briefing.

We have long recognized that AGIA must not only induce a gasline, but also must provide Alaskans real opportunities for gasline-related employment. This means offering vocational programs to train Alaskans for pipeline jobs, as well as assuring that Alaskans will fill those jobs. AGIA fulfills these goals in six ways.

First, AGIA requires that applicants commit to hire Alaskans for management, engineering, construction, operations, maintenance, and other gasline-related positions, and to contract with Alaska businesses, to the extent permitted by law. We want Alaskans trained and experienced in all facets of this project, including its maintenance and management for the 40 or 50 years it is producing.

Second, AGIA requires that applicants commit to establishing local headquarters in Alaska. This is an important requirement, since project management will be coordinated in Alaska.

Third, applicants must commit to negotiate a project labor agreement. A project labor agreement is basically a pre-construction bargaining agreement between management and labor. Under a PLA, costs are established for labor, including wages, benefits, and working conditions. PLAs provide a host of assurances for both management and workers. Stability in labor cost estimates lessen cost overrun risks. And no-strike and lock-out agreements assure there are no management-labor disputes for the duration of the project. This promotes on-time delivery of project milestones. PLA language would allow bidding for any pipeline related work to be open to any qualified firm, union or non-union.

Fourth, AGIA requires the Commissioner of Labor and Workforce Development to develop a job training program for pipeline-related positions. A program like that serves as an inducement to the licensee, which would prefer the state handle this responsibility. We are pleased to do so.

Fifth, do not overlook the importance of the expansion provisions. If explorers get financial terms that enable them to economically explore for, discover, and transport new gas to and through the line, it opens the North Slope basin to not just marketing the known 35 trillion cubic feet of gas there, but to the additional hundreds of trillions of cubic feet of gas waiting to be discovered. A gasline that will transmit hundreds of trillions of cubic feet of gas for 40 or 50 years is a critical means to provide long-term careers to Alaska workers.

Last, AGIA requires that the applicant commit to provide for a minimum of five delivery points of gas in Alaska. Off-take points from the main line provide opportunities for spur lines to fuel Alaska homes and businesses with Alaska gas. In-state delivery also requires additional infrastructure, which in turn requires additional personnel to build and maintain the infrastructure.

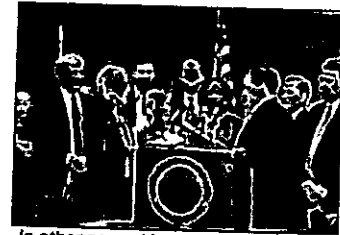
The Governor and the gasline team strongly believe in offering Alaskans the best and most meaningful opportunities to capitalize on work generated by AGIA and the gasline it will facilitate. AGIA does that – it offers Alaskans not just jobs, but careers.

Thank you.

State of Alaska - Governor - Webmaster - Contacts/Locations - Email Governor

Governor Palin

find ?



In other news: Lieutenant Governor Sean Parnell leads new Juneau Senator Dennis Egan through the oath of office in the presence of the Senate Democrats. [Full story >](#)

Governor's Office

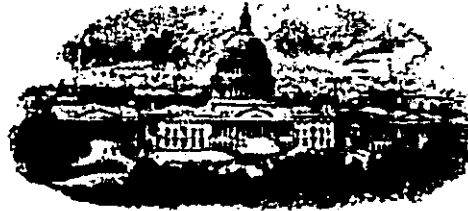
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- › Boards and Commissions
- › Administrative Orders
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- › Management and Budget
- › Governor's Biography
- › First Gentleman of Alaska
- › Official Portraits
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Links of Interest

- › Status of the Flags
- › Alaska Statehood Celebration Commission
- › Alaska Gasline Inducement Act
- › Human Rights Commission
- › FY'09 Proposed Budget
- › Alaska Export Report
- › Homeland Security (DMVA)
- › Find Gasline Jobs (DOLWD)
- › Stimulus Plan Info (OMB)
- › Energy Efficiency (GOV)

DON YOUNG
CONGRESSMAN FOR ALL ALASKA

WASHINGTON OFFICE
2111 RAYBURN BUILDING
TELEPHONE 202-225-5765



Congress of the United States
House of Representatives
Washington, DC 20515
March 19, 2010

COMMITTEE ON
RESOURCES

COMMITTEE ON
TRANSPORTATION

REPUBLICAN
POLICY COMMITTEE

Sen. Lesil McGuire, Co-Chair
AK State Capitol, Room 125
Juneau, AK 99801

Rep. Craig Johnson, Co-Chair
State Capitol, Room 126
Juneau AK, 99801

Sen. Charlie Huggins, Co-Chair
State Capitol, Room 119
Juneau AK, 99801

Rep. Mark Neuman, Co-Chair
State Capitol, Room 432
Juneau AK, 99801

Dear Members of the Alaska State Legislature, In-State Gas Caucus,

Over three decades ago we built the Trans-Alaska Pipeline; one of the greatest achievements in Alaska's history. Unfortunately, since that time, Alaskans have seen few large-scale projects that would generate the economic activity needed to shape and guarantee the economic prosperity of our state for succeeding generations.

Today, our State finds itself in the unique position to unite around a project that will do just that. So on this historic occasion, I pledge my full support for your efforts in developing Alaska's natural gas for the in-state needs of Alaskans.

As deliverability shortfalls in Anchorage become imminent, and an explosion of natural gas reserves in the Lower 48 are already a reality, it is my view that the best way to bring Alaska's great natural gas potential to fruition is through the construction of an in-state line. An in-state gas line from the North Slope to Kenai or Valdez that also meets the local domestic and industrial needs of Fairbanks and Anchorage is the best option for developing Alaska's natural gas resources and shoring up Alaska's economy for decades to come.

An in-state gas line will fuel electric generation throughout the Railbelt, heating homes and facilitating economic growth throughout the region. Proposals such as Alaska Senate Bill 287, which tasks the Alaska Railroad with developing an in-state pipeline project, and Alaska House Bill 369, which creates an in-state gas development team, are positive steps towards this goal.

In Congress, I will help assist in these endeavors in any way possible beginning with a letter to the Secretary of Energy requesting a long-term extension for the export license of Liquefied Natural Gas. Now is the time to seize upon this opportunity to put Alaskans to work with a project that will carry our economy into the future.

Sincerely,

DON YOUNG
Congressman for All Alaska

VISIT OUR WEBSITE
[HTTP://DON YOUNG.HOUSE.GOV](http://donyoung.house.gov)

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SEAN PARNELL
Governor



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STATE OF ALASKA
OFFICE OF THE GOVERNOR

January 28, 2010

The Honorable Jon Wellinghoff
Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Chairman Wellinghoff,

On November 19, 2009, Harry Noah, the former project manager for Alaska's in-state natural gas pipeline project, sent a letter requesting FERC's assistance in answering jurisdictional questions surrounding Alaska's investigation for in-state delivery of North Slope natural gas. Since then, however, there have been several new developments in the deliverability of Cook Inlet gas. Please accept this letter as an amended version of Mr. Noah's original letter to reflect these changes. As you know, Alaska is committed to the exploration of natural gas delivery, and we look forward to your response concerning the jurisdictional questions outlined below.

Alaska's desire for this study stems from the possibility of deliverability shortfalls in the Anchorage area that might arise in the future under certain scenarios. Historically, the demands for energy in the Anchorage area have been supplied by Cook Inlet production, but due to the natural decline of the reserves base, lack of significant drilling activity, and subsequent loss or potential loss of industrial base-load has resulted in a strain on the economics of maintaining deliverability capacity. In the future, meeting mid-winter demand spikes in the high-swing domestic market will require significant investment in wells and storage projects which will put upward pressure on consumer gas prices. A recently released study by the Alaska Department of Natural Resources outlines this current understanding of Cook Inlet gas resources¹. The Federal Energy Regulatory Commission's (FERC) most recent report to Congress on the interstate Alaska gas pipeline project also references the State's investigation of in-state options².

A top priority of Governor Parnell and his administration is to see an interstate gas pipeline through to completion. An interstate gas pipeline is vital not only to Alaska's future, but also the energy future of our nation. My request for guidance from FERC on in-state pipeline issues in no way should be understood as detracting from that commitment. We want to make sure that Alaskans do not fall short in meeting their needs for natural gas.

¹ "Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Gas Reserves," report submitted to the Alaska Department of Natural Resources by the Alaska Division of Oil and Gas, December, 2009, 37p., available at <http://www.dog.dnr.state.ak.us/oil/>.

² "Eighth Report to Congress on Progress Made in Licensing and Constructing the Alaska Natural Gas Pipeline," report submitted to the United States Congress by the Federal Energy Regulatory Commission, August 26, 2009, pp 5-6.

Our overall question is to confirm and clarify under what circumstances FERC, as opposed to the Regulatory Commission of Alaska (RCA), would have jurisdiction. It is important for the State in evaluating the alternatives to understand what approval processes apply and which regulatory agencies will exercise jurisdiction over a completed in-state pipeline. I am writing, therefore, to ask if you can confirm our understanding regarding possible FERC jurisdiction with respect to the resource use scenarios that would result from delivering North Slope gas to the Cook Inlet basin on either of two possible pipeline routes.

The State of Alaska is currently investigating the cost components of a pipeline that parallels the route of the Dalton Highway from the North Slope and then follows the Parks Highway to the area of Cook Inlet. A second option is a pipeline that will parallel the route of the Dalton Highway from the North Slope and then follow the Richardson and Glenn Highways to the Cook Inlet area. In either case, the pipeline would commence at the outlet of a conditioning plant and end at or near tidewater in Cook Inlet where it would interconnect with an existing RCA-regulated intrastate pipeline in the Anchorage area.

In each case, the in-state pipeline would be a high-pressure pipeline (2500 psi) and would not receive gas from any interstate pipeline or foreign source of gas. The capacity of the line would be between ¼ and 1.0 bcf per day. Thus, physically the pipeline would begin and end in the state of Alaska and would never leave the state during the course of its journey from the North Slope to the Cook Inlet area. Nor would it directly connect to the existing FERC-regulated Kenai Liquefied Natural Gas (LNG) facility; although, given the nature of the Cook Inlet pipeline and distribution system, it might connect to existing pipelines that in turn connect to the Kenai LNG facility. During its journey on the in-state pipeline, North Slope gas might be withdrawn from the pipeline for consumption at intermediate destinations entirely within the state of Alaska as well as for the ultimate distribution in the Cook Inlet area and for export as LNG.

It should be noted that for more than four decades, and with the required federal approvals, Cook Inlet gas has been liquefied and shipped to Japan. Last January, your Commission clarified the scope of its jurisdiction under Section 3 of the Natural Gas Act over the Kenai LNG facility, confirming that FERC exercises jurisdiction over the siting, construction, operation, and maintenance of that LNG facility. The January order did not discuss, let alone assert, jurisdiction over the separate State-regulated pipelines that connect to the LNG terminal. The Kenai LNG facility factors into several of the scenarios where we seek your assistance. For the purpose of the questions being posed in this letter, none of the scenarios currently under investigation involve a new LNG terminal.

We appreciate that any export of gas would be subject to the U.S. Department of Energy (DOE) approval (under Section 3 of the Natural Gas Act), but our concerns are with the jurisdictional questions that may arise over a new in-state pipeline that transports gas – some, or much of which, depending on the time frame, may be exported through the Kenai LNG facility. Under these circumstances, we believe existing FERC precedent would recognize State, not federal, regulation of an intrastate pipeline that would connect to other pipelines that serve local distribution needs as well as LNG exports. We emphasize that, in each of the cases that follow, the primary objective of the in-state line is to serve local domestic and industrial needs in Alaska as those needs arise over time.

The first scenario with regard to the above pipelines would be the case where all of the gas flowing down the pipeline from the North Slope is sold to end-users who consume the gas entirely within the state of Alaska. We believe that, under this circumstance, there would be no question that the

proposed pipeline would be an intrastate pipeline not subject to regulation by FERC. Please confirm that this is correct.

A second scenario would be that, depending on local needs, some of the gas transported from the North Slope to the Cook Inlet area would be sold to and consumed by end-users within the state of Alaska. However, some, and potentially a majority, of that gas might be sold or re-sold to parties that would export it to foreign markets through the Kenai LNG facility. This resembles the current practice for the Cook Inlet natural gas market today. In *Yukon-Pacific*, 39 FERC ¶ 61,216 (1987), the Commission notes that a proposed in-state pipeline that would feed a proposed LNG terminal at Valdez for foreign exports would not be subject to the Commission's jurisdiction. That ruling was earlier than the 2005 amendments to the Natural Gas Act but its logic would still appear to apply to the scenarios we describe here that would not involve construction of a new LNG terminal and would involve an in-state pipeline that would not itself directly connect to the existing LNG terminal.

We ask that you confirm that the addition of a supply of North Slope gas into the Cook Inlet natural gas and foreign export markets would have no effect on the current jurisdictional framework. Again, since any such gas being exported to foreign markets through the Kenai LNG facility would be delivered to the Kenai LNG facility by way of RCA-regulated intrastate pipelines that already deliver gas to the Kenai LNG facility for export, we ask that you confirm that the new in-state pipeline that would in turn deliver the export gas to the intervening intrastate pipeline would not be classified as FERC jurisdictional.

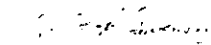
A third scenario with regard to the potential new pipeline from the North Slope would be that some of the gas transported from the North Slope to the Cook Inlet area would be sold to and consumed by end-users within the state of Alaska, but the balance of the gas might be sold to parties that would export it to foreign or Lower 48 markets through the Kenai LNG facility. The third alternative assumes the availability of an operational LNG terminal on the west coast of the United States at some point during the operation of the in-state pipeline. In those circumstances, the ultimate destination of LNG exports from the Kenai terminal would likely depend on the comparative attractiveness at a future date of Lower 48 and overseas markets. The path of gas to those markets would first pass through the in-state pipeline, continue through existing gas pipelines that are regulated by the RCA and then through the existing Kenai LNG facility. Portions of the gas stream from the in-state line would flow respectively to intrastate, interstate, and foreign destinations as needs and markets dictate and accordingly the destination ratios would vary over time. In the totality of the circumstances, we believe a strong case may be made that the in-state line should not be jurisdictional, but we seek the Commission's guidance on this question as well.

On behalf of the State of Alaska, thank you for the support of the Commission's staff in moving the interstate Alaska gas pipeline project forward. The visit of the Commission's staff in August 2009 to meet with State and local agencies, and their tour of the prospective pipeline routes, was helpful in spurring progress in TransCanada Alaska's pre-filing process with your Commission. It is also our understanding that the FERC staff is taking the steps necessary to produce an Environmental Impact Study for the TransCanada Alaska and Denali projects on the timeline defined by the Alaska Natural Gas Pipeline Act. TransCanada Alaska and Denali are also busy preparing for open seasons during 2010.

The Honorable Jon Wellinghoff
January 28, 2010
Page 4

We greatly appreciate your assistance, and look forward to your response. Please do not hesitate to contact me at (907) 257-1352 if I can further clarify.

Sincerely,



Robert Swenson
Project Manager
Alaska In-State Natural Gasline

cc: Mike Nizich, Chief of Staff, Office of the Governor
John W. Katz, Director of State/Federal Relations, Office of the Governor
The Honorable Gene Therriault, Senior Energy Advisor, Office of the Governor
Robert H. Loeffler, Morrison & Foerster LLP

FEDERAL ENERGY REGULATORY COMMISSION
 WASHINGTON DC 20426

March 15, 2010

OFFICE OF THE CHAIRMAN

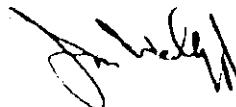
Robert Swenson
 Project Manager
 Alaska In-State Gas Resources
 411 Fourth Street
 Anchorage, AK 99501

Dear Mr. Swenson:

I am writing in response to your January 28, 2010 letter sent in your capacity as the project manager for the in-state natural gas pipeline project being studied by the State of Alaska. Your letter amended a November 19, 2009 letter from your predecessor as Project Manager, Mr. Harry Noah, describing options being considered for an in-state pipeline to bring natural gas from Alaska's North Slope to meet gas demand in southern Alaska, and seeking guidance regarding under what circumstances the Federal Energy Regulatory Commission, as opposed to the Regulatory Commission of Alaska, would have jurisdiction over the proposed facilities. I appreciate the opportunity to consult with Alaska authorities on the issue of an in-state natural gas pipeline, because I am well aware that the need to make economic energy supplies available to Alaska's residents is a matter of great concern within the state.

I have enclosed with this letter an analysis by my staff of the issues raised in your and Mr. Noah's letters. The analysis represents staff's best judgment, based on the scenarios presented in the letters. Of course, if and when the Commission itself is asked to rule formally on these or similar issues, the Commissioners will have to reach their own decisions on the matters presented to them. Please feel free to contact me and my staff at any time about matters of concern to Alaska. Should you have further questions regarding this response or staff's analysis, please contact Mr. John Katz, Deputy Associate General Counsel for Energy Projects, at (202) 502-8082.

Sincerely,



Jon Wellinghoff
 Chairman

Enclosure

COMMISSION STAFF REVIEW OF JURISDICTIONAL ISSUES RELATING TO ALASKA IN-STATE NATURAL GASLINE

This document responds to the January 28, 2009 letter from Mr. Robert Swenson, Project Manager for the State of Alaska's study of a potential Alaska in-state natural gas pipeline (in-state pipeline), amending a November 19, 2009 letter from Mr. Swenson's predecessor, Mr. Harry Noah.

As explained in the letters, the primary purpose of the in-state pipeline would be to transport natural gas from Alaska's North Slope to serve local domestic and industrial needs in Alaska as those needs arise over time. Mr. Swenson seeks to confirm under what circumstances the Federal Energy Regulatory Commission (FERC), as opposed to the Regulatory Commission of Alaska (RCA), would have jurisdiction over the proposed facilities.

Mr. Swenson's letter provides the following information: Alaska is investigating the cost of a pipeline that would parallel the route of the Dalton Highway from the North Slope and then follow the Parks Highway to the area of Cook Inlet. A second option is a route that would parallel the Dalton Highway from the North Slope and then follow the Richardson and Glenn Highways to the Cook Inlet area. In either case, the pipeline would be a high-pressure facility (2500 pounds per square inch), with a capacity of between 0.25 and 1.0 billion cubic feet per day. The pipeline would commence at the outlet of a conditioning plant and terminate at or near tidewater in Cook Inlet, where it would interconnect with an RCA-regulated intrastate pipeline in the Anchorage area. The pipeline would not directly interconnect with the existing, FERC-regulated Kenai Liquefied Natural Gas (LNG) facility, although it might connect to existing pipelines that themselves connect to the Kenai facility.

Mr. Swenson's letter presents three scenarios with respect to the ultimate use of the natural gas transported on the in-state pipeline, and asks for confirmation of the jurisdictional implications of each hypothetical case. Commission staff describes and analyzes each scenario below in light of two sections of the Natural Gas Act (NGA) – NGA section 7, which establishes the Commission's jurisdiction over the construction and operation of interstate natural gas pipelines, and NGA section 3, which establishes the Commission's jurisdiction over facilities used for the import or export of natural gas in foreign commerce.

