

HB

9

<TARGET><BILL>HB 9</BILL><SUBJECT>HB
9</SUBJECT><COMM>HFIN27</COMM></TARGET>

HB 9

Vote to report from committee

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

passed 9/2

DATE: 3/23/12

Amendment: _____

MEMBER	Favor	Oppose
REP. FAIRCLOUGH	✓	
REP. GARA		✓
REP. GUTTENBERG		✓
REP. JOULE	✓	
REP. NEUMAN	✓	
REP. WILSON	✓	
REP. COSTELLO	✓	
REP. DOOGAN	✓	
REP. EDGMON	✓	
REP. STOLTZE	✓	
REP. THOMAS	✓	

YEA 9

NAY 2

Adopted
3/23/12

Amend - 27 - LS0075/K

AMENDMENT ~~13~~ ~~Amendment 3~~

Sponsor Gara

Amending Previously Adopted Amendment #3

Amendment 3, Page 2, line 26, after "commission."

Insert:

"The commission may, by order, extend the 180 day review period by the duration of any delay caused by a public utility's failure to submit supplemental information that is available to the public utility."

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CS HB 009 (RES)
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB009CS(RES)-DOR-AHFC-03-22-12 Dept. Affected Revenue
 Title In-State Gasline Development Corp. Appropriation Alaska Housing Finance Corp.
 Allocation Alaska Gasline Development Corp.
 Sponsor Representative Chenault
 Requester (H) FIN OMB Component Number 2986

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services		1,207.2						
Travel								
Services		2,422.2						
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	3,629.4	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1178	temp code (UGF)		0.0	0.0	0.0	0.0	0.0	0.0
1061	CIP Rcpts (Other)	0.0	3,629.4					
TOTAL		0.0	3,629.4	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time	22	7	45	48	61	54	54
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated **SUPPLEMENTAL (FY12) operating costs** 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY13) costs** 286.357.5 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note incorporates the fiscal impact of all state agencies affected by its implementation.

Prepared by Joe Dubler, Vice President and Chief Financial Officer
 Division Alaska Gasline Development Corporation
 Approved by Dan Fauske, President, AGDC
Department of Revenue

Phone 907.330.6303
 Date/Time 3/22/12 1:00 PM
 Date 3/22/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CS HB 009 (RES)

Analysis

This omnibus bill is intended to allow the Alaska Gasline Development Corporation (AGDC) to continue its statutory mission of bringing natural gas from the Alaska North Slope to Fairbanks and Southcentral Alaska. In its current form, the bill does the following:

- Establishes an in-state natural gas pipeline fund;
- Makes certain information provided to or by the Alaska Gasline Development Corporation exempt from inspection as a public record;
- Replaces the Joint In-State Gasline Development Team with the AHFC Board of Directors;
- Modifies the judicial review process of a right-of-way lease for the development or construction of an oil or gas pipeline on state land;
- Exempts a pipeline owned by the AGDC from common-carrier restrictions;
- Requires departments to provide natural resources, permits, and leases to the AGDC;
- Limits the review of natural gas transportation contracts by the Regulatory Commission of Alaska;
- Modifies the Alaska Natural Gas Development Authority statutes to allow it to act as a gas marketing entity for AGDC;
- and
- Exempts property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations.

This legislation will have a fiscal impact for the following state agencies:

Alaska Housing Finance Corporation

- Alaska Gas Line Development Corporation
- Alaska Natural Gas Development Authority

Department of Natural Resources

- State Pipeline Coordinators Office
- Office of History and Archaeology
- Division of Geological and Geophysical Surveys
- Division of Mining, Land and Water

Department of Environmental Conservation

- Division of Environmental Health - Air Quality
- Division of Environmental Health - Drinking Water
- Division of Environmental Health - Food Safety and Sanitation
- Division of Environmental Health - Solid Waste Management
- Division of Spill Prevention and Response - Contaminated Sites
- Division of Spill Prevention and Response - Industry Preparedness & Pipeline Operations
- Division of Spill Prevention and Response - Prevention and Emergency Response Program
- Division of Water

Department of Transportation & Public Facilities

- Statewide Engineering & Design

See attachment for budget details for each agency.

	FY13	FY13	FY14	FY15	FY16	FY17	FY18
AGDC	6,014.0	3,629.4	11,031.7	11,031.7	11,031.7	11,031.7	11,031.7
ANGDA	436.7		436.7	436.7	436.7	436.7	436.7
DNR	609.7		2,237.6	2,563.0	2,563.0	374.1	374.1
DEC	290.8		410.6	808.0	2,436.2	2,604.4	2,626.9
DOT/PF	1,431.6		1,411.6	1,411.6	411.6		
Total:	8,782.8	3,629.4	15,528.2	16,251.0	16,879.2	14,446.9	14,469.4