Scenario I

In the first scenario, all of the North Slope gas transported by the in-state pipeline would be sold to end-users who would consume the gas entirely within Alaska.

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Under these circumstances, Commission staff agrees with Mr. Swenson's conclusion that no authorization would be needed from the Commission for construction and operation of the in-state pipeline.

Scenario 2

Under the second scenario, while some of the North Slope gas transported by the in-state pipeline would be sold to, and consumed by, end-users in Alaska, depending on local needs, some, and potentially a majority of, the gas would be sold to parties who would have it delivered, via connections with the existing intrastate grid, to the Kenai LNG facility for export to foreign markets. As support for the conclusion that the in-state pipeline would not be subject to Commission jurisdiction under this scenario, Mr. Swenson's letter references the Commission's order addressing a somewhat, but not entirely, similar situation in *Yukon Pacific Corporation*.¹

In that case, Yukon Pacific Corporation was developing a proposal to construct a project, to be known as the Trans-Alaska Gas System (TAGS), to transport gas from the North Slope of Alaska through an 800-mile-long pipeline to a liquefaction plant at Valdez, for export to Asian markets. All of the natural gas flowing through the TAGS pipeline would have been exported exclusively into foreign commerce.² In its declaratory order addressing its jurisdiction over the contemplated project, the Commission recognized that the court in *Distrigas Corp. v. F.P.C.*³ had held "that to prevent gaps in jurisdiction the Commission has the discretion under section 3 'to impose on imports of natural gas the equivalent of Section 7 certification requirements'" but "decline[d] to exercise any discretionary authority it may have under section 3 of the NGA to regulate the siting, construction and operation of the [800-mile] TAGS pipeline,"⁴ reasoning that the project would have no economic consequences to U.S. ratepayers (as the costs of the project would be borne by the project sponsors, its lenders and investors, and its foreign purchasers of the gas) and that the environmental review process associated with the Commission's authorization of the liquefaction plant would provide the Commission ample opportunity to consider the environmental and safety aspects of the pipeline.

¹ *Yukon Pacific Corporation (Yukon Pacific)*, 39 FERC ¶ 61,216 (1987).

² *Id.* at p. 61,753.

³ 495 F.2d 1057, 1064 (D.C. Cir. 1974), *cert. denied*, 419 U.S. 834 (1974).

⁴ *Id.* at p. 61,759.

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Subsequent to the Commission's consideration of the jurisdictional implications of the Yukon Pacific project in 1987, Congress enacted the Energy Policy Act of 2005 (EPAcT 2005),⁵ which added a new section 3(e) to the NGA, providing, in part, that "[t]he Commission shall have the exclusive authority to approve or deny an application for the siting, construction, expansion, or operation of an LNG terminal." As defined in section 2(11) of the NGA, as added by EPAcT 2005:

"LNG terminal" includes all natural gas facilities located onshore or in State waters that are used to receive, unload, load, store, transport, gasify, liquefy, or process natural gas that is imported to the United States from a foreign country, exported to a foreign country from the United States, or transported in interstate commerce by waterborne vessel, but does not include –

- (A) waterborne vessels used to deliver natural gas to or from any such facility; or
- (B) any pipeline or storage facility subject to the jurisdiction of the Commission under section 7.

Were the Commission to be faced with a proposal like the Yukon Pacific project today, it would have to address whether the 800-mile-long pipeline would be considered a "natural gas facilit[y] . . . used to . . . transport . . . natural gas . . . exported from the United States."

That same question is raised by the circumstances presented in Scenario 2. On the one hand, an argument can be made that the in-state pipeline in Scenario 2 would "transport" natural gas "exported to a foreign country." However, unlike the project in *Yukon Pacific*, Scenario 2 does not involve the construction of a clearly jurisdictional new (or expanded) liquefaction terminal, nor would the hypothesized in-state pipeline interconnect directly with the existing Kenai terminal. Rather, the pipeline would interconnect with existing intrastate pipelines that would in turn connect to the terminal. In addition, notwithstanding that much of the gas transported by the in-state pipeline might be exported in foreign commerce, the impetus for construction of the in-state line in Scenario 2 nevertheless would be to ensure adequate supplies to meet in-state Alaska demand. Also, similar to the situation in *Yukon Pacific*, it appears such a project would have no economic consequences for any U.S. ratepayers outside of the State of Alaska. In the absence of Commission regulation, it would appear that the RCA would have authority to regulate the in-state pipeline as an intrastate pipeline. The Commission

⁵Pub. L. 109-58, 42 U.S.C. §15801 (2005).

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would need to consider all of the foregoing in deciding whether it would be required to assert jurisdiction over the proposed pipeline.

Scenario 3

Under the third scenario described in Mr. Swenson's letter, some of the gas transported on the in-state pipeline would be sold to and consumed by Alaska end-users, but some be would sold to parties who would have it transported through existing intrastate pipelines to the Kenai facility, from whence it would be transported, as LNG, to foreign or lower 48 state markets (if an LNG receiving terminal were constructed on the U.S. west coast).

The distinction between Scenarios 2 and 3 is that in the former case, gas not used in Alaska is shipped to foreign markets, while in the latter some gas may be transported in domestic markets. The fact that some of the gas in Scenario 3 might be transported in interstate commerce (from Alaska to one or more of the lower 48 states) could result in the proposed in-state pipeline becoming fully subject to the Commission's NGA jurisdiction. The potential that the commingling of gas for intrastate use with gas that will flow out of the state of production could cause the entire gas stream (and facilities used to transport it) to become subject to section 7 of the NGA and the Commission's jurisdiction was first recognized in 1965 in *California v. LoVaca*.⁶ At that time, the U. S. Supreme Court had already articulated in *Interstate Natural Gas Company Inc. v. FPC*⁷ the principle that where the Commission has jurisdiction has over the interstate transmission of natural gas, that jurisdiction does not begin at the point at which gas first crosses a state line; rather, it begins at upstream points wherever NGA gathering ends.⁸

It is also possible that the Commission would exercise limited jurisdiction over the interstate service posited by Scenario 3, but not the facility itself, under section 311 of the Natural Gas Policy Act of 1978. Section 311(a)(2) of the NGPA provides that an intrastate pipeline can transport gas in interstate commerce without its facilities and intrastate services becoming subject to the Commission's NGA jurisdiction. That is because section 601(a)(2)(A) of the NGPA provides that for purposes of section 1(b) of the NGA, which sets forth the Commission's jurisdiction over the transportation of gas in interstate commerce:

⁶379 U.S. 366 (1965).

⁷331 U.S. 682 (1947).

- 5 -

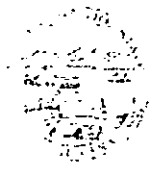
the provisions of such Act and the jurisdiction of the Commission under such Act shall not apply to any transportation in interstate commerce of natural gas if such transportation is . . . (ii) authorized by the Commission under [NGPA] section 311(a).

However, the Commission has held that the NGPA's definition of "intrastate pipeline" excludes newly constructed pipelines, since prior to operation they could not qualify as "engaged in" transportation.⁹ Thus, the Commission has never found that a company can qualify as an intrastate pipeline without having first established the intrastate character of existing operations in the state where the pipeline is located.¹⁰ But the Commission has also never ruled on how long an intrastate pipeline must have been in operation as such in order to shield its status as an intrastate pipeline while also offering interstate services under section 311 of the NGPA. Nor has the Commission to date ruled that once an intrastate pipeline begins offering interstate services under section 311 of the NGPA, its continued intrastate pipeline status depends on its continuing to provide some specified level or percentage of intrastate service. Nevertheless, the Commission might have reason to question the jurisdictional nature of a new pipeline company that purportedly commenced service as an intrastate pipeline, only to undertake the provision of a substantial amount of service in interstate commerce shortly thereafter under section 311 of the NGPA.

⁹See *Lee & Storage Partnership*, 73 FERC ¶ 61,159 at p. 61,477 (1995).

¹⁰*Id.* at p. 61,479, citing *Midcoast Ventures I*, 61 FERC ¶ 61,029 at p. 61,158 (1992).

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Governor Sean Parnell
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March 18, 2010

The Honorable Lesil McGuire
Alaska State Legislature
State Capitol, Room 125
Juneau, AK 99801-1182

Re: SB 287/ Work Draft "R"

Dear Senator McGuire,

Thank you for speaking with me yesterday regarding SB 287 and Work Draft "R" of that legislation. I believe this legislation is on the right track to codifying the work being done by our bullet line gas team and I welcome the opportunity to work further with you on it.

Alaska's natural gas is a rich and abundant resource that must be commercialized for the benefit of Alaskans. To that end, the State is currently pursuing two paths, effectively leaving open more opportunities for a gasline than choosing only one pipeline at this time.

The State has a project team pursuing bullet line opportunities intended to bring natural gas to Alaskan homes and businesses. I instructed the engineering team to determine the cost of a pipeline from the Interior basins near Nenana, to the foothills of the North Slope, or if need be, all the way to the North Slope so that the least costly routing and long term gas supply can be identified.

Last year, the Legislature approved funding for the bullet line work and we are pleased with the progress to date. An Environmental Impact Statement is in progress, preliminary engineering and permitting is underway, and we anticipate the initial cost estimates will be available this summer. In addition, a commercial group of gas owners, utilities, and other private sector parties continue to meet to support our efforts to move forward.

On a parallel path, the Alaska Gas Pipeline Project being pursued by TC Alaska and ExxonMobil is scheduled to initiate its open season in the weeks ahead. These private sector companies are bringing their expertise and capital to the table to assure a gasline project moves forward. The Alaska Gas Pipeline Project has been fully engineered and tariffs established for gas delivery to Alaskan communities (including a tidewater LNG project) and throughout North America. I fully support maintaining this Alaskan private sector opportunity.

The Honorable Lesil McGuire
March 18, 2010
Page 2

Earlier, I noted that your bill is headed in the right direction. We need to foster opportunities for a gasline, rather than limit our options by picking only one path that may or may not lead to a project. Because Work Draft "R" of SB 287 leaves open opportunities for Alaska jobs and Alaska energy for Alaskans, I will continue working with you on the merits of the bill.

Regards,

A handwritten signature in black ink, appearing to read "Sean Parnell", written in a cursive style.

Sean Parnell
Governor

ALASKA STATE LEGISLATURE



SENATOR LESIL MCGUIRE
SENATOR BILL WIELECHOWSKI
Co-Chairs, Senate Resources Committee

MEMORANDUM

Date: March 18, 2010
To: Kirsten Waid, Senate Secretary
From: Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senate Resources Committee
Re: Senate Resources Committee Schedule

Committee Schedule Senate Resources For the week of March 15-19

Unless otherwise noted, all meetings will be held in the Butrovich, Rm 205 @ 3:30 p.m.

Thursday, March 18th

- + * = SB 287: In-State Gas Pipeline
- + * = SB 228: Tax Incentives for Gas to Liquids
- + * = SB 242: Geothermal Resources Tax Credits
- + * = SB 243: No Royalty on Geothermal Resource
- + * = ~~SB 294: Sport Fish Guide License~~ – *Moved to Monday's Calendar*
- + = *Bill Previously Heard/Scheduled*

Friday, March 19th *(This meeting will be held JOINTLY with House Fisheries Committee)*

Overview: *Preliminary review of the Board of Fisheries request for a comprehensive evaluation of large-mine permitting and standards for protection of fish and game habitat in the Bristol Bay watershed.*

- + = *Bill Previously Heard/Scheduled*

- * First Hearing in First Committee of Referral
- + Teleconferenced
- = Bill was previously Heard/Scheduled

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Office of Governor Sean Parnell
STATE OF ALASKA

November 18, 2009

Members of the Alaska State Legislature
State Capitol Building
Juneau, AK 99801-1182

Re: September/October Instate Gasline Report

Dear Legislators,

The State team and its contractors continue to work on permit applications, refine cost estimates, and review project alternatives toward the goal of having a final environmental impact statement by December 2010 for a possible in-state natural gas pipeline from the North Slope to tidewater at Cook Inlet. We are doing the preparatory work; the final project decision will be up to the Legislature, the Governor, and whether private interests see a need for the project. Our work is only to analyze and present the pipeline as an option.

Our work over the past couple of months has concentrated on:

- Completion of the hydraulic analysis for the gas pipeline in order to establish the best locations for compressor stations along the pipeline route. Compressor turbines operate most efficiently at colder temperatures, so the analysis included soil and ambient temperature analysis up and down the two potential pipeline routes from the North Slope to tidewater (the Parks Highway and the Glenn/Richardson Highway routes). The work included modeling the temperatures, compressor efficiency, and drop-off in pipeline pressure to determine the most effective locations for compressor stations. The work identified potential sites, within a four or five mile range, also considering ground composition, access, and wetlands issues. The exact number of compressor stations and precise location for each station would depend on the capacity of the gas line and would be a decision for the project developer.
- Preparation of right-of-way permit applications to State and federal agencies. The State team and its contractors expect to submit those permit applications later this month. The Alaska Department of Transportation and Public Facilities (DOT & PF) will be the permit applicant. Applications will be filed for both pipeline routes. A decision on which route to select will be up to the Legislature and the Governor, and a private developer, at a later date.
- Preparation of wetlands permits that will be submitted later this month to the U.S. Army Corps of Engineers.
- Working with the DOT & PF to identify potential gravel sites along the pipeline routes.

- Determining the need and cost for a gas treatment plant to remove carbon dioxide, hydrogen sulfide, and other impurities from the gas stream before it enters the pipeline. Though Enstar has shared with the State team its work on an in-state gas line, that effort did not include a review of gas treatment needs or costs. The State team will be talking with North Slope producers and others in the coming months to learn more about possible gas treatment plant configurations, costs, and operations. Certainly, the size and cost will depend on the volume of gas expected to move through the line, and planning for any possible expansions.
- And, we are continuing with cost and economic feasibility analysis of natural gas liquids extraction in Alaska, possible sites for an Natural Gas Liquids plant, and marketing issues.

The reference case for our work is a 24-inch line from Prudhoe Bay to tidewater at Cook Inlet, though the team also is looking at smaller pipe for a lower-capacity line. A 24-inch line could accommodate up to one billion cubic feet per day, depending on the number of compressor stations. The reference case would be a pipe capable of moving wet or dry gas, while we also look at a dry-gas only line as an option. Obtaining gas supplies from Gubik in the Brooks Range Foothills is another option that will be considered as the team models out all the alternatives in the coming months. Those alternatives will range from a pipeline capacity of 250 million cubic feet per day to one billion cubic feet per day.

Upcoming work will also include flow simulations and diagrams to help determine major equipment needs and costs for the line, including a component-by-component analysis of costs, investigating cost-reduction opportunities for the project, and conducting field work next summer to verify site data — particularly at river crossings, gravel sites, fault crossings — and to conduct a geotechnical borehole drilling program. The State's team includes Baker for engineering, design, and cost work, and Arctic Slope Regional Corporation for much of the permit work.

Assuming the State obtains all of the right-of-way permits, wetlands permits, and a final Environmental Impact Statement next winter, the State would be ready in the spring of 2011 to turn over (sell) the package of engineering work and permits to a private entity to build the line, if the Legislature and Governor decide that is the best option for Alaska.

Our expenses for September and October were \$445,364 and \$399,968 respectively. Total expenditures for the year-to-date are \$1,826,859.

Please do not hesitate to contact me at 907-269-8656 if you have any questions. I will have another report in December.

Sincerely,



Harry Noah
Project Manager
In-state Gas Program

Amendment #1

Offered in the Senate

By Senator McGuire

To: CS SB 287 (RES), Draft Version "R"

To Page 7, line 2:

Conceptual

Delete: "immediately under AS 01.10.070(C)"

Insert: July 1, 2010

Purpose: To allow the current work to continue through to the next fiscal year.

Amendment #2

Offered in the Senate

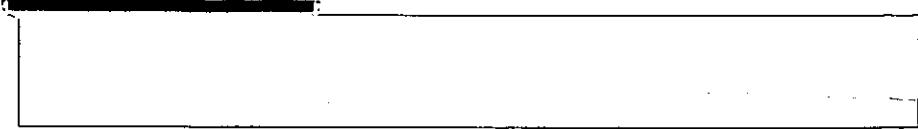
By Senator McGuire

To: CS SB 287 (RES), Draft Version "R"

To Page 1, lines 4-5:

Conceptual

Delete ["from the Office of the Governor and the Department of Natural Resources"]



Economist.com

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An unconventional glut

Mar 11th 2010 | HOUSTON
From The Economist print edition

Newly economic, widely distributed sources are shifting the balance of power in the world's gas markets



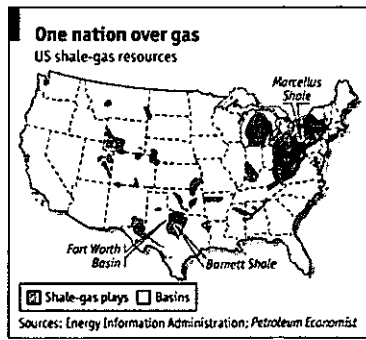
SOME time in 2014 natural gas will be condensed into liquid and loaded onto a tanker docked in Kitimat, on Canada's Pacific coast, about 650km (400 miles) north-west of Vancouver. The ship will probably take its cargo to Asia. This proposed liquefied natural gas (LNG) plant, to be built by Apache Corporation, an American energy company, will not be North America's first. Gas has been shipped from Alaska to Japan since 1969. But if it makes it past the planning stages, Kitimat LNG will be one of the continent's most significant energy developments in decades.

Five years ago Kitimat was intended to be a point of import, not export, one of many terminals that would dot the coast of North America. There was good economic sense behind the rush. Local production of natural gas was waning, prices were surging and an energy-hungry America was worried about the lights going out.

Now North America has an unforeseen surfeit of natural gas. The United States' purchases of LNG have dwindled. It has enough gas under its soil to inspire dreams of self-sufficiency. Other parts of the world may also be sitting on lots of gas. Those in the vanguard of this global gas revolution say it will transform the battle against carbon, threaten coal's domination of electricity generation and, by dramatically reducing the power of exporters of oil and conventional gas, turn the geopolitics of energy on its head.

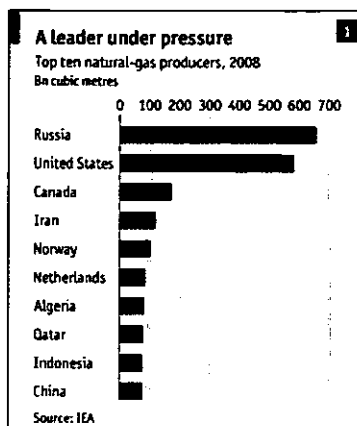
Deep in the heart of Texas

The source of America's transformation lies in the Barnett Shale, an underground geological structure near Fort Worth, Texas. It was there that a small firm of wildcat drillers, Mitchell Energy, pioneered the application of two oilfield techniques, hydraulic fracturing ("fracing", pronounced "fracking") and horizontal drilling, to release natural gas trapped in hardy shale-rock formations. Fracing involves blasting a cocktail of chemicals and other materials into the rock to shatter it into thousands of pieces, creating cracks that allow the gas to seep to the well for extraction. A "proppant", such as sand, stops the gas from escaping. Horizontal drilling allows the drill bit to penetrate the earth vertically before moving sideways for hundreds or thousands of metres.