HB 9 In-State Gasline Development Corporation Fiscal Analysis

	Included in FY13 Governor's Request	FY13 Appropriation Request	FY13 TOTAL	FY14 Base	FY14 New	FY14 TOTAL	FY15 Base	FY15 New	FY15 TOTAL	FY16 Base	FY16 New	FY16 TOTAL	FY17 Base	FY17 New	FY17 TOTAL	FY18 Base	FY18 New	FY18 TOTAL
DEPARTMENT OF REVENUE																		
Alaska Gasline Development Corporation	3,629.4	6,014.0	9,643.4	9,643.4	1,388.3	11,031.7	11,031.7		11,031.7	11,031.7		11,031.7	11,031.7		11,031.7	11,031.7		11,031.7
Alaska Natural Gas Development Authority		436.7	436.7	436.7		436.7	436.7		436.7	436.7		436.7	436.7		436.7	436.7		436.7
TOTAL	3,629.4	6,450.7	10,080.1	10,080.1	1,388.3	11,468.4	11,468.4	0.0	11,468.4	11,468.4	0.0	11,468.4	11,468.4	0.0	11,468.4	11,468.4	0.0	11,468.4
Commercial Operations	3	0	3	3		3	3		3	3		3	3		3	3		3
Pipeline & Facilities Engineering		4	4	4		4	4		4	4		4	4		4	4		4
Support Activities	7	10	17	17	7	24	24		24	24		24	24		24	24		24
TOTAL	10	14	24	24	7	31	31	0	31	31	0	31	31	0	31	31	0	31

DEPARTMENT OF ENVIRONMENTAL CONSERVATION																		
Environmental Health - Air Quality		54.6	54.6	54.6	106.0	160.6	160.6	-132.9	27.7	27.7	-11.7	16.0	16.0	49.0	65.0	65.0	-65.0	0.0
Environmental Health - Drinking Water		0.0	0.0	0.0		0.0	0.0		0.0	0.0	131.5	131.5	131.5	13.9	145.4	145.4		145.4
Environmental Health - Food Safety & Sanitation		0.0	0.0	0.0		0.0	0.0		0.0	0.0	120.2	120.2	120.2	11.6	131.8	131.8		131.8
Environmental Health - Solid Waste Management		0.0	0.0	0.0		0.0	0.0		0.0	0.0	120.2	120.2	120.2	11.6	131.8	131.8		131.8
Spill Prevention & Response		0.0	0.0	0.0	20.0	20.0	20.0	79.0	99.0	99.0		99.0	99.0		99.0	99.0		99.0
Spill Prevention & Response		0.0	0.0	0.0		0.0	0.0	315.4	315.4	315.4	-8.0	307.4	307.4	93.2	400.6	400.6	-7.5	393.1
Spill Prevention & Response		0.0	0.0	0.0	8.8	8.8	8.8	135.9	144.7	144.7	977.7	1,122.4	1,122.4	3.9	1,126.3	1,126.3	95.0	1,221.3
Division of Water		236.2	236.2	236.2	-15.0	221.2	221.2		221.2	221.2	298.3	519.5	519.5	-16.0	504.5	504.5		504.5
TOTAL	0.0	290.8	290.8	290.8	119.8	410.6	410.6	397.4	808.0	808.0	1,628.2	2,436.2	2,436.2	168.2	2,604.4	2,604.4	22.5	2,626.9
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities			2	2	1	3	3	3	6	6	13	19	19	1	20	20		20
TOTAL	0	0	2	2	1	3	3	3	6	6	13	19	19	1	20	20	0	20

DEPARTMENT OF NATURAL RESOURCES																		
State Pipeline Coordinators Office		494.2	494.2	494.2	1578.6	2,072.8	2,072.8	325.4	2,398.2	2,398.2		2,398.2	2,398.2	-2051.6	346.6	346.6		346.6
Office of History and Archaeology		27.5	27.5	27.5		27.5	27.5		27.5	27.5		27.5	27.5		27.5	27.5		27.5
Division of Geological and Geophysical Surveys		0	0.0	0.0	137.3	137.3	137.3		137.3	137.3		137.3	137.3	-137.3	0.0	0.0		0.0
Division of Mining, Land and Water		88	88.0	88.0	-88	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	0.0	609.7	609.7	609.7	1,627.9	2,237.6	2,237.6	325.4	2,563.0	2,563.0	0.0	2,563.0	2,563.0	-2,188.9	374.1	374.1	0.0	374.1
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities		2	2	2	6	8	8		8	8		8	8	-5	3	3		3
TOTAL	0	2	2	2	6	8	8	0	8	8	0	8	8	-5	3	3	0	3

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES																		
Statewide Engineering & Design		1,431.6	1,431.6	1,431.6	-20.0	1,411.6	1,411.6		1,411.6	1,411.6	-1,000.0	411.6	411.6	-411.6	0.0	0.0		0.0
TOTAL	0.0	1,431.6	1,431.6	1,431.6	-20.0	1,411.6	1,411.6	0.0	1,411.6	1,411.6	-1,000.0	411.6	411.6	-411.6	0.0	0.0	0.0	0.0
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities		3	3	3		3	3		3	3		3	3	-3	0	0		0
TOTAL	0	3	3	3	0	3	3	0	3	3	0	3	3	-3	0	0	0	0

GRAND TOTAL	3,629.4	8,782.8	12,412.2	12,412.2	3,116.0	15,528.2	15,528.2	722.8	16,251.0	16,251.0	628.2	16,879.2	16,879.2	-2,432.3	14,446.9	14,446.9	22.5	14,469.4
CUMULATIVE TOTAL			12,412.2			27,940.4			44,191.4			61,070.6		75,517.5				89,986.9
Commercial Operations	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3
Pipeline & Facilities Engineering	0	4	4	4	0	4	4	0	4	4	0	4	4	0	4	4	0	4
Support Activities	7	15	22	24	14	38	38	3	41	41	13	54	54	-7	47	47	0	47
POSITION GRAND TOTAL	10	19	29	31	14	45	45	3	48	48	13	61	61	-7	54	54	0	54

Fiscal Note Attachment

File Name: HB009CS(RES)-DOR-AHFC-3-12-12
Title: In State Gasline Development Corp.
Sponsor: Representative Chenault

Alaska Gasline Development Corporation

Component Number

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES							
Personal Services	2,414.0	1,207.2	4,828.8	4,828.8	4,828.8	4,828.8	4,828.8
Travel							
Services	3,600.0	2,422.2	6,202.9	6,202.9	6,202.9	6,202.9	6,202.9
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	6,014.0	3,629.4	11,031.7	11,031.7	11,031.7	11,031.7	11,031.7
Positions	14	7	28	28	28	28	28

While this Fiscal Note indicates a relatively small fiscal impact in the current year, it should be noted that the 2011 Legislature appropriated \$200 million to a fund that would be created under this bill, and the AGDC will begin to utilize the amounts in the fund during FY2013. Capital expenditures from that fund and additional appropriations are anticipated according to the following schedule (in million \$; at a +/- 30% confidence level):

Fiscal Year	Capital Budget	Used from in state natural gas pipeline fund	Total
2009-2012	\$ 50,668.2		\$ 50,668.2
2013	21,000.0	\$ 75,990.0	96,990.0
2014		114,810.0	114,810.0
2015	128,331.7	9,200.0	137,531.8
Total:	200,000.0	200,000.0	\$ 400,000.0

To continue the project at that level, it is anticipated that 14 additional staff will be added during FY 2013 at an average annual fully-loaded cost of approximately \$170,000 per year. The seven positions requested in FY2014 will be of a similar nature and will help to lead the project through open-season.

708	Manager, Stakeholder Engagement	90,000
709	Governmental & External Affairs Spclst	95,000
710	General Counsel	170,000
711	Staff Attorney	120,000
712	Paralegal	80,000
713	Supervisor, Administrative Support	70,000
714	Manager, Building Services	90,000
715	Manager, Human Resources	95,000
716	Manager, I/T I/S	95,000
717	Desktop Support/ Sharepoint Admin	80,000
718	Document Control/Admin. Record	80,000
719	Network Supervisor	80,000
720	GIS	95,000
721	Risk Manager	125,000
722	Procurement & Logistics Specialist	85,000
723	Admin Assistant I	35,000
724	Admin Assistant I	35,000
725	Admin Assistant II	45,000
726	Admin Assistant II	45,000
727	Admin Assistant II	45,000
728	Admin Assistant III	60,000

The related operating budget items will be expended in support of the capital budget items in each of the subsequent fiscal years.

Total expenditures are budgeted in the following categories:

Project Plan Completion	\$ 30,000,000
Commercial Operations	13,825,000
Pipeline Engineering	93,784,000
Facilities Engineering	182,962,000
Support Activities	79,429,000
Total	\$400,000,000

Project Plan Completion: Completion of the project plan required by HB 369 and delivered to the Legislature in July, 2011. Included all preliminary engineering and commercial analysis up to that point.

Commercial Operations: Progress commercial discussions with potential shippers and markets. Develop agreements to allow for the future development of this project. Engage and work with the Prudhoe Bay operations & owners on numerous integration issues.

Pipeline Engineering, Environmental & Permitting: Progress pipeline route data collection and design, utilizing the information to upgrade project cost estimates and plans necessary for serious commercial discussions and project development approvals. Engineering work to be developed inline the industry best practices for mega-projects. Collect key environmental data necessary for permits preparation prior to construction.

Facilities Engineering, Environmental & Permitting: Conduct preliminary and front-end engineering development, utilizing the information to upgrade project cost estimates and plans necessary for serious commercial discussions and project development approvals. Engineering work to be developed inline the industry best practices for mega-projects. Prepare engineering design to be ready for placing long lead equipment and stock orders. Collect key environmental data necessary for permits preparation prior to construction.

AGDC Support Activities: Home office activities to support the commercial and engineering development of the project including all external affairs, accounting, budget, legal, records management and managerial oversight activities.

Alaska Natural Gas Development Authority

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services	436.7		436.7	436.7	436.7	436.7	436.7
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	436.7	0.0	436.7	436.7	436.7	436.7	436.7

Positions: 3 3 3 3 3 3 3

Acquisition of natural gas

ANGDA will finalize natural gas purchases and gas sales contracts bid in the APP Open Season. This includes the completion of precedent agreements with APP and resolving all conditions precedent. ANGDA will continue to evaluate the natural gas reserves purchased to meet aggregated electric utility needs.

North Slope propane for use in rural and coastal Alaska

ANGDA will continue to promote and market the use of Propane as an alternative to costly diesel in many of our communities and villages. Propane is a clean burning alternative to diesel. Propane from an in-state pipeline system off take point/straddle plant and from the North Slope at a wholesale distribution meter would make a difference in energy costs and air quality for so many of our villages and communities.