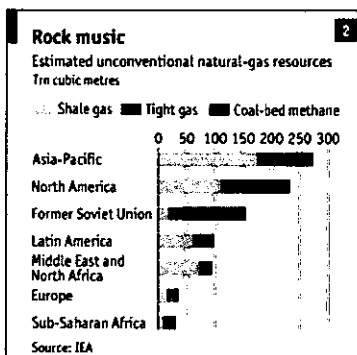
These techniques have unlocked vast tracts of gas-bearing shale in America (see map). Geologists had always known of it, and Mitchell had been working on exploiting it since the early 1990s. But only as prices surged in recent years did such drilling become commercially viable. Since then, economies of scale and improvements in techniques have halved the production costs of shale gas, making it cheaper even than some conventional sources.

The Barnett Shale alone accounts for 7% of American gas supplies. Shale and other reservoirs once considered unexploitable (coal-bed methane and "tight gas") now meet half the country's demand. New shale prospects are sprinkled across North America, from Texas to British Columbia. One authority says supplies will last 100 years; many think that is conservative. In 2008 Russia was the world's biggest gas producer (see chart 1); last year, with output of more than 600 billion cubic metres, America probably overhauled it. North American gas prices have slumped from more than \$13 per million British thermal units in mid-2008 to less than \$5. The "unconventional"—tricky and expensive, in the language of the oil industry—has become conventional.



The availability of abundant reserves in North America contrasts with the narrowing of Western firms' oil opportunities elsewhere in recent years. Politics was largely to blame, as surging commodity prices emboldened resource-rich countries such as Russia and Venezuela to restrict foreign access to their hydrocarbons. "Everyone would like to find more oil," says Richard Herbert, an executive at Talisman Energy, a Canadian firm using a conventional North Sea oil business to finance heavy investment in North American shale. "The problem is, where do you go? It's either in deep water or in countries that aren't accessible." This is forcing big oil companies to get gassier.

The oil majors watched from the sidelines as more entrepreneurial drillers proved shale's viability. Now they want to join in. In December Exxon Mobil paid \$41 billion for XTO, a "pure-play" gas firm with a large shale business. BP, Statoil, Total and others are sniffing around the North American gas patch, signing joint ventures with producers such as Chesapeake Energy. A wave of consolidation is likely in the coming months, as gas prices remain low, the drillers seek capital and the majors hunt for the choicest acreage.



Shale is almost ubiquitous, so in theory North America's success can be repeated elsewhere. How plentiful unconventional resources might be in other regions, however, is far from established. The International Energy Agency (IEA) estimates the global total to be 921 trillion cubic metres (see chart 2), more than five times proven conventional reserves. Some think there is far more. No one will really know until companies explore and drill.

The drillers are already arriving in Europe and China, which are both expected to import increasing amounts of gas—and are therefore keen to produce their own. China has set its companies a target of producing 30 billion cubic metres a year from shale, equivalent to almost half the country's demand in 2008. Several foreign firms, including Shell, are already scouring Chinese shales. After a meeting between the American and Chinese presidents last November, the White House announced a "US-China shale gas initiative": American knowledge in exchange for investment opportunities. The IEA says China and India could have "large" reserves, far greater than the conventional resource.

Exploration is also under way in Austria, Germany, Hungary, Poland and other European countries. The oil industry's minnows led this scramble, but now the big firms are arriving too. Austria's OMV is working on a promising basin near Vienna. Exxon Mobil is drilling in Germany. Talisman recently signed a deal to explore for shale in Poland. ConocoPhillips is already there. The first results from wells being drilled in Poland, in what some analysts believe is a shale formation similar to Barnett, should be released this year.

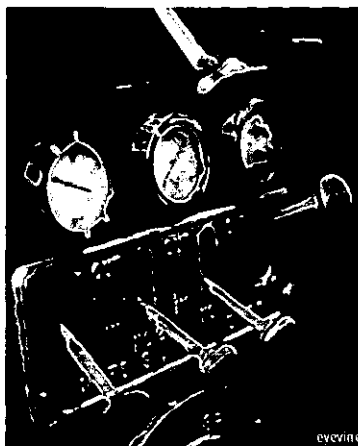
No one expects production of shale gas in Europe to make a material difference to the continent's supply for at least a decade. But the explorers in China and Europe present a long-term worry for those who have bet on exporting to these markets. Gazprom, Russia's gas giant, is the company most exposed to this threat, because its strategy relies on developing large—and costly—gasfields in inhospitable places. But Australia, Qatar and other exporters also face a shift in the basics of their business.

Choked

These producers are already getting a taste of the global gas glut. Almost in tandem with the surge in American production, recession brought a slump in world demand. The IEA says consumption in 2009 fell by 3%. In Europe, the drop was 7%. Consumption in the European Union will grow marginally if at all this year and will not be sufficient to clear an overhang of supplies, contracted through take-or-pay agreements signed in the dash for gas of the past decade. IHS Global Insight, a consultancy, reckons that the excess could amount to 110 billion cubic metres this year, almost a quarter of the EU's demand in 2008.

The glut has been exacerbated by the suddenly greater availability of LNG. Importers with the infrastructure to receive and regasify LNG can now easily tap the global market for spot cargoes. This is partly a product of the recession, which dampened demand from Japan and South Korea, the leading LNG buyers. But another cause is that many exporters, not least Qatar, the world's LNG powerhouse, spent the past decade ramping up supplies aimed at the American market. That now looks like a blunder.

America is still taking some of this LNG, but the exporters' bonanza is over before it ever really began. "You'll always find a buyer in North America," says Frank Harris, an analyst at Wood Mackenzie, a consultancy, "but you might not like the price." And LNG will grow increasingly abundant as new projects due to come on stream this year add another 80m tonnes to annual supply, almost 50% more than in 2008.



Gas out, money in

Qatar's low production costs mean it can still make money, even in North America. Others cannot. In February, for example, Gazprom postponed its Shtokman gasfield project by three years because of the change in the market. Some of the gas from that field, in the Barents Sea, was to be exported to America. But Shtokman's gas will be costly, because the field is complex and its location makes it one of the world's most difficult energy projects to execute. Some analysts now wonder whether gas will ever flow from Shtokman.

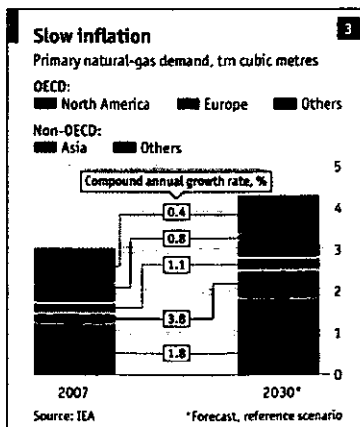
China offers some hope for ambitious exporters, but even there the outlook has become cloudier. The Chinese authorities want natural gas to account for at least 10% of the country's energy mix by 2020 and are building LNG import terminals. With that target in mind, Australia, which has its own burgeoning conventional and unconventional gas supplies, has been busily building an LNG export business. But warning lights are coming on. In January, PetroChina let a deal to buy gas from Australia's Browse LNG project expire. The original agreement was made in 2007, when LNG prices were soaring in Asia, but China can afford to be picky now. "Too many Australian LNG plants are chasing too little demand," says Mr Harris.

The shift in the global market has left China well-placed to dictate prices. This will be another blow to Gazprom, which has long talked of exporting gas to the country. Indeed, while the Chinese and the Russians have squabbled over the terms, Turkmenistan has quietly built its own export route to China. Even if Beijing's shale-gas plans come to nothing, supplies from Central Asia and new regasification terminals along its coast may allow China to reach its natural-gas consumption targets without pricey Siberian supplies.

The glut has weakened Gazprom's position in Europe, too. It has been losing market share to cheaper Norwegian and spot-market supplies. In 2007 Gazprom talked of increasing its annual exports to the EU to 250 billion cubic metres. Now, says Jonathan Stern, of the Oxford Institute for Energy Studies, Gazprom will probably only ever supply the EU with 200 billion cubic metres a year (it shipped about 130 billion in 2008). The company forecast in 2008 that its gas prices in Europe would triple, to around \$1,500 per 1,000 cubic metres, on the back of rising oil prices, which help set prices in long-term contracts. But the price dropped to about \$350 last year and is expected to fall again in 2010. The weak market could last for another five years, believes Wood Mackenzie. Gazprom has been renegotiating with leading customers, injecting elements of spot pricing into contracts to make them more attractive.

Shtokman shtymied

Moreover, Europe's need for new pipelines to guarantee supplies suddenly looks less pressing. Construction of Nord Stream, Gazprom's flagship project to export gas directly to Germany through the Baltic Sea, will begin next month. It is due to come on stream in 2011. The scheduled doubling of its capacity to 55 billion cubic metres a year is in doubt, says Mr Stern, because Shtokman was to have supplied the gas for it.



Demand is a bigger problem. Even without recession or European shale, the assumption that Europe's consumption will keep growing is looking shaky,

because the EU's efforts to boost efficiency and reduce carbon emissions are making gradual headway. Edward Christie, an economist at the Vienna Institute for International Economic Studies, says the EU could be importing a third less natural gas in 2030 than the European Commission forecast in 2005. That makes the case for additional supply lines much less compelling. The IEA expects rich European countries' demand to grow by only 0.8% a year in the next two decades, against 1.5% for the world as a whole (see chart 3).

An age of plenty for gas consumers and of worry for conventional-gas producers thus seems to be dawning. But two factors could reverse the picture again. The first surrounds the uncertainty about how fruitful shale exploration will be outside North America. A clearer understanding of the geology will emerge from pilot wells in the coming months. Second, there are reasons for caution above ground, too. Despite natural gas's greener credentials than oil's or coal's, shale drilling has critics among environmentalists, who worry that water sources will be poisoned and landscapes despoiled.

The industry says cement casing of wells and the depth to which they are drilled make the practice safe and relatively unobtrusive. But so far it has been drilling mainly in North America, where land is plentiful and people are accustomed to the sight of oilmen's detritus. In densely populated Europe, the rapacious rate at which shale plays must be drilled to sustain production is less likely to be tolerated.

Even in America, opposition to shale gas is rising. New York state has imposed a moratorium on drilling in its portion of the Marcellus Shale, which it shares with Pennsylvania. Lawmakers in Congress want to study the ecological impact of fracking. The Environmental Protection Agency, a federal body, also raised concerns about "potential risks" to the watershed.

The path of demand in gas's new age is hard to predict, but abundant new sources could bring about profound change in patterns of energy consumption. Some of the downward pressure on price will ease: despite sedate growth, the LNG glut should dissipate, probably by 2014, says Mr Harris; and low prices will kill more projects, clearing the inventory. France's Total thinks global demand will recover strongly enough to require another 100m tonnes a year of LNG by 2020, on top of plants already planned. However, the Energy Information Administration, the statistical arm of America's Department of Energy, predicts decades of relatively weak prices.

If this is correct, it makes sense, for both environmental and economic reasons, for the country to gasify its power generation, half of which comes from coal-fired plants. This could be done cheaply and quickly, because America's total gas-fired capacity (as opposed to production) already exceeds that for coal. Put a price of only \$30 a tonne on carbon, say supporters, and natural gas would quickly displace coal, because gas-fired power stations emit about half as much carbon as the cleanest coal plants. The IEA agrees that penalising carbon emissions would benefit natural gas at the expense of dirtier fuels.

There would be political obstacles. The coal lobby remains strong in Washington, DC. Climate legislation struggling through Congress even includes provisions to protect "clean coal", a term covering an array of measures, so far uncommercial, to reduce emissions from burning the black stuff. Ironically, oil companies that were once suspicious of proposals to control carbon now regard a carbon price or even a carbon tax as a potential boon to their new gas businesses.

A more radical idea, and one that would have ramifications for the global oil sector, is to gasify transport. T. Boone Pickens, a corporate raider turned energy speculator, has launched a campaign to promote this, and has support from the gas industry. By converting North America's fleet of 18-wheeled trucks to natural gas, says Randy Eresman, boss of EnCana, a Canadian gas company, America could halve its imports of Middle Eastern oil. EnCana is promoting "natural gas transportation corridors": highways served by filling stations offering natural gas.

All this is some way off. The coal industry will not surrender the power sector without a fight. The gasification of transport, if it happens, could also take a less direct form, with cars fuelled by electricity generated from gas.

A gasified American economy would have profound effects on both international politics and the battle against climate change. Displacement of oil by natural gas would strengthen a trend away from crude in rich countries, where the IEA believes demand has already peaked as a result of the recent spike in oil prices. Another consequence of the energy market's bull run, the unearthing of vast new supplies of gas, could bring further upheaval. If the past decade was characterised by the energy-security concerns of consumers, the coming years could give even the world's powerful oil producers reason to worry, as a subterranean revolution shifts the geopolitics of global energy supply again.

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

July 17, 2009

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Alaska Legislators:

In accordance with the legislative intent language of Section 19 of SCS CS HB113(FIN) directing me to submit monthly written reports to all legislators, this is the second monthly report on the evaluation and development of an in-state natural gas pipeline. I hope these short summaries are helpful and I certainly welcome any calls or e-mails with requests for additional information.

Much of the activity in June focused on the commercial working group's first meeting. Two dozen representatives - BP, ConocoPhillips, ExxonMobil, Anadarko, Chugach Electric Association, Golden Valley Electric Association, Agrium, Enstar, Barrick Gold Corporation and contractors and subcontractors on this effort - met for two days in Anchorage to review the project.

Baker, a worldwide engineering firm with offices in Anchorage, is the lead contractor for the evaluation and assessment project. The commercial working group listed the questions, the known and missing information, and the research and analysis needed to define the project. Work assignments were handed out with a schedule determining the order of the pieces for the project to proceed on schedule.

The work breaks down into several categories for planning and analysis - the pipeline and compressors along the route, the North Slope gas conditioning plant, other necessary North Slope infrastructure, a natural gas liquids extraction plant, permitting, Fairbanks and Interior Alaska needs, Southcentral customers (utilities and industry), other possible users around the state, and alternatives - to meet Alaska's natural gas needs.

This state-funded effort will prepare an estimate for the cost of moving gas down the pipe (pipeline tariff), not the cost of gas to consumers. That final cost will depend on the cost of production, distribution charges and market issues, all outside of this assessment.

Our work continues to focus on three principal aspects of the project: Define the project, determine the demand for gas, and calculate the cost of service (tariff) for the pipeline.

The project drivers are a stable, affordable energy supply for businesses, residential customers and to promote economic growth.

Baker is managing the work on the pipeline alternative route analysis, in addition to construction cost estimates for the project. The focus of their work will be to identify the capital cost of each option and the potential customers, in addition to potential environmental impacts. I expect to have cost comparisons and analysis by this fall of the two pipeline routes for moving North Slope gas south — the Parks Highway or Glenn Highway — so that a decision can be made on which route is best for the project and the people of Alaska.

Baker is working under a cost-plus fixed-fee contract, not to exceed \$5 million. Payments to Baker were not included in June totals. These costs will be reflected in the July report.

The environmental services contract was awarded in June to ASRC, on a cost-plus basis not to exceed \$2 million. ASRC's role will be to gather environmental data in support of the EIS process for the pipeline right-of-way application, looking at both the Glenn and Parks highway routes. The contract started in June; payments will be reflected in the July report.

Administrative costs for June were \$19,419; year to date they total \$98,621. Other work last month included:

Alaska State Legislature

July 17, 2009

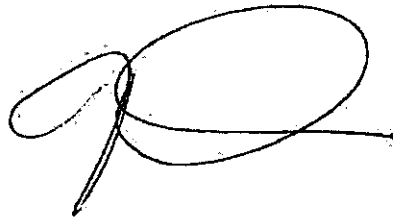
Page 3 of 3

- Meetings with the federal lead agency (U.S. Army Corps of Engineers) to discuss how the permitting process would proceed.
- Planning work started on the option of a pipeline extension to the west to potentially serve the Donlin Creek mine.

The work program for July includes detailed review of a potential pipeline route around Denali National Park, completing a draft of the alternative routing analysis, a field trip with key state and federal agency personnel to plan permitting of the project, and starting site selection and analysis for the gas conditioning plant on the North Slope and also for a natural gas liquids extraction plant at tidewater. In addition, we will obtain mapping for a routing study of the pipeline to western Alaska

A long-term natural gas supply is important to Alaska and I appreciate your support as we move forward make this project a success. Please call on me if I can provide any additional information as we work toward answering that one big question for Alaskans.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry Noah". The signature is stylized with a large, looped "H" and a long, sweeping underline.

Harry Noah
Project Manager
Alaska In-state Natural Gasline

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Governor Sean Parnell
STATE OF ALASKA

August 21, 2009

Members of the Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801-1182

Dear Legislators:

It has been a busy summer month for the team as we work to determine the costs and feasibility of a stand-alone Alaska natural gas pipeline project. Work continues on the route analysis for the gas pipeline from the North Slope, along with engineering work on a possible route for a pipeline extension toward Western Alaska and site selection for a natural gas liquids extraction plant. The engineering work that is currently being done will allow for cost estimates to be derived for any potential pipeline option potentially serving the railbelt area. This would include gas from the Foothills area of the North Slope, the Nenana basin, or Cook Inlet.

I expect to have the first summary report of the alternative route analysis completed by early September, and will promptly send a copy to legislators. The Baker engineering team continues to analyze the capital cost differences, environmental issues, and a number of potential customers for the two routes: from the North Slope to Fairbanks and down the Parks Highway to Southcentral Alaska versus the route to Fairbanks and then along the Richardson Highway over to Delta and down to Glennallen and along the Glenn Highway to Southcentral.

The summary report of the route analysis will not propose a decision but rather will set out the facts for policymakers to use in a future determination of the preferred route.

The current plan is to submit a right-of-way application for both routes in October. The right-of-way applications will go to the Alaska Department of Natural Resources, United States Bureau of Land Management, and the United States Army Corps of Engineers, with the Army Corps expected to serve as the lead federal agency in charge of the environmental impact statement process.

As part of the right-of-way preparations, we held field trips last month with state and federal agency personnel to familiarize everyone with some of the issues that will come up in the right-of-way and environmental impact statement process.

Our work this past month also included more detailed review of a potential pipeline route around Denali National Park to avoid the obvious problems with national park lands. We believe we have identified a possible route outside the park boundary, just east of the Parks Highway. It appears to offer an economic option to running the pipe through the park and the special permission that would be required for such an undertaking. Of course, the route could run along the highway in the park if the National Park Service were to prefer having the pipe closer to its main facilities. This

Members of the Alaska State Legislature

August 21, 2009

Page 2

work is part of the route analysis between the two alternatives for a gas line from the North Slope to connect with the existing Southcentral pipeline system, as there are locational issues specific to each route.

Engineering work is also continuing on a possible extension toward Western Alaska to serve the proposed Donlin Creek mine, just north of the Middle Kuskokwim River village of Crooked Creek, about 280 miles northwest of Anchorage. One possible pipeline route would run from the west side of Cook Inlet to Donlin Creek, and another route under review would connect to the stand-alone pipe just south of Nenana and extend west from there.

The team just started work in July on site review for a possible natural gas liquids plant to extract the heavier gas liquids from the gas stream. The team is looking at sites in Cook Inlet.

I have enclosed a copy of the stand-alone gas line project action plan, which the team put together in a meeting with engineers, North Slope producers, Southcentral utilities, potential natural gas customers, and others. It provides additional details on our scope of work, our objectives, infrastructure issues, and timelines for the project team's work assignments.

Our expense report is as follows:

The project spent \$321,040 during the month of July and has spent a total of \$470,943 year to date.

Thank you for your support in this work. Please call on me if I can provide any additional information, and I will have another update for you in about 30 days.

Sincerely,

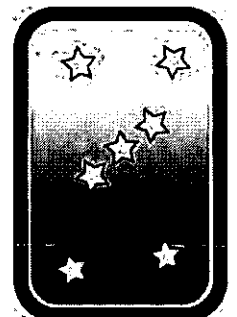


Harry Noah
Project Manager
In-state Gas Program

Enclosure

Action Plan for a Feasibility Analysis
of the
STAND-ALONE GAS PROJECT
State of Alaska

Baker



ORION*FPI

ACTION PLAN for a PREFEASIBILITY STUDY
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

INTRODUCTION

The attached Action Plan was developed by representatives of the State of Alaska, with active participation of representatives of ExxonMobil, BP, ConocoPhillips, Anadarko, Enstar, Fairbanks Gas, Golden Valley Electric, Chugach Electric, Agrium, and Barrick Gold, and with technical support from representatives of Michael Baker Engineering, during a two-day VIP (Value-added Interactive Planning) Session held in the Opportunity Salon of the Embassy Suites in Anchorage on Thursday and Friday, June 18th and 19th, 2009.

The planning session was facilitated and documented by ORION Facilitated Planning Inc.

NAME OF PROJECT

The project is evolving, and a generic working name was selected for the early phases of the project: it will be known on an interim basis as the ***Stand-Alone Gas Project***.

OWNER

For purposes of this workshop, the Owner of the project was identified as the ***State of Alaska***.

OBJECTIVE OF PROJECT

The Owner's objective of the project was established as a desire " - - - for the development of a commercially-viable in-state natural gas system with these embedded characteristics:

- Producers to make a net profit equal to, or greater than, by exporting gas;
- Industrial users to be served at a cost that enables them to be competitive in a world market; and
- To turn the project over to a private developer who will recoup costs and make a profit on the operation of the pipeline."

It was noted that the State considers that it has the authority to be the Developer, if necessary.

OBJECTIVE OF VIP SESSION

The objective of the VIP Session was defined as a need " - - - to develop an action plan for a Prefeasibility Study of the Stand-Alone Gas Project."

ACTION PLAN for a PREFEASIBILITY STUDY
of the
STAND-ALONE GAS PROJECT
State of Alaska

SUMMARY

PLANNING TEAM

The Action Plan defined in this document was developed by the planning session participants identified below. The full planning team functioned on an interactive, participative basis, with an Owner-oriented focus. These same participants also wrote the scope descriptions in Section 2 of this document; there, their initials identify the authors of each work package. The corporate affiliation of each participant is indicated by a superscript following his or her name.

Planners

Ken Pohle^{AK DNR}
Dan Clark^{ConocoPhillips}
Kate Lamal^{GVEA}
Vin Robinson^{ENSTAR}
Robert Wall^{ExxonMobil}
Steve Wendt^{Agrium}
Mike Metz^{Baker Eng}
Keith Meyer^{Baker Eng}
Ward Whitmore^{Baker Eng}
Terry Lee^{ORION*FPI}

KRP
DMC
KKL
VLR
RAW
SMW
MCM
KJM
WAW
TDL

Areas of Relevant Experience

*Mine Eng; Mine Ops Mgt & Admin; Proj Mgt
Mech Eng; Nat Gas Processing; O&G Production Mgt
Geologist; Economics; Au Mines; Energy Mgt
Civil Eng; PL Studies & Design PL Projs TAPS
Mech Eng; Gas Processing & Treatment; Design; Risk Mgt
Nitrogen Fertilizer Operations; Proj Mgt
Eng Geol; R&D; Cold Regions O&G Projects
Pipeline Eng; Nat Gas Transmission; Production Ops
Chem Eng; O&G Operations; North Slope; Nat Gas Issues*
Facilitator

Sponsors

Harry Noah^{AK DNR}
John Lau^{ENSTAR}
Marty Massey^{ExxonMobil}
John Reeves^{AK DOT}
Brad Evans^{CHUGACH}
Colleen Starring^{ENSTAR}
Dan Simpson^{Baker Eng}

HAN
JLJ
MWM
JMR
BWE
MCS
DGS

Areas of Relevant Experience

*Enviro; Mine Permitting
Elec Eng; Conoco Eng & Field Mgt; Enstar; Pipeline Projects
Petroleum Eng; Commercial; Gas Project Marketing
Business; Valdez Port; Gas Pipelines
Elec Eng; Pipeline Projects; Heavy Const; Utilities Ops & Mtce
Nat Gas; User Management
Civil Eng; North Slope Projs; Heavy Civil Projs; Proj Mgt*

Supporters

Dave Anderson^{Anadarko}
John Denis^{BP}
Hiton Mehta^{BP}
Eduardo Naranjo^{ExxonMobil}
Stan Foo^{Bamck}
Dan Britton^{Fairbanks Gas}
Jerry Gallagher^{AK DNR}
Larry Persily^{AK}

DBA
JRD
HM
EJN
STF
DWB
JLG
LP

Areas of Relevant Experience

*Business; Gas Processing & Commercial; AK Gas Markets
Geol; Resource Mgt; Tech Mgt
Chem Eng; MBA; Contract Negotiations; Commercial
Bus Admin; Gas Commercial; O&G Operations
Geology; Gold Mine Ops, NV & AK; Donlin Admin
Nat Gas Utilities; Gas & LNG Distribution
Geol; Mines; Expl; Govt-Community Relations; Legislative Dir
O&G Tax Fiscal Issues; AK O&G Policy Issues*

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SUMMARY

METHODOLOGY

The VIP process is an interactive, Owner-oriented, high-level planning process that focuses on development of a plan by a designated team to achieve the Owner's objectives for his project or program. The process is guided by an experienced Facilitator who records the aggregate input of the planning team, but does not influence the content, direction or technical viability of the plan.

For this project, the State's Sponsor (identified on the previous page) clearly identified the strategic objective of the project, and then identified the objective of the VIP Session. These objectives, coupled with other basic project information that was developed interactively during the Kickoff Portion of the workshop with the participation and endorsement of the Sponsors, are included in Section 1 of this Action Plan; they provided solid parameters for development of the plan.

The participants then developed their plan to achieve the stated project objectives. First, they developed a logic network that established the work packages and their logic-driven interactions. This part of the process largely ignored the durations of individual activities, and maintained an objective focus on the work process. As a wrap-up step, the participants made a thorough review of the logic network they had created -- they adjusted interactions if necessary and added durations to each of the work packages, remaining consciously objective through this vital phase of the planning process.

The result of the VIP Session was a plan that was developed by the team that, to large extent, will be involved with the execution of the program. This document records their plan to execute a Prefeasibility Study for the Stand-Alone Gas Project.

"COST OF SERVICE"

It was recognized that the phrase "cost of service" is potentially very misleading, that there are three significant and distinctly different components to the cost of gas, and that "cost" is not the same as "price". The participants resolved that the cost of the three components, as used in this study, should be referred to as follows:

- Production Cost
- Treatment & Pipeline Cost
- Distribution (incl Storage) Cost
- Total Cost = the Sum of these three cost elements

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ASSUMPTIONS

Two clarifying assumptions were discussed briefly during the planning session; they are included in this document to provide clarification to the context of this Action Plan:

Assumption #1: the major working assumption was that a stand-alone gas pipeline project would only be constructed if the 48-inch pipeline to the lower 48 states is either delayed from the planned 2019 start-up date, or will not be constructed at all.

Assumption #2: this action plan is focused on defining a cost of service for a stand-alone gas pipeline project. There are other aspects of the In-State gas project work that are not included in this document.

PROJECT DRIVERS

During a focused discussion, each of three groups identified the “drivers” for the project from their unique perspectives:

State of Alaska – wants the pipeline system

- to provide an energy supply to support economic growth;
- to provide a financial opportunity to the State; and
- to provide affordable natural gas service to home-owners.

Producers – want to

- sell all gas at highest possible net-back; and
- sell largest volume of gas possible.

Users – wants vary, depending on the User organization, as follows:

- **Agrium:** Could re-start its Kenai operations and operate at full capacity, if long-term gas service was available.
- **Western Alaska:** Residents of western Alaska could be served by a pipeline; the Donlin Creek mining project is one example of a major potential user.
- **Utilities:** Requires long-term, secure, reliable supply for existing and growing customer base; there is a sense of urgency for secure supply, and the pipeline option appears to be superior to current options.

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SUMMARY

POTENTIAL OPPORTUNITIES

Two potentially-significant opportunities to improve the success potential for the project were identified by the participants:

- Develop opportunities to confirm and increase gas volume requirements; and
- Adopt a proactive approach to permitting by the State, to avoid project schedule delays.

POTENTIAL THREATS, RISKS & ISSUES

Six potentially-significant threats, risks or issues were identified and discussed briefly:

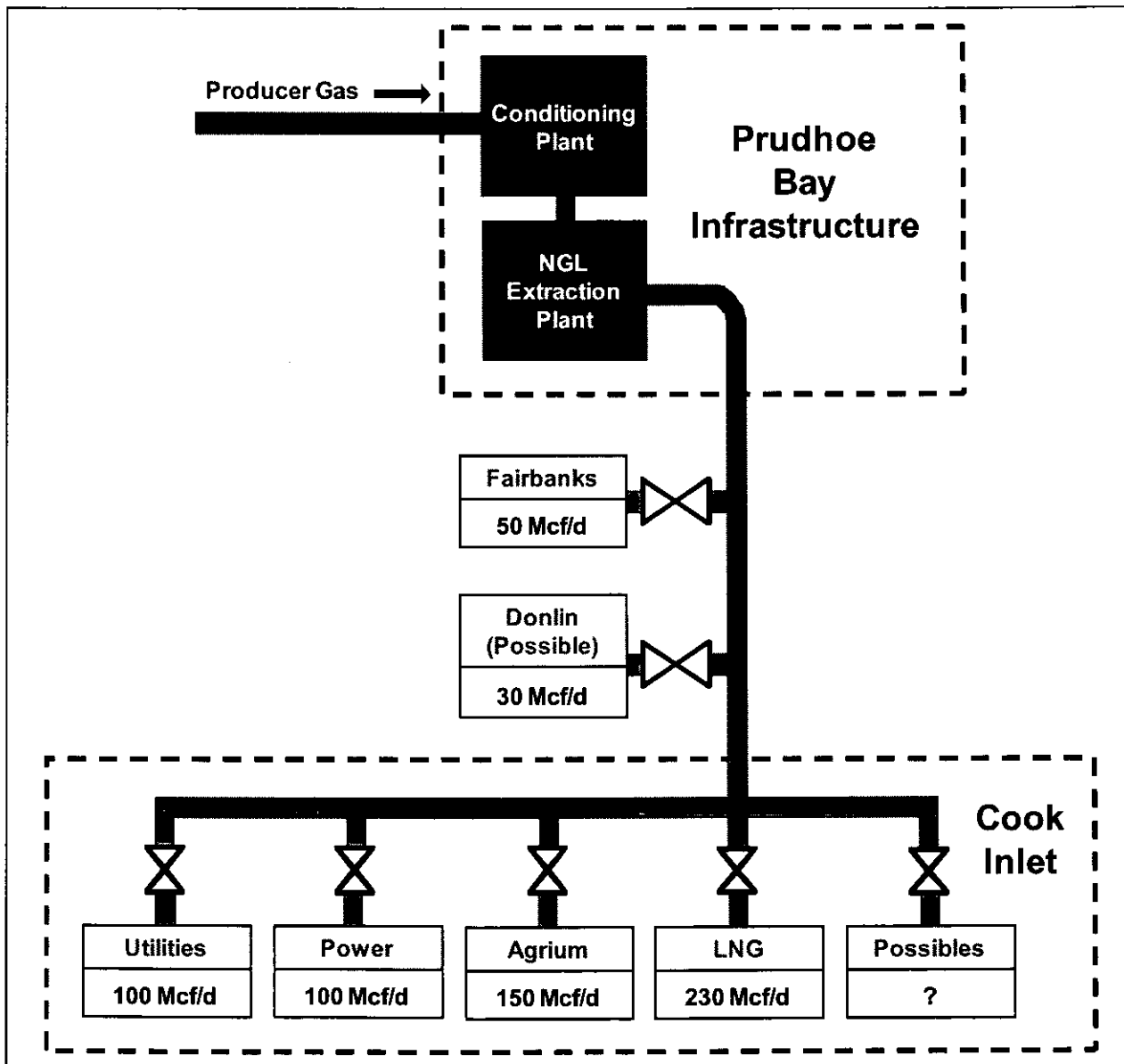
- Ramp-up may be slow, impacting the economics of the project;
- Industrial users (e.g., Agrium) may not commit if schedule is deferred;
- Possible users (e.g., Barrick) may not materialize;
- If the "big line" proceeds, this project would not be viable in the current configuration;
- If a major discovery is made in Cook Inlet, this line would not be necessary; and
- High pricing would threaten the economics of the project.

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REFERENCE CASE

Prior to development of their plan, the participants established a "reference case" to describe the scope of the project in simple graphic format:

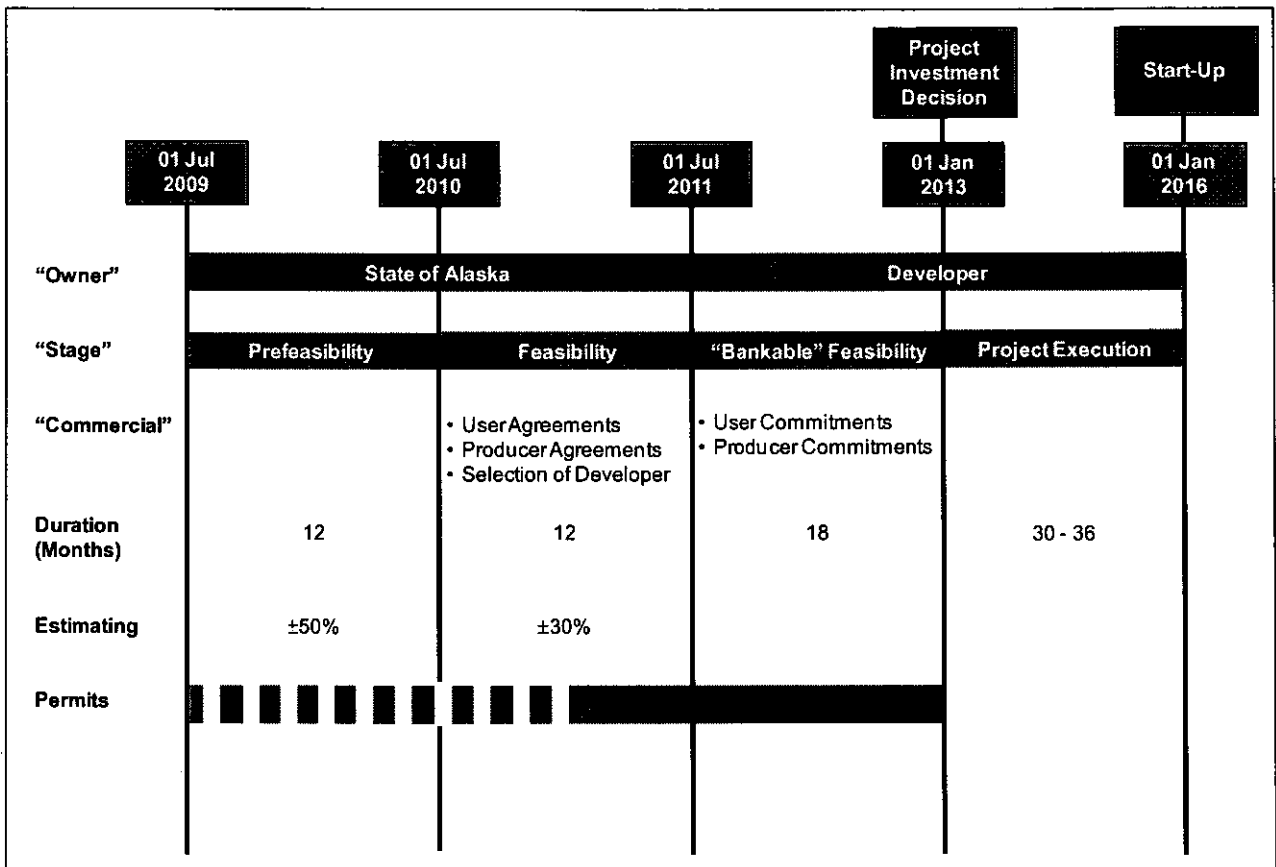


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PROJECT OVERVIEW SCHEDULE

Prior to commencement of planning, the participants developed and reviewed a simple overview schedule of the project, to understand the State's perspective of a possible advancement program for the Stand-Alone Gas Project. The numbers under the bars identify the number of months each activity could require. It is emphasized that this conceptual sketch does not represent a committed program – it was developed simply to provide a vehicle for discussion.



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WORK BREAKDOWN STRUCTURE (WBS)

The Stand-Alone Gas Project has numerous asset or administrative themes. These themes, or Work Areas, were defined by the planning team at the start of the active planning session; they form the primary structure of this action plan:

- A Program Administration
- B Conditioning Plant
- C NGL Plant
- D North Slope Infrastructure
- E Pipeline & Compressors
- F Fairbanks
- G Cook Inlet – Utilities
- H Cook Inlet – Industrial
- J Possible Users
- K Permitting
- L Alternatives

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SCHEDULE CALENDAR

The schedules in this document were prepared using the Primavera software package. They were based on the precedence [logic] network developed during the planning session, and used a start date of June 22nd, 2009

The schedules use one-day time units, with five days per calendar week. No allowances were provided for statutory holidays or vacation periods, apart from a nominal two-week lost time allowance over the Christmas period.

SCHEDULE RESULTS

The as-developed schedule indicated that the Prefeasibility Report would not be finalized and issued until August 18th, 2010 – about two months beyond the milestone date of June 30th, 2010.

The development of a logic network using the VIP process tends to create a schedule that can be reduced by some amount while staying faithful to the content of the workshop and the intent of the participants. In this case, ORION*FPI's Facilitator subsequently made a total of five carefully-considered adjustments to the schedule to enable the Prefeasibility Report to be issued on June 9th. This post-workshop pattern is a normal follow-up to an VIP Session. Only one duration was changed; the balance of the improvement was achieved by creating or extending the "overlaps" between adjacent work packages.