Budget costs for the North Slope project would include storage and necessary engineering to adapt the existing propane refrigerant system or build-out of a separate facility on the North Slope.

Alaska Stand Alone Pipeline - Open Season

ANGDA has bid in the Alaska Standalone Pipeline (ASAP) preliminary Expression of Interest and will continue to participate as a shipper on behalf of the railbelt electric utilities, as well as the National Propane Gas Association (NPGA). Continued interest by the railbelt utilities, as well as the NPGA can be assessed as additional information progresses forward. The role of ANGDA would be one of a gas and propane marketer and would also include the negotiation of gas and propane contracts with entities interested in an aggregated approach to contractual negotiations.

Royalty Gas

Negotiate with potential LNG investors & shippers to be serviced as part of the ASAP project and possible counterparties to Alaska royalty gas agreements.

Department of Natural Resources

In the preparation of this fiscal note certain assumptions have been made:

- 1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes.
- 2) DGGs cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.
- 3) Schedule assumptions are based on AGDC's currently proposed schedule.
- 4) Construction oversight begins in FY 2014 and continues through FY 2015 and FY 2016. Operational oversight begins in FY 2017. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.).
- 5) Assume SPCO will administer material sales and the material sites after initial sale.
- 6) Assume a two and one half-year construction schedule segregated into four geographic areas.
- 7) DMLW has concluded that costs after FY 2013 are indeterminate. This budget does not include any funding for DMLW for fiscal years 2014-2018.

STATE PIPELINE COORDINATORS OFFICE

State Pipeline Coordinators Office

Component Number 1191

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES							
Personal Services	473.2		1,782.8	2,051.7	2,051.7	299.6	299.6
Travel	10.0		200.0	250.0	250.0	25.0	25.0
Services	4.0		70.0	76.5	76.5	15.0	15.0
Commodities	2.0		10.0	10.0	10.0	2.0	2.0
Capital Outlay							
Grants, Benefits							
Miscellaneous	5.0		10.0	10.0	10.0	5.0	5.0
TOTAL OPERATING	494.2	0.0	2,072.8	2,398.2	2,398.2	346.6	346.6

Costs to DNR would include SPCO expenses to coordinate the participation of state agencies in pre-construction permitting, work on the Federal EIS and work associated with AGDC's development of Plans and processes required by the State Lease, lease compliance and the preparation and issuance of Notices to Proceed. In addition to SPCO costs, estimated expenses are included for the participation of the State Historic Preservation Office (SHPO), the Division of Geological and

Geophysical and Surveys (DGGS), and the Division of Mining Land and Water (DMLW). Eight new Natural resource Specialist (NRS) III (range 18) positions will be created in FY 2014 and will exist through FY 2016. All remaining positions will be partial use of existing SPCO positions, FY 2013 through FY 2018. A list of positions is listed below for each fiscal year.

Positions:

New & Existing positions in Anchorage - pre-construction permitting /plan development and preparation of NTP's, new and partial use of existing positions:

FY 2013

1 Natural Resource Specialist (NRS) IV (range 21)
1 Natural Resource Manager (NRM) III (range 22)
1 Natural Resource Specialist (NRS) III (range 18)
1 Natural Resource Specialist (NRS) III (range 18)
1 Information Officer III(PIO) (range 20)
1 Engineer IV (range 27)
1 Deputy State Pipeline Coordinator
1 State Pipeline Coordinator - total 3 months
1 Administrative Support

FY 2014

(Eight of the ten NRS III range 18 are new in FY 2014, two are existing positions)
10 Natural Resource Specialist (NRS) III (range 18)
1 Natural Resource Manager (NRM) III (range 22)
1 Engineer IV (range 27)
1 Technical Engineer I (range24)
1 Natural Resource Specialist (NRS) III (range 18)
1 Information Officer III(PIO) (range 20)
1 Deputy SPC
1 SPC - total 6 months
Administrative Support

FY 2015

Pipeline construction oversight;
10 Natural Resource Specialist (NRS) III (range 18)
1 Natural Resource Manager (NRM) III (range 22)
1 Engineer IV (range 27)
1 Technical Engineer I (range24)
1 Natural Resource Specialist (NRS) III (range 18)
1 Information Officer III(PIO) (range 20)
1 Deputy SPC
1 SPC - total 6 months
1 Administrative Support

SPCO FY 2016

- Pipeline construction oversight;
- 1 Natural Resource Specialist (NRS) III (range 18)
- 1 Natural Resource Manager (NRM) III (range 22)
- 1 Engineer IV (range 27)
- 1 Technical Engineer I (range24)
- 1 Natural Resource Specialist (NRS) III (range 18)
- 1 Information Officer III(PIO) (range 20)
- 1 Deputy SPC
- 1 SPC - total 6 months
- Administrative Support

FY 2017 and FY 2018

- Operational oversight and lease administration;
- 1 Natural Resource Specialist (NRS) III (range 18)
- 1 Natural Resource Manager (NRM) III (range 22)
- 1 Engineer IV (range 27)
- 1 Technical Engineer I (range24)
- 1 Natural Resource Specialist (NRS) III (range 18)
- 1 Information Officer III(PIO) (range 20)
- 1 Deputy SPC
- 1 SPC - total 1 month
- Administrative Support

OFFICE OF HISTORY & ARCHAEOLOGY

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services	27.5		27.5	27.5	27.5	27.5	27.5
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	27.5	0.0	27.5	27.5	27.5	27.5	27.5

Positions

- Position in Anchorage for review and monitoring the cultural resource project program.
- one Archeologist = \$25,000
- Administrative Overhead = \$2,500

DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services			137.3	137.3	137.3		
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	137.3	137.3	137.3	0.0	0.0

Positions in Fairbanks for management of geological hazards project related studies and review of existing information.