The schedule included in this action plan incorporates these five adjustments:

ITEM	WP – or – RELATIONSHIP	ADJUSTMENT	
		From	To
1	A-08 / A-09	FF ¹⁵	FF ¹⁰
2	A-16 / A-17	FF ¹⁰	FF ⁵
3	E-03 / E-04	FS	SS ¹⁰
4	E-04	90	70
5	E-04 / A-07	FF ¹⁰	FF ⁵

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SCHEDULE FORMATS

The *Prefeasibility Master Schedule* for the *Stand-Alone Gas Project* is presented in this report in three different formats:

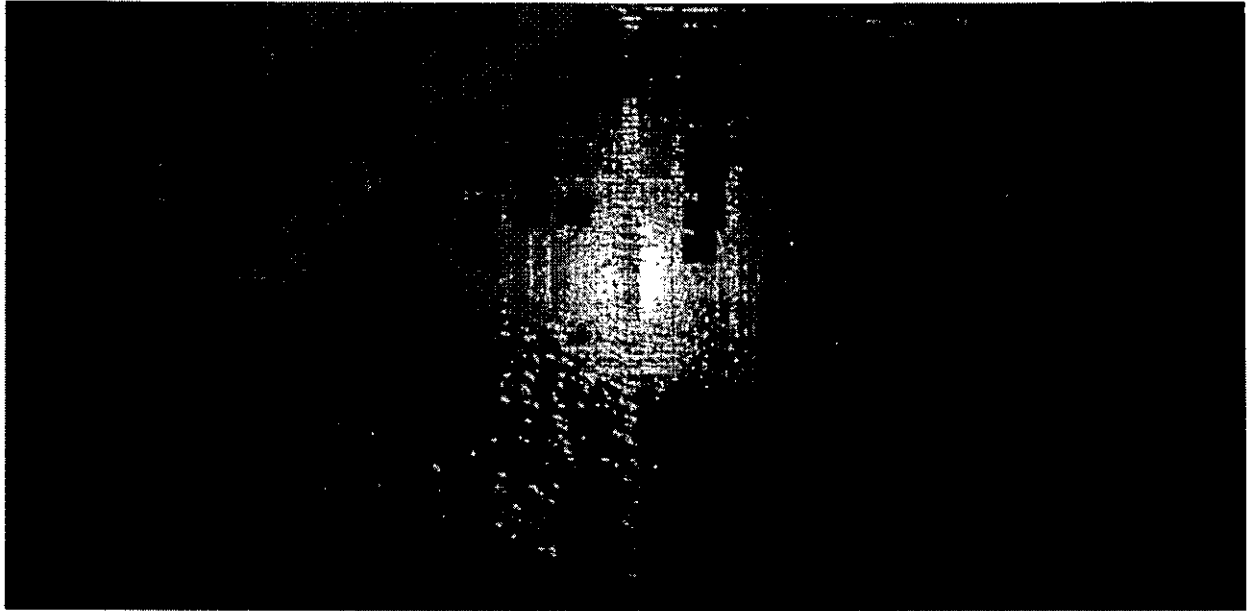
- A 2-page tabulation of the work packages which describes the early start and finish dates, the late start and finish dates, the duration, and the total float for each activity; it is included on Pages 3-02 to 3-03 of this report.
- A 4-page detailed bar chart, in color, of all work packages sorted by program areas. It is a simple and clear presentation of all of the work packages, sorted in the usual early-start, early-finish fashion; it can be found following Page 3-03.
- A large Time-Scaled Logic Diagram of all work packages, grouped by Work Areas. This format is similar to the bar charts above, but it is a large, fold-out version. It is included in a plastic pocket in the back of certain Action Plan reports, flagged by an asterisk (*) behind the names on the Letter of Transmittal.

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PHOTOGRAPH

The following photograph shows the logic network, as developed at the VIP Session – although not legible in this format, it will serve as a visual reminder of shape of the plan.



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SCOPE DESCRIPTION

The scope description of each work package on the following pages is brief, but it highlights the essential content and context of the work for each activity. The key persons who attended the planning session also wrote the scope descriptions for the individual work packages. For convenience, the initials of each Planner have been placed adjacent to the scope descriptions which he or she prepared; note that the initials are not intended to imply a responsibility for execution of the work package. The write-ups have been edited by the Facilitator to achieve similarity of format and presentation, and to stay within the context of the VIP Session; in cases where the edits have been significant, the Facilitator's initials have been inserted following those of the primary author.

* * * * *

A PROJECT ADMINISTRATION

A-01 Develop Project OrChart (KRP)

An organization chart will be produced to show the relationship of the private and public entities participating in the project.

A-02 Develop Points of Contact (KRP)

An individual will be identified within each organization to handle inquiries and determine subordinate participation in the gas project.

A-03 Develop RASCI Matrix (KRP)

A grid system (responsibility matrix) will be established assigning roles and responsibilities within the team, bringing structure and clarity to the system, and ensuring everything the team will need to do will be taken care of. The matrix will establish interacting responsibilities regarding deliverables, processes and procedures.

A-04 Develop Level 2 Schedules (KJM/TDL)

This action plan includes a Level 1 (or "Master") schedule, and provides an overview of the Prefeasibility program. Level 2 schedules, including significantly more detail, will be developed with continuing reference to the Level 1 schedule, and expected inconsistencies will be rationalized. The product will be a tier of schedules, from the overview-level master schedule to the detailed Level 2 and 3 schedules that will be used to manage the program effectively.

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SCOPE DESCRIPTION

A-05 **Develop Project Execution Strategy** (DGS/TDL)

An owner-oriented project execution strategy will be developed to establish the parameters within which the capital project will be implemented. To ensure the project's success, a clear vision of the purpose and objectives will be developed so that the general work activities can be identified. A project organization chart will be developed to manage the resources.

A-06 **Execute Constructability Review** (DGS)

A detailed field review of the route and conceptual plans will be performed by experienced pipeline construction personnel to identify significant factors for consideration such as routing, terrain and geotechnical issues, appropriate construction techniques and materials, logistical constraints, and cost saving measures. The proposed construction schedule will be analyzed for feasibility and significant risk factors will be identified. A similar process will address the construction of the conditioning plant and the NGL extraction plant at the north end of the pipeline, and the gas compressor stations. The results of the reviews will be fed forward into the design process.

A-07 **Develop Project Execution Plan** (DGS/TDL)

A number of detailed project execution plan components will be developed to define the execution phase of the project. Level 2 EPCM schedules will be prepared for the capital program. Critical assumptions and constraints will be identified. Quality assurance and quality control procedures will be documented. A Safety Plan will identify proper field conduct and procedures. These elements will support the development of the Basis of Estimates.

A-08 **Develop Logistics Plan** (DGS)

A Logistics Plan will be developed for the project. It will provide a time and spatial reference addressing the major elements of material and personnel transportation for the project. In conjunction with the construction schedule, likely material sources will be identified and matched with transportation modes such as air, shipping, railroads, and trucking – and perhaps sea-lifts for the facilities on the north slope. Camp and material storage locations and capacities will be identified. Water and fuel requirements will be estimated. Other material preparation or handling sites such as pipe coating and double jointing yards will be located. This plan will form the basis of transportation costs for the construction cost estimate.

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A-09 **Establish Basis of Estimates** (DGS)

All relevant information for the pipeline, compressor stations and the conditioning plant/NGL extraction plant will be assembled and the unit costs required for the project construction cost estimate will be documented. Prevailing union labor rates and equipment rental rates will be collected. An estimating system will be set up for manpower by craft, equipment by units, fuel consumption, consumables and supplies. A crew-up type estimating system will be assembled to factor union labor rates and fringes, equipment rental rates, equipment operation and maintenance costs, cost of supplies/consumables, small tools mark-up system, applicable payroll taxes, and insurance and personnel per diem cost. Collectively, these elements will establish the basis for estimating the direct and indirect costs of the project by work area.

A-10 **Assemble Cost Estimates** (DGS)

Using the prefeasibility-level project description, unit quantities will have been determined and construction cost estimates will be prepared for the Gas Treatment Plant, the NGL Extraction Facility, and the pipeline system. Ideally, two estimates for each facility will have been prepared for comparison purposes. Conflicts will be reconciled and GTP and NGL costs will be compiled with pipeline costs into one package. The estimates that were developed by work area will be assembled and reviewed to avoid gaps and overlaps.

A-11 **Establish Commercial Parameters** (EJN)

A listing of pipeline commercial parameters will be developed including return on investment, debt-equity ratio, depreciation methodology, financing costs, pipeline access terms, and methods for allocation of cost overruns. To develop these parameters, a comparison to other pipelines will be established for relevant benchmarks. The overall return of the pipeline investment will be assessed to ensure the pipeline investment can be financed.

A-12 **Estimate Reference Project Cost** (DGS)

The "reference project" has been defined as a no-frills baseline (see sketch on Page 1-06). The project cost will be calculated from the sum of the component costs (design costs, owner-supplied long-lead time items, infrastructure development, project management, quality assurance, contingency, construction, environmental restoration and as-built costs).

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SCOPE DESCRIPTION

A-13 **Execute Reference Project Cost Reviews** (KJM)

An interactive workshop will be prepared for review of the capital costs developed for the reference case. The workshop participants will have a background in developing detailed greenfield pipeline and related facility cost estimates. The workshop will have the unit cost basis of estimate, the work breakdown, crew development, as well as related production factors. As appropriate, the information will be compared and calibrated against other project cost estimates and/or relevant cost estimate items. A similar review will be conducted for evaluation of the operational costs.

A-14 **Execute Reference Project Commercial Reviews** (EJN)

An expert review of commercial terms will be performed to assess if the commercial parameters selected are appropriate. An estimation of the gas treatment and pipeline costs will be presented at this review.

A-15 **Develop Project Scenario Matrix** (KJM)

Using developed information from prior work tasks, the relevant project data and completed costs will be assembled into a scenario matrix that will succinctly describe the base elements of the project, especially as they relate to the cost of service of the project. A narrative description of significant items in the completed matrix will be developed with reference to reports that further explain these differences, especially as these items may affect the cost of service.

A-16 **Develop Alternate Scenario Cost Estimates** (KJM)

Using the same format as for the reference case, the completed information for the studied alternatives will be assembled into an analogous matrix. Along with this, a narrative description of significant differences in the completed matrix will be developed with reference to reports that will further explain these differences.

A-17 **Develop Draft Prefeasibility Report** (KJM)

The information from work tasks will be compiled into a draft prefeasibility report on an evolutionary basis throughout the study period. The report will reference completed prior reports as appropriate and summarize the findings. It will explain the matrix for comparison of the reference and alternate scenarios and will outline the significant conclusions.

A-18 **Review Draft Prefeasibility Report** (KJM)

A review of the draft prefeasibility report will be completed by the entire Working Group as well as interested personnel in the Client Group. The comments and edits will be assembled in a spreadsheet with resolution of each item noted.

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SCOPE DESCRIPTION

A-19 **Finalize & Issue Prefeasibility Report** (KJM)

As appropriate, the developed actions from the review of the draft report will be incorporated into the final document. The report will be attributed with appropriate project description as a contract deliverable and prepared for further distribution as a paper report and an electronic version.

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SCOPE DESCRIPTION

B CONDITIONING PLANT

B-01 Develop Conditioning Design Basis (WAW)

A design basis will be developed to describe major components of a Gas Conditioning Plant to remove carbon dioxide, hydrogen sulfide and water from source gas and deliver it to the inlet of the NGL Extraction Plant on the North Slope per the reference case scenario. Flow rates and compositions of all GCP sources, products and by-products will be identified. Applicable codes and standards will be identified. Facilities and supporting infrastructure will be described to a level only as required to support project permitting and cost estimation.

B-02 Develop Conditioning Plant Specifications (WAW)

Specifications for major components of the Gas Conditioning Plant will be developed from information in the GCP design basis. Specifications will be developed in conjunction with cost estimation and project permitting only to the detail required to support these activities. Specifications will include a block flow diagram and process flow diagram with overall material balance including fuel. A preliminary site plan showing connections to existing infrastructure will be developed. A preliminary design will not be done, but a preliminary module layout will be developed.

B-03 Estimate Conditioning Plant Costs (WAW)

A +/- 50% capital cost estimate, with a corresponding non-fuel operating cost estimate, will be developed for the Gas Conditioning Plant based upon GCP specifications. Capital costs will be based on use of modules typical of North Slope construction and will include module transport to the site.

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SCOPE DESCRIPTION

C NGL EXTRACTION

C-01 Establish NGL Extraction Design Basis (WAW)

A design basis will be developed to describe major components of the NGL Extraction Plant to be located immediately downstream of the Gas Conditioning Plant on the North Slope per the reference case. The design basis will include all facilities necessary to deliver compressed and chilled utility grade natural gas to the pipeline inlet. Flow rates and compositions of all feed, product, and by-product streams will be identified. Applicable codes and standards will be identified. Facilities and supporting infrastructure will be described to a level only as required to support project permitting and cost estimation.

C-02 Develop NGL Extraction Specifications (WAW)

Specifications for major components of the NGL Extraction Plant will be developed from information in the NGL plant design basis. Specifications will be developed in conjunction with cost estimation and project permitting only to the detail required to support these activities. Specifications will include a block flow diagram and process flow diagram with overall material balance including fuel. A rough site plan showing module layout and connections to existing infrastructure will be developed. A preliminary design will not be done.

C-03 Estimate NGL Extraction Costs (WAW)

A $\pm 50\%$ capital cost estimate with corresponding non-fuel operating cost estimate will be developed for the NGL Extraction Plant based upon NGL Plant specifications. Capital costs will be based on use of modules typical of North Slope construction and will include module transport to the site.

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SCOPE DESCRIPTION

D **NORTH SLOPE INFRASTRUCTURE**

D-01 **Develop North Slope Infrastructure Design Basis** (DGS)

A design basis will be developed for the north slope infrastructure that will be associated with the conditioning plant and the NGL extraction plant. It will follow standard practice for BP operations near the existing gas handling facilities. A review of these design standards will be performed in consultation with BP.

D-02 **Develop North Slope Infrastructure Concepts** (DGS)

Infrastructure design will support the main GTP and NGL Extraction Facility complex and will be dependent on the layout of those facilities. Features that will drive the design include main and injection pipeline routing, access to the road system and power grid, proximity to existing facilities, and permitting issues. Photogrammetric level mapping will be required for the layouts. The conceptual design process will be iterative and may require several cycles and several concepts to settle the design. A basic cost estimate will be developed to aid in decision making, but the main facility cost will overshadow infrastructure cost.

D-03 **Develop North Slope Infrastructure Design** (DGS)

Prefeasibility-level design efforts will involve a modest improvement of the conceptual level design. Some local, up-to-date as-builts may be required to determine tie-in points of existing facilities. Plans will be developed to the level necessary to determine quantity takeoffs.

D-04 **Estimate North Slope Infrastructure Costs** (DGS)

For the associated pipelines, pads, roads, injection wells, power generation, and other necessary infrastructure facilities, relevant unit quantities will be determined and tabulated. Capital and operating costs will be calculated on a unit cost basis from historical cost databases for the North Slope.

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SCOPE DESCRIPTION

E PIPELINE & COMPRESSORS

E-01 Develop Gas Market Projection (JJL)

A gas-needs market projection will be prepared for use in sizing the Alaska Stand-Alone Gas Pipeline. Information from this summary will be used to determine the throughput and ramp-up requirements of the system. In general, the pipeline throughput will be the difference between the estimated market projections (Fairbanks/Interior AK, Cook Inlet Utilities, LNG-Nikiski, Agrium-Nikiski, and other potential prospects) and existing gas contracts for Cook Inlet area gas, projected annually over the life of the pipeline. One key assumption is that annual usage will be normalized across each year through storage adequate to address peak usage and backup supply needs.

E-02 Establish Reference Flow Rate (WAW)

A schedule of annual pipeline flow rates for the reference case will be developed for use in pipeline hydraulic simulations and specification of attendant gas handling facilities. Annual pipeline flow will be estimated as the difference between projected Cook Inlet demand and supply, both of which will be developed via other items in the Action Plan. Annual flows will be expressed in volumetric and thermal (BTU) rates to allow adjustment based on pipeline gas heating value. Reference case flow will include gas to Fairbanks.

E-03 Establish Pipeline Design Basis (MCM)

A pipeline design basis will be established for a reference case from Prudhoe Bay to Cook Inlet. The basis for design will address the basic criteria and general guidelines under which the gas pipeline will be designed and constructed. The document will include average daily gas flow rate, pipe diameter, operating pressure, grade of steel, compressor and metering facilities, routing criteria, environmental data, hydrologic data, geotechnical data, construction and operational philosophy, construction scheduling and seasonal constraints. Additionally, the design basis will include a listing of applicable regulations, codes, and standards.

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E-04 **Design Pipeline System** (MCM)

The pipeline conceptual design will utilize the pipeline design basis to complete a mile-by-mile conceptual design for input to a +/- 30% defensible cost estimate. The pipeline design will be based on terrain unit/landform mapping, permafrost mapping, digital elevation model, longitudinal slopes, cross slopes, and other derived data. The mile-by-mile design will be summarized to include compressor station locations, recommended construction season, anticipated soil and thermal conditions, pressure profile, temperature profile, ditch type, erosion control, civil grading requirements and quantities, material sites, temporary facilities sites, river crossings, road crossings, facility crossings, and an assessment of geohazards. The format of the final document will be coordinated with the pipeline cost estimate team, but will include alignment sheets and design segment summary.

E-05 **Estimate Pipeline System Costs** (MCM)

A prefeasibility level cost estimate will be developed using the mile-by-mile pipeline design. The pipeline design will be provided as alignment sheets and in a spreadsheet format to facilitate the development of a defensible cost estimate. The cost estimate format will be itemized and as a crewed-up estimate.

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SCOPE DESCRIPTION

F FAIRBANKS

F-01 Develop Fairbanks & Interior Projection (JJL)

A summary of the expected gas use for Fairbanks and interior Alaska will be assembled to be used for input to the overall gas needs for the Alaska Stand-Alone Gas Pipeline. Estimation of loads for the Fairbanks area will be based on quantities provided directly from the Fairbanks area utilities (Fairbanks Natural Gas, Golden Valley Electric Association, University of Alaska Fairbanks, and the local military bases), a study of the potential gas customers along each potential pipeline corridor (Parks Highway and Richardson/Glenn Highway), and work that has been compiled by Northern Economics. Information from this projection will feed into the overall market projection for the project.

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SCOPE DESCRIPTION

G **COOK INLET - UTILITIES**

G-01 **Develop Cook Inlet Utilities Projection** (JL)

A summary of the expected gas use in the Cook Inlet area will be prepared for use in estimating the overall gas needs for the Alaska Stand-Alone Gas Pipeline. This summary will include demand projections that have been assembled from ENSTAR and the local power utilities (Matanuska Electric Association, Chugach Electric Association, Municipal Light and Power, and Homer Electric Association). Information from this projection will feed into the overall market projection for the project.

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SCOPE DESCRIPTION

H COOK INLET - INDUSTRIAL

H-01 Establish Projection Criteria (JL)

Criteria will be established to use as a guideline when projecting the gas requirements for areas where gas service will be provided from the proposed Alaska Stand-Alone Gas Pipeline. The criteria will establish the assumed user growth rates as well as a build-out schedule. Assumptions are that the gas storage necessary to allow utility loads to be consistent throughout the year will be in place.