- 1 Geologist IV (range 21)
- 1 LTNP Geologist III (range 19)
- 1 Graduate Intern

DIVISION OF MINING, LAND AND WATER

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services	85.0						
Travel	2.0						
Services	1.0						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	88.0	0.0	*	*	*	*	*

Assumptions:

DMLW will be required to supervise, review and approve a title report prepared by SPCO regarding state owned lands in the pipeline ROW;

That DNR will not be required to transfer title to any state lands to DOT/PF;

DMLW will not be responsible for title or ROW acquisitions from entities other than DNR managed lands including lands owned by private persons, boroughs, the university, mental health trust, ANCSA corporations, native allotments, and the federal government;

DMLW will review and approve all land surveys associated with granting an in-state gasline ROW and developing an in-state gasline across state land;

DMLW will participate in the ROW planning effort to some degree across state land, the review of the AS 38.35 ROW lease to be prepared by SPCO for issuance to DOT/PF, DMLW will participate in the identifying lands within legislatively designated areas over which the ROW will cross and assist the responsible state agencies with efforts to extricate the ROW from the LDAs;

That SPCO will issue AS 38.35 ROW across lands to DOT/PF, and SPCO will be responsible for issuance of the majority of the land use permits and material sales necessary within the ROW, but that DNR/DMLW will be required to issue some land use permits (within and without the ROW), and material sales (outside the ROW) during the construction phase for gasline construction and maintenance (Beyond FY12).

The costs to DMLW would include expenses during FY12 for providing assistance during the development teams planning efforts and pre-application meetings as well as costs associated with materials sales and permitting, as necessary, during the construction of the gasline. Funds to be provided to DLWM through RSA for services rendered.

DMLW PERSONAL SERVICES COST - FY13 and Indeterminate in FY 14 and beyond.

Natural Resource Manager (NRM) III – (Range 22) – Total of three months at a rate of approximately \$126,000 per year for the supervision, review and approval of a title report prepared by SPCO staff. \$31,500 in FY 2013.

Land Surveyor I (LS) II – (Range 22) – Total of two months at a rate of approximately \$126,000 per year for review and approve all land surveys associated with granting an in-state gasline ROW. \$21,000 in FY 13.

Natural Resource Specialist (NRS) III – (Range 18) – Total of three months at a rate of approximately \$97,400 per year for 1) participation in the ROW planning effort to some degree across state land, the review of the AS 38.35 ROW lease to be prepared by SPCO for issuance to DOT/PF, and the ACMP (if reauthorized) review of the ROW, 2) DMLW will participate in the identifying lands within legislatively designated areas over which the ROW will cross and assist the responsible state agencies with efforts to extricate the ROW from the LDAs. \$32,500 in FY 13.

Natural Resource Specialist (NRS) II – (Range 16) – At a rate of approximately \$87,500 per year for issuance of land use permits (within and without the ROW), and material sales (outside the ROW) during the construction phase for gasline construction and maintenance (Beyond FY12).

Indeterminate as the necessity, number and size of the permits or material sales are not know at this time - FY 14 and beyond.

DNR/DMLW - TRAVEL, CONTRACTUAL, SUPPLIES

Other Cost	FY13 Approp. Needed	Included in Gov's FY13 Request	FY14	FY15	FY16	FY17	FY18
Travel	10.0		200.0	250.0	250.0	25.0	25.0
Services	4.0		70.0	76.5	76.5	15.0	15.0
Commodities	2.0		10.0	10.0	10.0	2.0	2.0
Miscellaneous	5.0		10.0	10.0	10.0	5.0	5.0
Total:	21.0		290.0	346.5	346.5	47.0	47.0
DMLW Travel	2.0		0.0	0.0	0.0	0.0	0.0
DMLW Services	1.0		0.0	0.0	0.0	0.0	0.0
Totals	3.0		0.0	0.0	0.0	0.0	0.0
Total DNR Impact:	609.7		2,237.6	2,563.0	2,563.0	374.1	374.1

Travel will be for planning and public meeting, as well as survey review and approval. Travel in FY 14 and beyond for issuance of land use permits (within and without the ROW), and material sales (outside the ROW) during the construction phase for gasline construction and maintenance is indeterminate as the necessity, number and size of the permits or material sales are not know at this time.

DNR - EXCEPT DMLW - TRAVEL, CONTRACTUAL, SUPPLIES

Travel would be for public meeting, public hearings, agency coordination and monitoring of contractors performing field work and compliance oversight. Miscellaneous costs include aerial photos, satellite imagery, field supplies and maps. Other, contractual and supply costs include SPCO office space, telephones, core service charges and related expenses.

Department of Environmental Conservation

Summary of Cost for DEC

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
	FY13	FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
Personal Services	244.9	0.0	229.3	689.8	1,966.9	2,124.9	2,096.0
Travel	8.2	0.0	14.2	24.4	109.4	119.4	117.0
Services	22.7	0.0	159.6	71.3	230.9	351.1	352.4
Commodities	15.0	0.0	7.5	22.5	129.0	9.0	61.5
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	290.8	0.0	410.6	808.0	2,436.2	2,604.4	2,626.9

Positions: 2.0 0.0 3.0 6.0 19.0 20.0 20.0

The primary impact of this bill on the Division of Air Quality is the fee authority for permitting for the Alaska Gasline Development Corporation. The bill also exempts air quality permits required under the federal Clean Air Act from certain provisions related to permit appeals. This provision is helpful in preventing conflicts with regards to our federally approved permitting program.

CS HB 9 (RES) would require pre-application assistance, data reviews, modeling, engineering plan review and approval for air quality permits in conjunction with development of the pipeline. The division assumes four construction applications in FY2014. This includes one Prevention of Significant Deterioration (PSD) permit and three Minor Source Specific (MSS) permits. Operation permits and compliance reviews would begin in FY2016.

Division of Environmental Health - Air Quality

Division of Environmental Health - Air Quality Component Number 2061

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
	FY13	FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
Personal Services	40.9		13.5	23.9	12.8	28.9	
Travel	3.2		3.2	2.4	2.4	2.4	
Services	10.5		143.9	1.4	0.8	33.7	
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	54.6	0.0	160.6	27.7	16.0	65.0	0.0

Personal Services:

The division assumes pre-application assistance will be provided by current staff (Environmental Program Manager III, and Environmental Program Specialist III) in FY13 and current staff will provide oversight of term contracts in FY2014 and FY2017.

Travel:

Program staff will do a limited amount of traveling to manage this program, such as project site trips.

Services:

Much of the work effort will be completed by term contractors, with oversight by current staff. The majority of contractual work effort would be provided in FY2014.

Division of Environmental Health - Drinking Water

Component Number 2066

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
	FY13	FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
Personal Services					100.5	120.7	120.7
Travel					15.0	15.0	15.0
Services					8.0	9.2	9.2
Commodities					8.0	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	131.5	145.4	145.4

Positions: 0 0 0 0 1 1 1

Travel will be required to provide on-site reviews and compliance monitoring of the water systems for public health protection.

Contractual services include costs for training registrations and small contracts.

One-time costs to set up a new position are included in the first year only. Supplies necessary for training and inspections are included as well in this fiscal note.

Division of Environmental Health - Food Safety & Sanitation

Component Number 2343

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
	FY13	FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
Personal Services					89.8	107.8	107.8
Travel					15.0	15.0	15.0
Services					7.4	8.5	8.5
Commodities					8.0	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	120.2	131.8	131.8

Positions: 0 0 0 0 1 1 1

The primary impact of this bill on the Food Safety & Sanitation component will be an increase in the permitting and inspecting of labor camp kitchens and public accommodations.

Personal Services:

Ensuring these camps and facilities are permitted and inspected requires additional staffing. The Department will add one position to this component, an Environmental Health Officer III, to inspect and permit labor camp kitchens and public facilities. This position will be filled for 10 months the first year to allow for classification and recruitment time, and for 12 months each year thereafter.

Travel:

Travel will be required to provide technical assistance, inspect the labor camps and public facilities, and staff training and certification.

Services:

Contractual services include costs for training registrations and small contracts.

Commodities:

One-time costs to set up a new position are included in the first year only. Supplies necessary for training and inspections are included as well in this fiscal note.

Division of Environmental Health - Solid Waste Management

The primary impact of this bill on the Solid Waste Management component will be an increase in permitting the solid waste treatment facilities and landfills associated with pipeline construction. These facilities pose a high risk to human health and the environment. They are authorized to operate either by permit or plan approval, which allows the Solid Waste Program to ensure that these facilities meet the design and operational standards in the regulations. After an authorization is issued, the Program further assesses compliance with the regulations by conducting on-site inspections of these facilities.

Component Number 2386

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES								
Personal Services			11.8	87.7	87.7	87.7	87.7	
Travel				6.0	6.0	6.0	6.0	
Services			0.7	5.3	5.3	5.3	5.3	
Commodities			7.5					
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	20.0	99.0	99.0	99.0	99.0	99.0
Positions:	0	0	1	1	1	1	1	1

Travel will be required to conduct research and inspection activities will be necessary. The Department of Law would be consulted as needed. The Division would incur one time set-up costs for the new position identified above.

Division of Spill Prevention & Response - Industry Preparedness & Pipeline Operations

Component Number 1922

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES								
Personal Services				278.7	278.7	364.4	364.4	
Travel				5.0	6.0	6.0	6.0	
Services				16.7	22.7	22.7	22.7	
Commodities				15.0		7.5		
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	315.4	307.4	400.6	393.1	
Positions:	0	0	0	2	2	3	3	

The Industry Preparedness and Pipeline Operations component would be required to conduct contingency plan reviews, inspections, spill exercises and plan modifications/renewals as warranted. This fiscal note assumes that construction of an in-state gasline would begin in FY16.