H-02 Develop Agrum Projection (SMW)

A preliminary plan will be developed that will establish baseline projections for gas usage at the Agrum's Kenai Nitrogen Operations facility. The plan will include daily as well as annual projections and corresponding delivery schedules.

H-03 Develop LNG Export Projection (DMC)

The potential capacity of the LNG Plant that could be available beginning in the 2016 timeframe will be determined. It will be assumed that the LNG Plant could take supplies from either the pipeline from the North Slope or Cook Inlet area fields. The described capacity will reflect what could be achieved assuming that necessary investments are made and customer support through appropriate commercial arrangements.

H-04 Develop Cook Inlet Supply Projection (JL)

A summary of Cook Inlet gas reserves will be assembled for use in the determination of gas needs for south-central and interior Alaska. Data will be first compiled from current reserve information sources. Second, future supply/reserve projections will be developed by assigning a probability to geotechnical estimates. This information will be used to help determine the gas flow ramp-up for the Alaska Stand-Alone Gas Pipeline.

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J **POSSIBLE USERS**

J-01 **Develop Possible Users Projection** (KRP)

Possible major natural gas users not already active in the Stand-Alone Gas Project will be identified. The associated gas specifications and projected annual consumption will be determined. Possible delivery methods and infrastructure needed to deliver the gas will be identified. It is anticipated this data will be used for inclusion in a ramp-up schedule for the pipeline under the future possibility category.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCOPE DESCRIPTION

K PERMITTING

K-01 Execute Alternative Routing Analysis (HAN)

There are two major pipeline route alternatives south of Fairbanks, following either the Richardson Highway or the Parks Highway. An alternative routing analysis will compare the capital costs, people served, and potential environmental impacts of each route and a report will be produced.

K-02 Define Alternatives (HAN)

A specific report along with drawings will be produced to identify localized routing options. Those areas include the Minto Flats area, Denaili Park area and Sheep Mountain. The best route option will be determined.

K-03 Establish Reference Project Footprint (HAN)

A pipeline corridor will be established from Prudhoe Bay to the Cook Inlet. This corridor will be 2500 ft wide and will include both major pipeline route alternatives. Support facilities such as compressor stations, construction camps, and lay-down areas will be described but not specifically sited.

K-04 Develop Project Description (HAN)

A permitting level project description will be prepared to present an overview of the project including alternatives considered and rejected, pipeline routing, and general description of support facilities needed to operate the pipeline. In addition, this document will describe the general approach to construction and it will include a schedule.

K-05 Develop Regulatory & Environmental Strategy (HAN)

A report outlining the Permitting Plan for the project will be produced. The key element will be the role of the FERC. The second major issue will be the level of detail needed for information during the EIS process.

K-06 Request FERC Jurisdictional Determination (HAN)

A formal request will be made to the FERC to define their jurisdiction.

K-07 Obtain EIS Memorandum of Understanding (HAN)

A MOU will be written between the Federal lead agency and the applicant. The MOU will define how the permit process will be managed, the schedule, and how the other Federal and State agencies will be involved in the process.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCOPE DESCRIPTION

K-08 **Execute EIS Process** (HAN)

The EIS process will include scoping, preparation of a draft and final EIS, and a record of the decision.

K-09 **Estimate Enviro-Permitting Costs** (KRP)

The scope of major environmental permitting activities will be established according to the outcome of FERC versus RCA determination. Ongoing environmental tasks required for permit maintenance during the operating phase of the pipe line will be identified. The level of project decommissioning for final close-out will be described. Estimates will be prepared for the initial permitting for capital cost purposes, the ongoing environmental costs for operating cost purposes, and the closure costs. The level of precision will be the same as the Stand-Alone Gas Project Report. The estimates will be included in the capital estimates.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCOPE DESCRIPTION

L ALTERNATIVES

L-01 Develop Liquid Demand Forecast (MWM)

A liquid demand forecast will be developed that will describe a most likely 30-year outlook for in-State liquid and export opportunities. The forecast will include high-side and low-side outlooks based on existing demand and the probability of additional demand developing. The liquid forecast will also consider the potential location of each potential demand.

L-02 Develop Alternate Gas Market Projections (DMC)

A projection of possible markets in which to place ethane will be determined based on the potential volumes that could be supplied by the Stand-Alone Gas Project. Both domestic and export markets will be considered. Existing methane markets will be investigated as to their ability to take this heavier hydrocarbon component.

L-03 Develop Alternate Project Scenarios (WAW)

Alternate project scenarios to the reference case will be developed in conjunction with the Commercial Team with the goal of enhancing project viability. Alternates will address gas markets and potentially new gas supplies in the interior of Alaska as well as transport of North Slope NGL if this becomes available in the future. Overall project material balances will be developed for alternate scenarios. Capital and operating costs for alternate scenarios will be factored from capital costs developed for the reference case. New facility capital and operating costs will be developed if alternatives differ significantly from the reference case.

ACTION PLAN for a **PREFEASIBILITY STUDY**
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCHEDULE

SCHEDULE FORMATS

The *Prefeasibility Master Schedule* for the *Stand-Alone Gas Project* is presented in this report in three different formats:

- A 2-page tabulation of the work packages which describes the early start and finish dates, the late start and finish dates, the duration, and the total float for each activity; it is included on Pages 3-02 to 3-03 of this report.
- A 4-page detailed bar chart, in color, of all work packages sorted by program areas. It is a simple and clear presentation of all of the work packages, sorted in the usual early-start, early-finish fashion; it can be found following Page 3-03.
- A large Time-Scaled Logic Diagram of all work packages, grouped by Work Areas. This format is similar to the bar charts above, but it is a large, fold-out version. It is included in a plastic pocket in the back of certain Action Plan reports, flagged by an asterisk (*) behind the names on the Letter of Transmittal.

ACTION PLAN for a PREFEASIBILITY STUDY
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCHEDULE

Activity ID	Activity Description	Early Start	Early Finish	Late Start	Late Finish	Original Duration	Total Float
A PROJECT ADMINISTRATION							
A-01	Develop Project OrChart	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-02	Develop Points of Contact	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-03	Develop RASCI Matrix	29-Jun-09	17-Jul-09	29-Jun-09	17-Jul-09	15	0
A-04	Develop Level 2 Schedules	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
A-05	Develop Project Execution Strategy	22-Jun-09	24-Jul-09	01-Oct-09	04-Nov-09	25	73
A-06	Execute Constructability Review	22-Jun-09	14-Aug-09	17-Sep-09	11-Nov-09	40	63
A-07	Develop Project Execution Plan	05-Nov-09	09-Dec-09	05-Nov-09	09-Dec-09	25	0
A-08	Develop Logistics Plan	24-Sep-09	16-Dec-09	24-Sep-09	16-Dec-09	60	0
A-09	Establish Basis of Estimates	19-Nov-09	13-Jan-10	19-Nov-09	13-Jan-10	30	0
A-10	Assemble Cost Estimates	25-Feb-10	10-Mar-10	25-Feb-10	10-Mar-10	10	0
A-11	Establish Commercial Parameters	22-Jun-09	17-Jul-09	11-Feb-10	10-Mar-10	20	158
A-12	Estimate Reference Project Cost	11-Mar-10	24-Mar-10	11-Mar-10	24-Mar-10	10	0
A-13	Execute Reference Project Cost Reviews	25-Mar-10	31-Mar-10	25-Mar-10	31-Mar-10	5	0
A-14	Execute Reference Project Commercial Reviews	25-Mar-10	31-Mar-10	25-Mar-10	31-Mar-10	5	0
A-15	Develop Project Scenario Matrix	01-Apr-10	21-Apr-10	01-Apr-10	21-Apr-10	15	0
A-16	Develop Alternate Scenario Cost Estimates	22-Apr-10	05-May-10	22-Apr-10	05-May-10	10	0
A-17	Develop Draft Prefeasibility Report	04-Feb-10	12-May-10	04-Feb-10	12-May-10	70	0
A-18	Review Draft Prefeasibility Report	13-May-10	26-May-10	13-May-10	26-May-10	10	0
A-19	Finalize & Issue Prefeasibility Report	27-May-10	09-Jun-10	27-May-10	09-Jun-10	10	0
B CONDITIONING PLANT							
B-01	Develop Conditioning Design Basis	13-Aug-09	26-Aug-09	10-Sep-09	23-Sep-09	10	20
B-02	Develop Conditioning Plant Specifications	27-Aug-09	23-Sep-09	29-Oct-09	25-Nov-09	20	45
B-03	Estimate Conditioning Plant Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
C NGL EXTRACTION							
C-01	Establish NGL Extraction Design Basis	13-Aug-09	26-Aug-09	10-Sep-09	23-Sep-09	10	20
C-02	Develop NGL Extraction Specifications	27-Aug-09	23-Sep-09	29-Oct-09	25-Nov-09	20	45
C-03	Estimate NGL Extraction Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
D NORTH SLOPE INFRASTRUCTURE							
D-01	Develop North Slope Infrastructure Design Basis	16-Jul-09	09-Sep-09	13-Aug-09	07-Oct-09	40	20
D-02	Develop North Slope Infrastructure Concepts	10-Sep-09	07-Oct-09	08-Oct-09	04-Nov-09	20	20
D-03	Develop North Slope Infrastructure Design	17-Sep-09	28-Oct-09	15-Oct-09	25-Nov-09	30	20
D-04	Estimate North Slope Infrastructure Costs	14-Jan-10	24-Feb-10	14-Jan-10	24-Feb-10	30	0
E PIPELINE & COMPRESSORS							
E-01	Develop Gas Market Projection	02-Jul-09	15-Jul-09	02-Jul-09	15-Jul-09	10	0
E-02	Establish Reference Flow Rate	16-Jul-09	12-Aug-09	16-Jul-09	12-Aug-09	20	0
E-03	Establish Pipeline Design Basis	13-Aug-09	16-Sep-09	13-Aug-09	16-Sep-09	25	0
E-04	Design Pipeline System	27-Aug-09	02-Dec-09	27-Aug-09	02-Dec-09	70	0
E-05	Estimate Pipeline System Costs	14-Jan-10	10-Feb-10	28-Jan-10	24-Feb-10	20	10

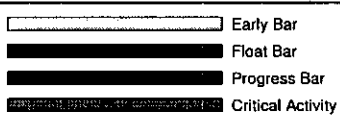
ACTION PLAN for a PREFEASIBILITY STUDY
of the
STAND-ALONE GAS PROJECT
State of Alaska

SCHEDULE

Activity ID	Activity Description	Early Start	Early Finish	Late Start	Late Finish	Original Duration	Total Float
F	<u>FAIRBANKS</u>						
F-01	Develop Fairbanks & Interior Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
G	<u>COOK INLET -- UTILITIES</u>						
G-01	Develop Cook Inlet Utilities Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H	<u>COOK INLET -- INDUSTRIAL</u>						
H-01	Establish Projection Criteria	22-Jun-09	03-Jul-09	22-Jun-09	03-Jul-09	10	0
H-02	Develop Agrium Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H-03	Develop LNG Export Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
H-04	Develop Cook Inlet Supply Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
J	<u>POSSIBLE USERS</u>						
J-01	Develop Possible Users Projection	06-Jul-09	08-Jul-09	06-Jul-09	08-Jul-09	3	0
K	<u>PERMITTING</u>						
K-01	Execute Alternative Routing Analysis	22-Jun-09	14-Aug-09	26-Oct-09	18-Dec-09	40	90
K-02	Define Alternatives	22-Jun-09	17-Jul-09	23-Nov-09	18-Dec-09	20	110
K-03	Establish Reference Project Footprint	22-Jun-09	14-Aug-09	26-Oct-09	18-Dec-09	40	90
K-04	Develop Project Description	26-Oct-09	29-Jan-10	26-Oct-09	29-Jan-10	60	0
K-05	Develop Regulatory & Environmental Strategy	22-Jun-09	14-Aug-09	21-Sep-09	13-Nov-09	40	65
K-06	Request FERC Jurisdictional Determination	20-Jul-09	09-Oct-09	19-Oct-09	22-Jan-10	60	65
K-07	Obtain EIS Memorandum of Understanding	21-Sep-09	16-Oct-09	04-Jan-10	29-Jan-10	20	65
K-08	Execute EIS Process	01-Feb-10	28-Jan-11	01-Feb-10	28-Jan-11	250	0
K-09	Estimate Enviro-Permitting Costs	14-Jan-10	10-Feb-10	28-Jan-10	24-Feb-10	20	10
L	<u>ALTERNATIVES</u>						
L-01	Develop Liquid Demand Forecast	22-Jun-09	11-Sep-09	22-Jun-09	11-Sep-09	60	0
L-02	Develop Alternate Gas Market Projections	14-Sep-09	09-Oct-09	14-Sep-09	09-Oct-09	20	0
L-03	Develop Alternate Project Scenarios	12-Oct-09	18-Dec-09	12-Oct-09	18-Dec-09	50	0

Activity ID	Orig Dur	Early Start	Early Finish	Total Float	2009							2010			2011
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
STAND-ALONE GAS PROJECT															
A PROJECT ADMINISTRATION															
A-01	10	22JUN09	03JUL09	0	Develop Project OrChart										
A-02	10	22JUN09	03JUL09	0	Develop Points of Contact										
A-03	15	29JUN09	17JUL09	0	Develop RASCI Matrix										
A-04	10	22JUN09	03JUL09	0	Develop Level 2 Schedules										
A-05	25	22JUN09	24JUL09	73	Develop Project Execution Strategy										
A-06	40	22JUN09	14AUG09	63	Execute Constructability Review										
A-07	25	05NOV09	09DEC09	0	Develop Project Execution Plan										
A-08	60	24SEP09	16DEC09	0	Develop Logistics Plan										
A-09	30	19NOV09	13JAN10	0	Establish Basis of Estimates										
A-10	10	25FEB10	10MAR10	0	Assemble Cost Estimates										
A-11	20	22JUN09	17JUL09	158	Establish Commercial Parameters										
A-12	10	11MAR10	24MAR10	0	Estimate Reference Project Cost										
A-13	5	25MAR10	31MAR10	0	Execute Reference Project Cost Reviews										
A-14	5	25MAR10	31MAR10	0	Execute Reference Project Commercial Reviews										
A-15	15	01APR10	21APR10	0	Develop Project Scenario Matrix										

Start Date 22JUN09
 Finish Date 28JAN11
 Data Date 22JUN09
 Run Date 25JUN09 08:55



STA2 Sheet 1 of 4

STAND-ALONE GAS PROJECT
 State of Alaska
 PREFEASIBILITY MASTER SCHEDULE



Activity ID	Orig Dur	Early Start	Early Finish	Total Float	2009				2010				2011	
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
A PROJECT ADMINISTRATION														
A-16	10	22APR10	05MAY10	0										
A-17	70	04FEB10	12MAY10	0										
A-18	10	13MAY10	26MAY10	0										
A-19	10	27MAY10	09JUN10	0										
B CONDITIONING PLANT														
B-01	10	13AUG09	26AUG09	20										
B-02	20	27AUG09	23SEP09	45										
B-03	30	14JAN10	24FEB10	0										
C NGL EXTRACTION														
C-01	10	13AUG09	26AUG09	20										
C-02	20	27AUG09	23SEP09	45										
C-03	30	14JAN10	24FEB10	0										
D NORTH SLOPE INFRASTRUCTURE														
D-01	40	16JUL09	09SEP09	20										
D-02	20	10SEP09	07OCT09	20										
D-03	30	17SEP09	28OCT09	20										
D-04	30	14JAN10	24FEB10	0										
E PIPELINE & COMPRESSORS														
E-01	10	02JUL09	15JUL09	0										
E-02	20	16JUL09	12AUG09	0										

Activity ID	Orig Dur	Early Start	Early Finish	Total Float	Timeline											
					2009				2010				2011			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
E PIPELINE & COMPRESSORS																
E-03	25	13AUG09	16SEP09	0	Establish Pipeline Design Basis											
E-04	70	27AUG09	02DEC09	0	Design Pipeline System											
E-05	20	14JAN10	10FEB10	10	Estimate Pipeline System Costs											
F FAIRBANKS																
F-01	3	06JUL09	08JUL09	0	Develop Fairbanks & Interior Projection											
G COOK INLET - UTILITIES																
G-01	3	06JUL09	08JUL09	0	Develop Cook Inlet Utilities Projection											
H COOK INLET - INDUSTRIAL																
H-01	10	22JUN09	03JUL09	0	Establish Projection Criteria											
H-02	3	06JUL09	08JUL09	0	Develop Agrium Projection											
H-03	3	06JUL09	08JUL09	0	Develop LNG Export Projection											
H-04	3	06JUL09	08JUL09	0	Develop Cook Inlet Supply Projection											
J POSSIBLE USERS																
J-01	3	06JUL09	08JUL09	0	Develop Possible Users Projection											
K PERMITTING																
K-01	40	22JUN09	14AUG09	90	Execute Alternative Routing Analysis											
K-02	20	22JUN09	17JUL09	110	Define Alternatives											
K-03	40	22JUN09	14AUG09	90	Establish Reference Project Footprint											
K-04	60	26OCT09	29JAN10	0	Develop Project Description											
K-05	40	22JUN09	14AUG09	65	Develop Regulatory & Environmental Strategy											

Activity ID	Orig Dur	Early Start	Early Finish	Total Float	2009			2010				2011	
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
K PERMITTING													
K-06	60	20JUL09	09OCT09	65		Request FERC Jurisdictional Determination							
K-07	20	21SEP09	16OCT09	65		Obtain EIS Memorandum of Understanding							
K-08	250	01FEB10	28JAN11	0				Execute EIS Process					
K-09	20	14JAN10	10FEB10	10				Estimate Enviro-Permitting Costs					
L ALTERNATIVES													
L-01	60	22JUN09	11SEP09	0	Develop Liquid Demand Forecast								
L-02	20	14SEP09	09OCT09	0		Develop Alternate Gas Market Projections							
L-03	50	12OCT09	18DEC09	0		Develop Alternate Project Scenarios							

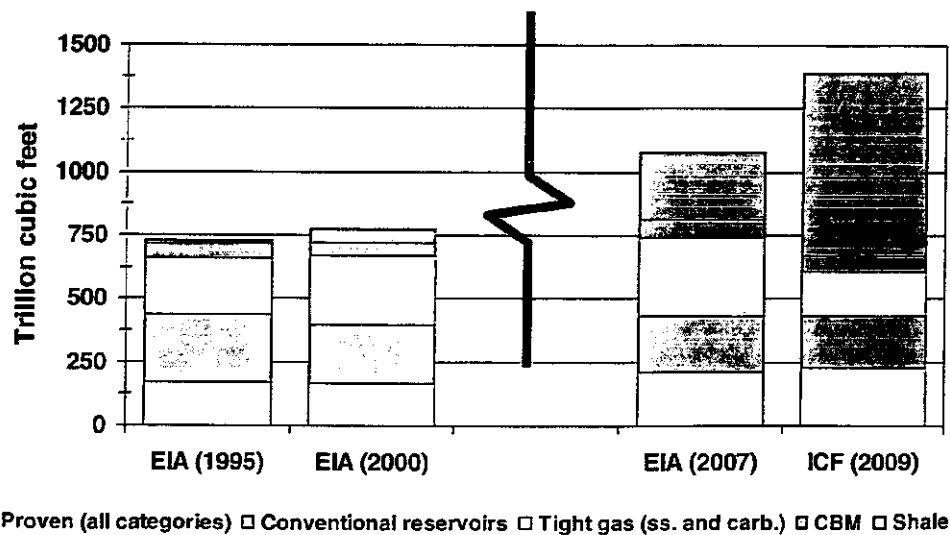
The Future of Alaska's Natural Gas

By Ted Stevens

March 12, 2010

Briefing to the members of
Commonwealth North

U.S. Natural Gas Reserves and Resources (Excluding Alaska, Undiscovered and Associated Gas)

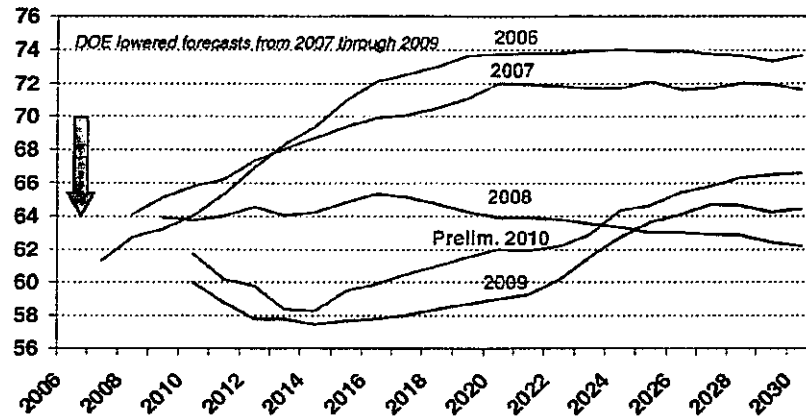


Proven = SEC Proven reserves; all other categories shown are technically recoverable resources
 EIA = Data from U.S. Department of Energy, Energy Information Agency "Annual Energy Outlook"; data are as of
 January 1 of year indicated; 2007 data published in 2009 report
 ICF = Data from March 2009 "ICG U.S. Play Level Gas Development Resource Cost" report

DOE U.S. Natural Gas Demand Forecasts

2006 – 2010 Annual Energy Outlooks

BCFD

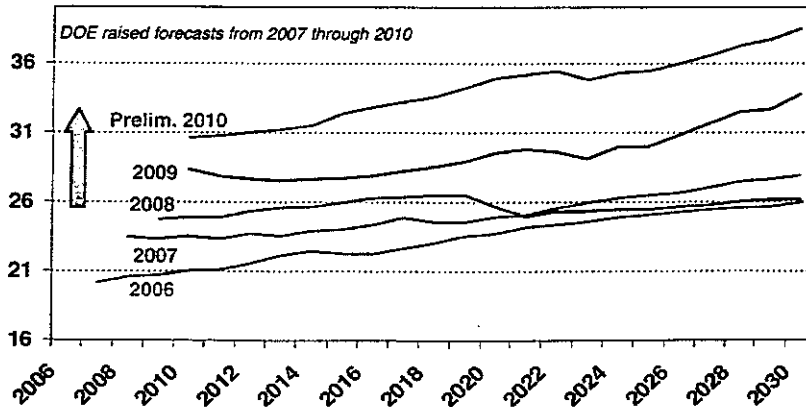


Source: U.S. Department of Energy, EIA Annual Energy Outlooks, 2006-2010

DOE U.S. Lower 48 Unconventional Natural Gas Production Forecasts

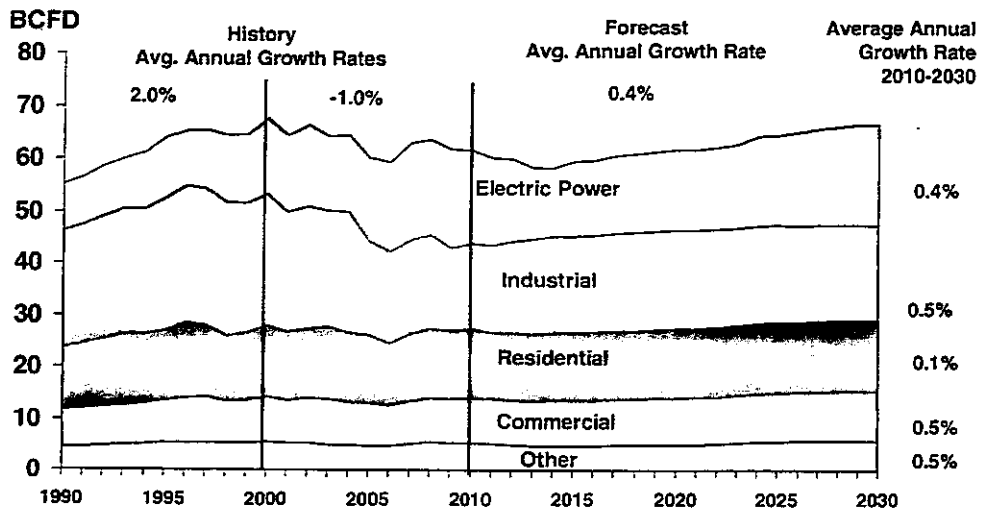
2006 – 2010 Annual Energy Outlooks

BCFD



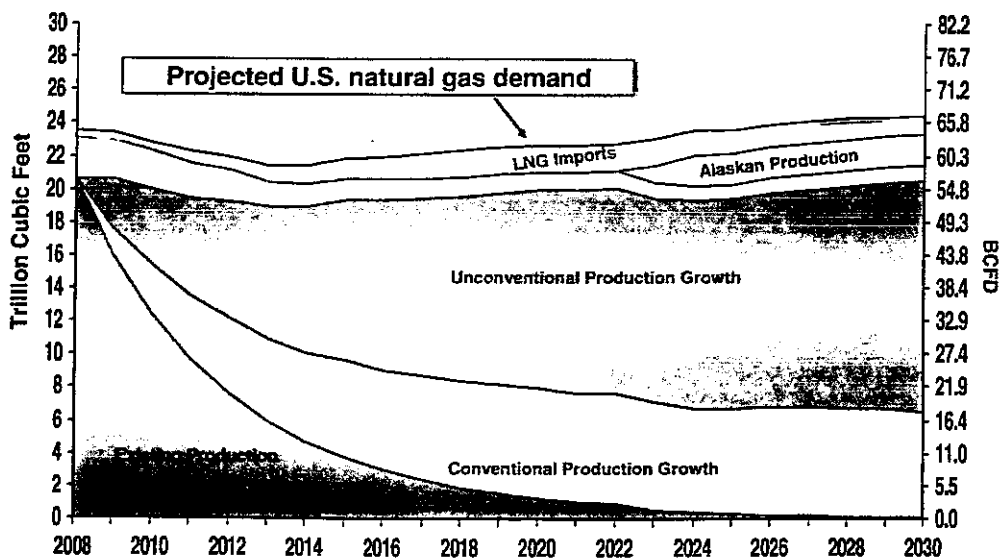
Source: U.S. Department of Energy, EIA Annual Energy Outlooks, 2006-2010

U.S. Natural Gas Demand By Sector Case w/o Carbon Regulation



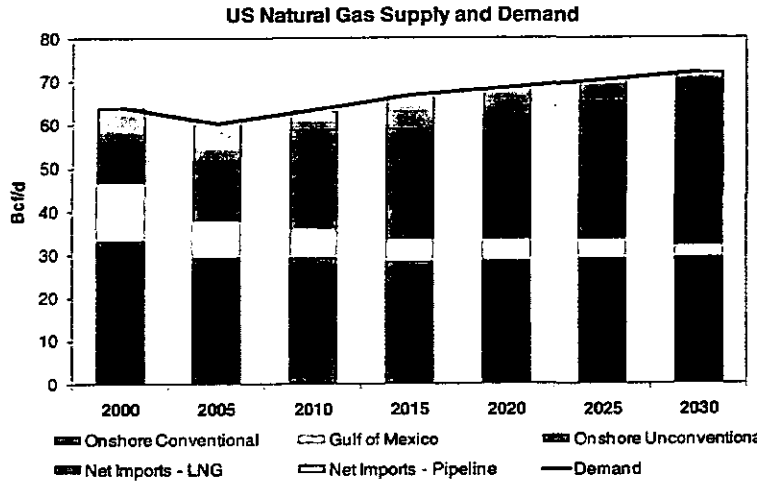
Source: U.S. DOE, EIA, Annual Energy Outlook 2010

Natural Gas Supply Sources



Source: U.S. DOE, EIA Annual Energy Outlook, 2010

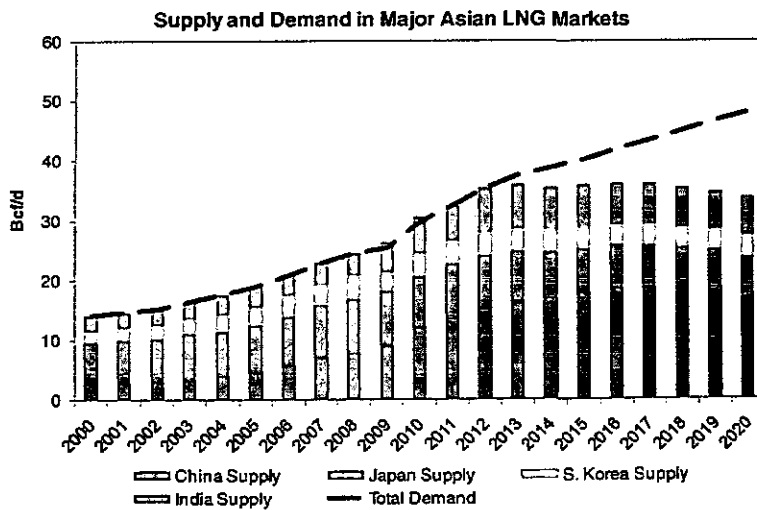
US Production Growth Will Continue, Driven by Unconventional Gas



- Growth in unconventional gas production is expected to allow the US to meet demand despite declines in conventional onshore and the Gulf of Mexico (GOM)
- LNG imports are expected to grow as pipeline imports from Canada decline, but the overall need for imports is forecasted to decline

US Natural Gas Supply and Demand | PFC Energy | Page 2

Asia: Forecasted Gas Supply and Demand



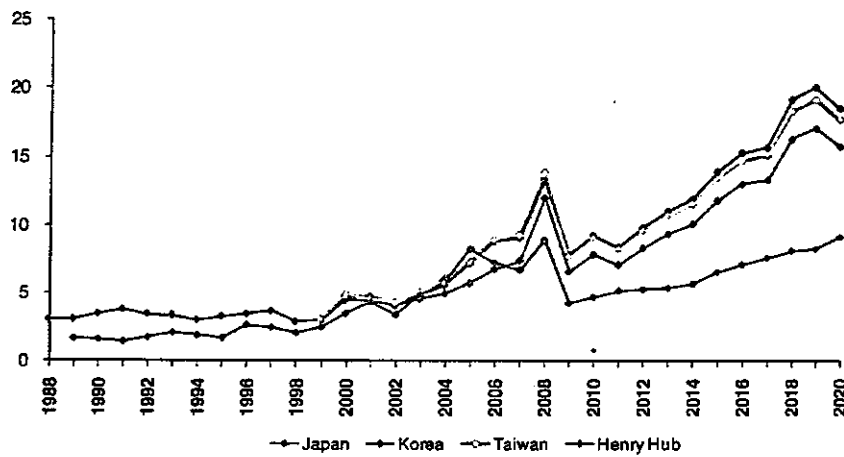
- Overall, the gap between forecasted demand and currently contracted supply in the major Pacific Basin LNG markets is ~14 bcf/d by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 4

Higher Gas Prices in Asia Make LNG the Better Value Proposition



Historical and Forecasted Gas Prices: Henry Hub (US) vs. Asia



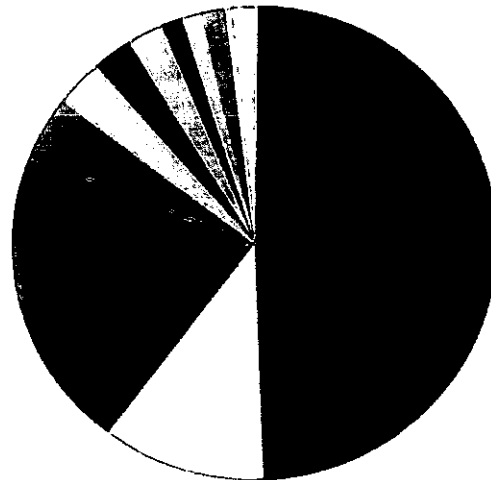
- In the US, gas is a traded commodity with robust growth on the supply side, while in Asia LNG prices are defined by long-term contracts linked to the price of oil
- The price differential between the US and Japan, currently ~\$2.00/MMBtu, is forecasted to grow to ~\$6.00-\$8.00/MMBtu by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 5

Japan and South Korea Import Nearly Half of the World's LNG; China and India are the Fastest-Growing Markets



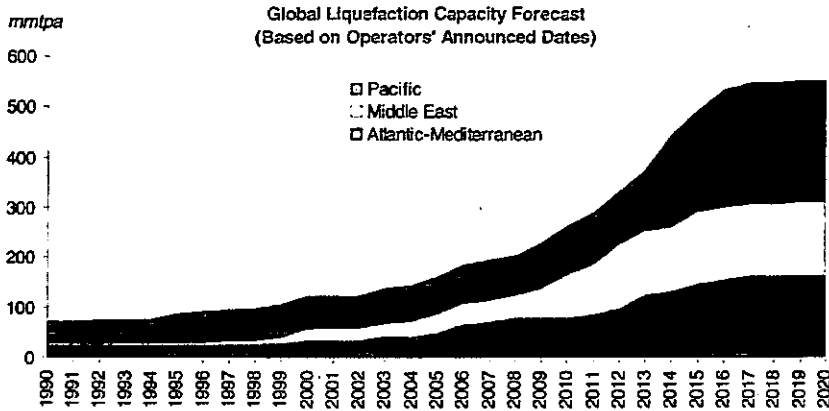
LNG Imports by Country in 2009 (183 mmtpa)



- Japan
- South Korea
- Spain
- France
- India
- US
- Taiwan
- UK
- China
- Belgium
- Turkey
- Mexico
- Italy
- Portugal
- Canada
- Argentina
- Kuwait
- Greece
- Puerto Rico
- Brazil
- Chile
- Dominican Republic

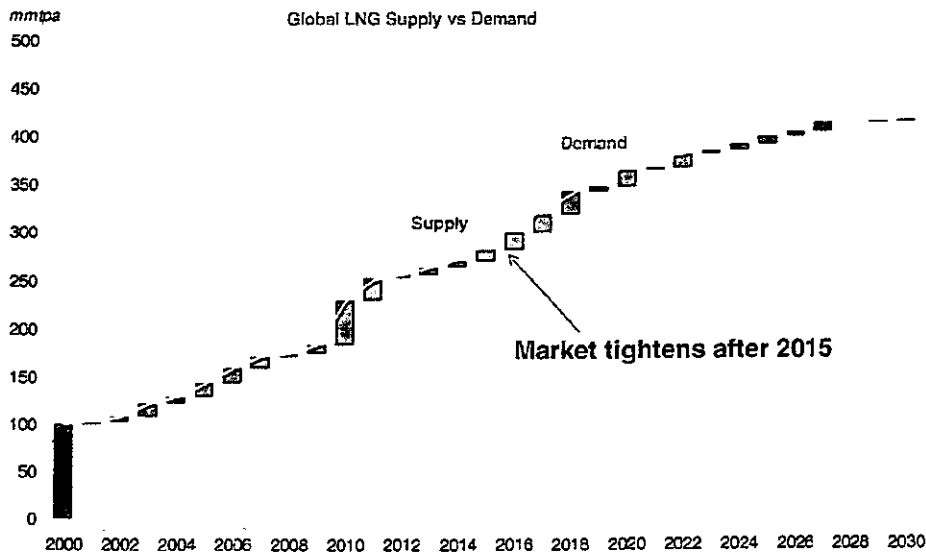
US Natural Gas Supply and Demand | PFC Energy | Page 6

Global Liquefaction Capacity Forecast

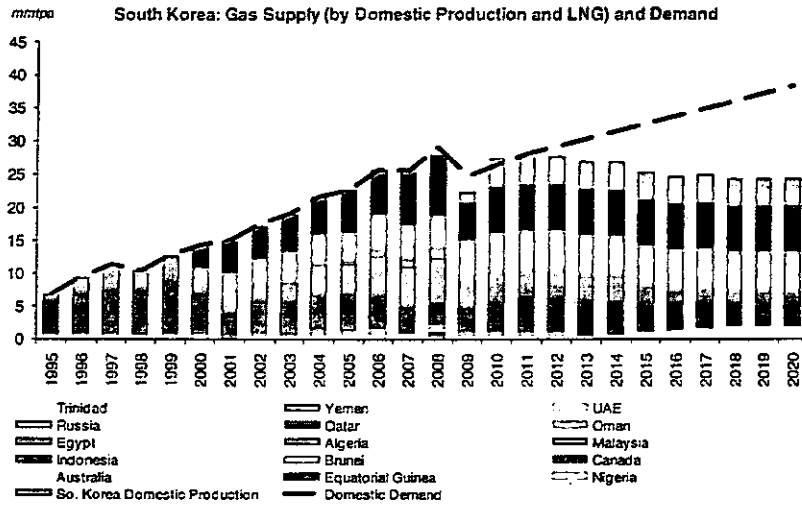


According to company plans, global liquefaction capacity will grow from 262 mtpa in 2010 to over 550 mtpa in 2020

LNG Supply / Demand Balance



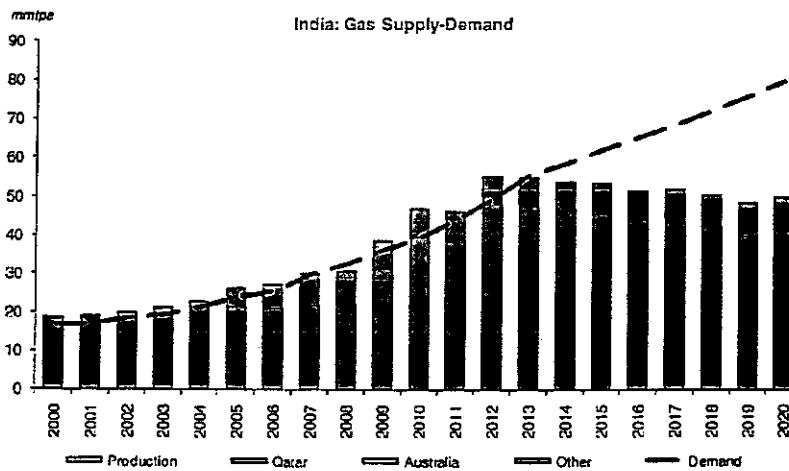
South Korea: Forecasted Gas Supply and Demand



- Korea is supplied almost exclusively by LNG, which it buys primarily under long-term contracts from a variety of suppliers
- Contracted LNG supply declines after 2011, leaving a projected gap of ~14 mmtpa (~1.8 bcf/d) by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 17

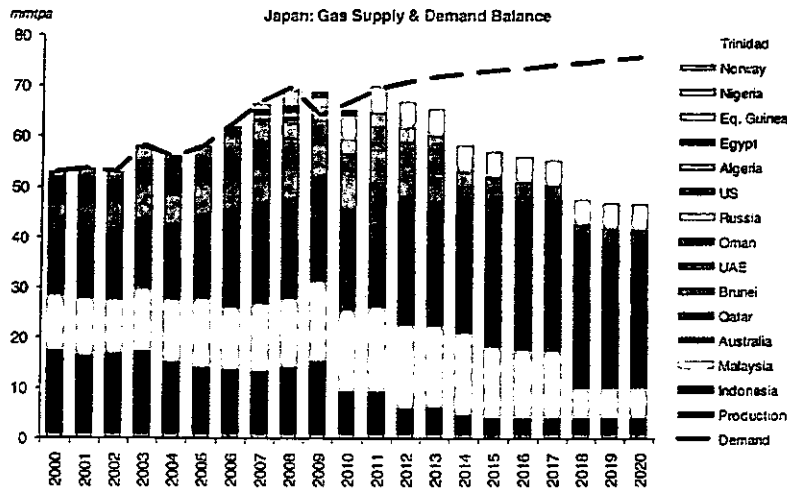
India: Forecasted Gas Supply and Demand



- Indian gas production is rising via Reliance's KG Basin fields, limiting short-term LNG demand
- However, a gap of ~30 mmtpa (~4 bcf/d) is forecasted by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 18

Japan: Forecasted Gas Supply and Demand



- Japan is supplied almost exclusively by LNG, which it buys primarily under long-term contracts from a variety of suppliers (including Alaska)
- Contracted LNG supply declines after 2011, leaving a projected gap of ~44 mmtpa (~5.8 bcf/d) by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 16

China: Forecasted Gas Supply and Demand



- Chinese domestic gas production is forecasted to plateau at ~80 mmtpa (~11 bcf/d)
- Contracted gas imports are increasing, but a supply gap begins to develop after 2015, reaching ~35 mmtpa (~4.6 bcf/d) by 2020

US Natural Gas Supply and Demand | PFC Energy | Page 15



The Future of Alaska's Natural Gas

By Ted Stevens

March 12, 2010

Briefing to the members of
Commonwealth North

SEAN PARNELL
Governor



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(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR

February 19, 2010

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Legislators,

This is my first opportunity to address a full month of program activity for the in-state gas line project. The new reporting format below is designed to help you easily track activities and progress. As always, I welcome your feedback.