The program needs one Technical Engineer/Architect II, Range 25, and an Environmental Engineer II, Range 23 in FY15 to review designs, contingency plans, exercises and plan modifications for the gas pipeline. An Environmental Program Specialist III, Range 18, will be needed in FY17 to inspect and issue renewals as warranted.

Travel to conduct inspections, permitting, and preparedness activities will be necessary.

The Department of Law would be consulted as needed.

The Division would incur one time set-up costs for each new position identified above.

Division of Spill Prevention & Response - Prevention & Emergency Response Program

Component Number 2064

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES							
Personal Services				95.5	869.4	869.4	869.4
Travel			6.0	6.0	30.0	40.0	40.0
Services			2.8	35.7	133.0	216.9	251.9
Commodities				7.5	90.0		60.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	8.8	144.7	1,122.4	1,126.3	1,221.3

Positions: 0 0 0 1 9 9 9

The Preparedness and Emergency Response Program would be required to increase inspection activities for pipeline camps, preparedness planning as well as response activities associated with the pipeline. This fiscal note assumes that construction of an in-state gasline would begin in FY16.

Personal Services:

The program needs one Environmental Program Specialist III, Range 18, beginning in FY15 to review and comment on permit activities for the pipeline camps. Eight Environmental Program Specialist III, Range 18 positions (four stationed in Fairbanks and four stationed in Anchorage) will be needed in FY16 for preparedness planning and to address response activities associated with pipeline camps during the construction and operational phases along the right-of-way.

Travel:

Travel to conduct inspections, permitting, and preparedness activities will be necessary.

Contractual Services:

The program assumes one Incident Management Team size response annually, annual training , and additional leased space for eight new positions in field camps or field offices in nearby communities. The Department of Law would be consulted as needed.

Commodities:

The Division would incur one time set-up costs for the new positions identified above as well as personal protection equipment for Arctic weather to be used during inspections. Additionally, the program will require the purchase of four vehicles in FY16, two staged in Anchorage and two staged in Fairbanks to conduct inspections of the pipeline, camps and for use in emergency responses. Wear and tear on these vehicles is expected to be high with an accelerated replacement schedule, therefore in FY18, the program will purchase two replacement vehicles.

Division of Water - Water Quality

Component Number		2062					
	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services	204.0		204.0	204.0	438.2	438.2	438.2
Travel	5.0		5.0	5.0	20.0	20.0	20.0
Services	12.2		12.2	12.2	46.3	46.3	46.3
Commodities	15.0				15.0		
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	236.2	0.0	221.2	221.2	519.5	504.5	504.5
Positions:	2	0	2	2	4	4	4

CS HB 9 (RES) would require approval for wastewater treatment systems constructed in conjunction with the development of the pipeline. The Department would be responsible for authorizing permit coverage for up to four separate wastewater permits for discharges from sinks and showers, drinking water treatment plants, domestic treatment plants, and discharges associated with dewatering activities. Project planning will start in 2013 and require two permitting positions. Construction will start in 2016 and require one engineering and one compliance position. Plan reviews and compliance inspections would occur during construction, with periodic inspections post construction. Assumptions are based on the proposed AGIA schedule.

Personal Services:

The Division of Water would need an Environmental Program Specialists IV, Range 20, and an Environmental Program Specialist III, Range 18, to write permits. Beginning in FY16, one

Environmental Engineer I, Range 22 would be needed to review plans and one Environmental Program Specialist IV, Range 20, would be needed to conduct inspections.

Travel:

Division staff will need to travel to attend meetings, trainings and conduct inspections.

Contractual Services:

Department of Law would be consulted as needed.

Commodities:

Includes one-time set up costs for two positions in FY13 and two positions in FY16.

Department of Transportation and Public Facilities

The Department is a member of the Joint in-state Gas Pipeline Development Team and is tasked with determining status of current right-of-way (ROW), expediting permits for use of the ROW and overseeing construction to insure compliance with federal and state permit requirements. It is anticipated that DOT&PF will assist in determining the needs for and acquisition of additional ROW.

Statewide Engineering and Design Component Number 2357

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES							
Personal Services	356.6		356.6	356.6	356.6		
Travel	45.0		45.0	45.0	45.0		
Services	1,007.5		1,010.0	1,010.0	10.0		
Commodities	22.5						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	1,431.6	0.0	1,411.6	1,411.6	411.6	0.0	0.0
Positions:	3		3	3	3		

An Engineer V will serve as the technical expert for the Commissioner of DOT&PF, manage consultant activities and oversee regional staff who will be issuing permits and authorizations. An Environmental Impact Analysis Manager will oversee work done in the ROW to insure compliance with federal and state requirements, insure our processes provide for rapid permitting decisions and no delays in construction. An administrative assistant will assist with the day to day activities of the two professionals.

Staff travel for coordinated meetings, on-site inspections, surveying and associated duties.