In January, I was focused on the necessary review of this complex program, and the work team remained focused on moving critical action items forward. I congratulate them for their diligence in staying on task, on time, and under budget.

In my initial review, I identified a number of project risks requiring immediate attention. As a result, a significant amount of time and effort was expended to reduce or mitigate any potential detrimental affects posed by the risks. Nevertheless, the team worked hard to stay on task, and to date, no deadlines or milestones were missed as a result of this extended transition period. I am pleased to report that forward progress was significant and we remain on track.

The outline below provides an executive summary of in-state gas project activities that occurred during the month of January. Furthermore, I have included an overview of planned project activities over the coming months.

I. Project Results for January 2010:

- We are making significant progress on the final Project Description. This involves calculating the pipeline configurations and material quantities in preparation for pipeline and facilities cost estimating phase, beginning on March 15. Also, development of capital cost quantity calculations, analysis of civil quantity, construction logistics, and material costs have been initiated.
- Subcontractors are working on finalizing facilities schematic variations that will provide data for cost modeling efforts by Larkspur. This information is the first estimate of over 40 separate facilities construction cost estimates that will feed into the final project cost matrix.

- The project team has continued work for the Environmental Impact Study (EIS) being conducted under the oversight of the U.S. Army Corps of Engineers. The information that has been collected and updated includes extensive landowner and stakeholder databases, the transcripts and comments of all scoping meetings held, and the drafting of the scoping report.
- Coordination for establishing an agreement with the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Continued to incorporate data into the electronic library for use by contractors and regulators.

The project expenses for the month of January were \$511,872. Total expenditures for the project to date are \$3,175,710.

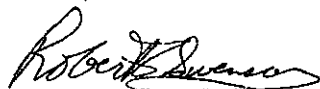
II. Below is an overview of planned activities:

- Finalize data agreement with ENSTAR Natural Gas Company; coordinate permitting and Right-of-Way (ROW) application efforts with the Alaska Natural Gas Development Authority and work with federal and State regulatory bodies to minimize duplication of effort; identify additional data-mining opportunities so pertinent information from previous permitting efforts is used where appropriate (these two activities have the potential to save over a million dollars of State funds); and prepare work plans for summer 2010 environmental and geohazards field work.
- Hold two-day workshop to calibrate cost of transportation analysis and further refine remaining FY10 program focus; re-initiate and broaden contacts with commercial working group to identify potential upstream supply and downstream market opportunities; meet with potential pipeline companies to overview program progress and solicit feedback; and initiate cost of service modeling and refine construction schedules for commercial and economic feasibility modeling.
- Support on-going EIS and ROW activity and address project concerns and questions; continue to refine project and permit schedules as necessary; address scoping extension reports; provide background for purpose and need reports; finalize draft wetlands report; and finalize contract for new engineering project oversight manager.

Like any review of this magnitude, communication and collaboration with other agencies will be a huge component for success. The Governor's goal of consistently evaluating all potential energy projects will be accomplished through attention to details and diligence in providing consistent peer-reviewed work product. Focused plans and transparency of scope in the near term will ultimately pay significant dividends as Alaska defines its bright energy future.

Alaska State Legislature
February 19, 2010
Page 3

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert Swenson".

Robert Swenson
Project Manager
Alaska In-State Natural Gas Line

Enclosures

Alaska In-State Gas Pipeline Project January 2010

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Summary of Project Activities for January 2010

ASRC

- Continued work on the Environmental Impact Study throughout the month of January.
- Plans for the 2010 field seasons and pre-mapping completed and submitted for approval.
- Coordinated to establish agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Continued to incorporate data into the electronic library for use by contractors and regulators.
- Finalizing draft Wetland Technical Report.

Baker

- Significant progress was made on the final Project Description. This involved the calculation of the pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. This included:
 - developing capital cost quantity calculations;
 - preparing spreadsheets for distribution to capital cost estimators and GIS; and
 - analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs.
- Subcontractors worked to finalize facilities schematic variations that will provide data for cost modeling efforts by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix.
- Moved forward to request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.
- Ongoing property ownership data gathering.
- Worked to incorporate property ownership data into GIS database.
- Worked to incorporate Harvested JPO Data into Data Library.

ENTRIX

- Compiled transcripts from scoping meetings.

- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Cleaned up landowner mailing list to a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Identified issues that need clarification for project description, purpose and need, resource analysis.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.

ASRC Energy Services – Project Activity Detail – January 2010 Stand Alone Pipeline – Environmental Support

Milestones:

- Participated in weekly Project Team team meetings.
- Attended USACE EIS scoping meetings as the ADNR consultant representative.
- Continued to work with ENTRIX to provide data and information for the EIS.

TASK LEVEL DETAILS

Task 1 – Project Management

Current Activity: Attend weekly Project Team meetings with engineering and environmental. Track USACE EIS scoping meetings as the ADNR consultant representative. Provide budgetary information presentation by State Project staff to the Office of Management and Budget.

Look Ahead: Continue to be available to BLM, State of Alaska Joint Pipeline Office, and USACE regarding draft permit applications and questions regarding information provided. Task orders for pre-planning of 2010 field seasons and pre-mapping submitted to ADNR for approval. Work on budget for 2010-2011 legislative approval process.

Concerns: **Resolve the data ownership with ENSTAR.**
Clarification from FERC on jurisdictional opinion.
Approval of task orders so that planning for the 2010 wetland, cultural resources, stream studies, and lake surveys will be adequately resourced.

Task 2 – Cultural Resources

Current Activity: Communication with Paul Lawrence, Stephen R. Braund and Associates, was initiated and has continued into February. SRBA is working on the cultural resource piece for the USACE EIS. Working on the 2009 report and predictive model with Michael Yarborough. Coordinated on establishing agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.

Look Ahead: Continue to work with CRC on the predictive model, and circling back with CRC and GIS where needed. Lack of tools and need for GIS to provide GIS model so

CRC and Shawna can develop and test the predictive model. Jason Rogers, is waiting for a first run of at least a test area in order to exam the applicability of variables he defined, and to draft a narrative for the model. GIS had just started in December, and lacked necessary data. Looking into a GIS module that would do a *chi* square test on the model.

Task 3 – Wetlands Analysis

Current Activity: Continue work on draft Wetland Technical Report, which should be available in February 2010. Prepared 2010 Field Work Order Tasks. Prepared PowerPoint slide presentation for Bob Swenson held at Baker's office.

Look Ahead: Met with USACE Project Manager to discuss permit application.

Continue to coordinate with the USACE re the draft permit.

Task 4 – Project Library

Current Activity: Completed library tasks assigned for this task order.

Look Ahead: New task order and budget, discussed in January 2010. Determination not made yet as to whether more work is required to support EIS 3rd Party Contractor.

All library reference materials are ready to be entered into the SharePoint system.

Concerns: Need to discuss copyright requirements for hard-copy and access to library information with ADNR.

Task 5 – Permitting

Current Activity: Continue to support ADNR ROW permits and Section 404 permits with BLM, ADNR, and USACE as needed.

Look Ahead: Will attend and present the project description as the ADNR consultant representative.

Concerns: None at this time.

Task 6 – GIS Support

Current Activity: Task Work Order approved by ADNR in late November. Purpose is to support ADNR through permitting and EIS as needed/requested.

Look Ahead: Land ownership information is supposed to be available in early February from M. Baker, Jr. Work with M. Baker, Jr. to ensure that proper data transfer of GIS information is made to ENTRIX.

Concerns: None at this time.

Michael Baker, Inc. - Project Activity Detail - January 2010

Milestones

Past Monthly Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Weekly Project Meetings
- Accounting activities, preparing invoices
- Preparing sub-consulting scopes, schedules and budgets
- Reviewing sub-invoices
- Reviewing project expenditures, budget
- Reporting activities

Task 2 Data Management/Library:

- Data gathering from federal, state and borough databases
- Geo database compilation
- Quality control activities
- Ongoing GIS database layers; material sites, land ownership and cost of service elements
- Ongoing JPO ANGTS data evaluation / incorporation into GIS

Task 3 Outreach:

- Legislative Outreach Support

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Reviewed TCPL Report
- Reviewed DGGS Report

Task 6 Project Description:

- Additional Mapping Discussions
- Developing capital cost quantity calculations
- Preparing spreadsheets for distribution to capital cost estimators and GIS.
- Analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Forecast Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Refine Project Schedule, Refine Scope
- Weekly Project Meetings

Task 2 Data Management/Library:

- Incorporating Harvested JPO Data into Data Library
- Data Management Committee ongoing meeting
- Building GIS Database
- Sharepoint Updating and Maintenance

Task 3 Outreach:

- Support USACOE activities and requests

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Redevelop scope to incorporate NGL

Task 6 Project Description:

- Compiling final project description due 7/1/10

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Actual vs. work order Dollars

Task	Estimate	Actual Labor	Actual Expense	Actual Subs
1-Project Management	\$549,313	\$229,603	\$4,755	\$0
2-Data Management/Library	\$219,548	\$82,589	\$36,941	\$0
3-Outreach	\$268,154	\$33,743	\$28,114	\$74,496
4-Alternative Analysis	\$269,221	\$221,361	\$10,633	\$31,742
5-Supply/Demand Analysis	\$104,200	\$0	\$450	\$24,909
6-Project Description	\$2,179,606	\$882,877	\$36,302	\$181,682
7-Cost of Service	\$1,022,328	\$0	\$1,358	\$22,781
8-ROW Application	\$54,632	\$0	\$0	\$0
9-Construction Planning	NTP not received			
10-EIS Support	NTP not received			
Total				

Monthly man-hours (cumulative man-hour vs. budget)

Task	Budget Man-Hours	Baker Cumulative Man-Hours
1-Project Management		1207.5
2-Data Management/Library		620.5
3-Outreach		258.0
4-Alternative Analysis		1,625.0
5-Supply/Demand Analysis		0
6-Project Description		7,079.7
7-Cost of Service		0
8-ROW Application		0
9-Construction Planning		
10-EIS Support		
Total		

Narrative comparing actual vs. budget of overall project completion

The project is progressing under budget and on schedule.

Short written discussion addressing upcoming work order packages

Significant progress is being accomplished weekly on the Task 6 Project Description as we calculate pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. We are also completing the facilities schematics for estimating by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix. Baker will request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.

ENTRIX, Inc. – Project Activity Report – January 2010

The following project activities were conducted during the month of January 2010:

- Developed and obtained advertising for reminder of the close of the formal scoping period in/on the Anchorage Daily News website, Frontiersman, Fairbanks Daily Newsminer, Delta Wind, Copper River Record and Arctic Sounder.
- Submitted announcement to What's Up website.
- Compiled transcripts from scoping meetings.
- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Organized landowner mailing list into a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Conducted project team meeting to discuss work plan for PDEIS.
- Met with USACE to discuss scoping process issues.
- Identified issues that need clarification for project description, purpose and need, resource analysis.

- Met with USACE and Bob Swenson to discuss project.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.
- Maintained stakeholder database; Maintained project website and updated documents as available.

The following activities are planned for the month of February 2010:

- Develop and publish/distribute additional notices regarding scoping period extension
- Update and maintain interested parties mailing list from scoping responses and property owner information provided by ASRC.
- Collect and review scoping comments, develop scoping report.
- Develop EIS annotated outline; develop more detailed work plan and schedule.
- Conducted meetings with lead and cooperating agencies and applicant to define purposes and need, project description and alternatives.
- Draft Purpose and Need Section; continue data gap analysis; develop information requests.

Outstanding Issues:

- A clear understanding of purpose and need, project description, and path forward needs to be established with the applicant and cooperating agencies by the end of February.
- ENTRIX conducted or is conducting several out of scope items at the request of USACE: Dec 09; translator at the Barrow scoping meeting; additional advertising regarding the close of the formal scoping period. Feb 10; Develop and publish/distribute additional notices regarding scoping period extension.



LAWS OF ALASKA

2009

Source

SCS CSHB 113(FIN)(brf sup maj fld H)

Chapter No.

AN ACT

Making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Enrolled HB 113

1 (23) sec. 100, ch. 2, FSSLA 1999, page 69, lines 29 - 30, and allocated on
2 page 69, lines 31 - 32 (Department of Transportation and Public Facilities, National Highway
3 System (NHS) state match - \$22,602,059).

4 (b) The unexpended and unobligated balance, not to exceed \$98,056, of the
5 appropriation made in sec. 60, ch. 3, FSSLA 2005, page 140, lines 24 - 26 (Alaska Gateway,
6 Dot Lake School mechanical upgrade - \$1,087,118) is reappropriated to the Alaska capital
7 income fund (AS 37.05.565).

8 (c) The unexpended and unobligated balance, not to exceed \$54,753, of the
9 appropriation made in sec. 60, ch. 3, FSSLA 2005, page 142, lines 13 - 14 (Southeast Island,
10 Thorne Bay house access ramp - \$141,415) is reappropriated to the Alaska capital income
11 fund (AS 37.05.565).

12 * **Sec. 19. NATURAL GAS PIPELINE.** (a) The sum of \$4,322,000 is appropriated from the
13 Alaska capital income fund (AS 37.05.565) to the Office of the Governor for the development
14 of an in-state natural gas pipeline.

15 (b) The unexpended and unobligated balance, estimated to be \$2,700,000, of the
16 appropriation made in sec. 8, ch. 1, 4SSLA 2008 (Department of Natural Resources, gas
17 pipeline implementation - \$5,500,000) is reappropriated to the Office of the Governor for the
18 development of an in-state natural gas pipeline.

19 (c) For the appropriations made in (a) and (b) of this section, it is the intent of the
20 legislature that

21 (1) the funds be used solely to plan, coordinate, and facilitate construction,
22 ownership, and management of a natural gas pipeline serving Fairbanks, the Southcentral
23 region of the state, and other communities wherever practicable, connecting with or
24 enhancing the existing gas pipeline system, and reaching to tidewater;

25 (2) the funds be used for a full alternative analysis of possible routes;

26 (3) an economically feasible in-state pipeline and any connecting lines serve
27 industrial, residential, and utility customers along the entire route, including any other regions
28 of the state that could be served at commercially feasible rates;

29 (4) the Office of the Governor use the appropriations to

30 (A) coordinate with entities that could build, own, and operate the line;

31 (B) assist with preparing cost estimates for the project to determine its

1 economic feasibility and cost to consumers;

2 (C) apply for and obtain right-of-way permits for the project route,
3 with the intent that the state would transfer the permits to, and receive compensation
4 for the permits from, the entity best able to complete the project;

5 (D) work with other entities to promote the gas supply and gas
6 purchase contracts that would be required for the project to be commercially viable;

7 (5) the coordination effort by the Office of the Governor use, to the fullest
8 extent possible, any and all existing work by other state agencies before contracting for new
9 reports, research, and analyses, and that the coordination effort by the Office of the Governor
10 not expand beyond the scope of coordinating interests to build, own, and operate the gas
11 pipeline;

12 (6) the Office of the Governor submit written monthly reports to the president
13 of the senate, the speaker of the house of representatives, and all legislators, listing all current
14 and future contracts executed for development of an in-state natural gas pipeline and
15 specifying the scope of work and contract amount, a cumulative total monthly of all funds
16 spent for development of an in-state natural gas pipeline, reporting progress to date on the
17 project work plan, and presenting a work plan for each subsequent month.

18 * **Sec. 20. FUND TRANSFER.** An amount equal to 20 percent of the revenue collected
19 under AS 43.55.011(g), not to exceed \$60,000,000, is appropriated from the general fund to
20 the community revenue sharing fund (AS 29.60.850).

21 * **Sec. 21. CONTINGENCIES.** (a) Sections 14(f) and 14(g) of this Act are contingent on
22 ratification by the members of the respective collective bargaining unit of its collective
23 bargaining agreement.

24 (b) Section 7(e) of this Act is contingent on passage by the Twenty-Sixth Alaska State
25 Legislature in the First Regular Session and enactment into law of a version of HB 172
26 relating to the education loan fund.

27 (c) Section 11(b) of this Act is contingent on passage by the Twenty-Sixth Alaska
28 State Legislature in the First Regular Session and enactment into law of a version of SB 89
29 relating to retirement benefits for members of the Alaska Territorial Guard.

30 (d) Section 8(f) of this Act is contingent on passage by the Twenty-Sixth Alaska State
31 Legislature in the First Regular Session and enactment into law of a version of HB 141