DOT&PF estimates 30% of the pipeline may not be economically or efficiently located within the designated state ROW. Of that 30%, it is estimated that 30% must be acquired by acquisitions with appraisals, surveys, and condemnation authority resulting in between 60 to 125 miles of ROW to be identified, appraised, and negotiated. For this fiscal note, DOT&PF assumes, as a ROW owner, that DOT&PF will coordinate the contracts for these services and estimates a cost of 2,000.0 over three years. This does not include acquisition costs. DOT&PF assumes that DNR will require surveys and applications for use of material sites. The estimate for consulting services is \$1,000.00. This does not include the capital costs for acquisition of material sites.

Additional contractual costs are for annual core service costs (\$7.5) . In FY2014, contractual costs increase (\$2.5) for annual maintenance costs for copier, printer and fax machine.

CS FOR HOUSE BILL NO. 9(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CHENAULT, Millett, Thompson, Hawker, Pruitt

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Gasline Development Corporation, a subsidiary created**
2 **by the Alaska Housing Finance Corporation; establishing and relating to the in-state**
3 **natural gas pipeline fund; making certain information provided to or by the Alaska**
4 **Gasline Development Corporation exempt from inspection as a public record; relating**
5 **to the Joint In-State Gasline Development Team; relating to the judicial review of a**
6 **right-of-way lease or an action or decision related to the development or construction of**
7 **an oil or gas pipeline on state land; relating to the lease of a right-of-way by the Alaska**
8 **Gasline Development Corporation or a successor in interest for a gas pipeline**
9 **transportation corridor; relating to the cost of natural resources, permits, and leases**
10 **provided to the Alaska Gasline Development Corporation; relating to the review of**
11 **natural gas transportation contracts by the Regulatory Commission of Alaska; relating**
12 **to the regulation by the Regulatory Commission of Alaska of an in-state gas pipeline**

1 project developed by the Alaska Gasline Development Corporation; relating to the
2 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline
3 that is expressly authorized to provide transportation as a contract carrier; relating to
4 the Alaska Natural Gas Development Authority; relating to the procurement of certain
5 services by the Alaska Natural Gas Development Authority; exempting property of a
6 project developed by the Alaska Gasline Development Corporation from property taxes
7 before the commencement of commercial operations; and providing for an effective
8 date."

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

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

12 **LEGISLATIVE FINDINGS AND INTENT.** It is the intent of the legislature that

13 (1) an executed pipeline operating agreement between the Alaska Gasline
14 Development Corporation and the operator of the pipeline developed by the Alaska Gasline
15 Development Corporation be disclosed to the public to the extent the disclosure would not
16 divulge trade secrets or other proprietary business information of the Alaska Gasline
17 Development Corporation or the operator;

18 (2) the purpose of the Alaska Gasline Development Corporation is to
19 construct, own, operate, manage, or participate in natural gas pipelines and associated
20 facilities and operations for the purpose of making natural gas available to Fairbanks, the
21 Southcentral region of the state, and other communities in the state at the lowest rate possible
22 for a natural gas pipeline that operates in a manner consistent with safe and prudent standards;

23 (3) the Alaska Gasline Development Corporation shall endeavor to develop
24 natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of
25 the state to which the natural gas may be delivered at commercially reasonable rates;

26 (4) the Alaska Gasline Development Corporation shall endeavor to develop
27 natural gas pipelines to provide shippers access to natural gas produced in the state for
28 transport at commercially reasonable rates;

1 (5) passage of this Act constitutes a finding of public convenience and
 2 necessity for an in-state natural gas pipeline developed by the Alaska Gasline Development
 3 Corporation;

4 (6) the development of a natural gas pipeline by the Alaska Gasline
 5 Development Corporation is in the best interest of the state; and

6 (7) it is the policy of the state to make the state's share of royalty natural gas
 7 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
 8 Development Corporation.

9 * **Sec. 2.** AS 18.56 is amended by adding a new section to read:

10 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
 11 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
 12 have all powers granted to it by the corporation. The Alaska Gasline Development
 13 Corporation shall, to the fullest extent possible, advance an in-state natural gas
 14 pipeline as described in the July 1, 2011, project plan prepared under AS 38.34.040 by
 15 the Alaska Gasline Development Corporation and the Joint In-State Gasline
 16 Development Team, with modifications determined by the Alaska Gasline
 17 Development Corporation to be necessary to construct and operate an in-state natural
 18 gas pipeline in a safe and economic manner. In addition to the powers granted to it by
 19 the corporation, the Alaska Gasline Development Corporation may

20 (1) determine the form of ownership and the operating structure of an
 21 in-state natural gas pipeline developed by the Alaska Gasline Development
 22 Corporation and may enter into agreements with other persons for joint ownership or
 23 operation or both of the in-state natural gas pipeline;

24 (2) exercise the power of eminent domain or file a declaration of
 25 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is
 26 necessary for an in-state natural gas pipeline; the exercise of powers by the Alaska
 27 Gasline Development Corporation under this paragraph may not exceed the
 28 permissible exercise of the powers by the state;

29 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
 30 property, an interest in property, a right-of-way, a franchise, an easement, other
 31 interest in land, or an interest in or right to capacity in any pipeline system determined

1 to be necessary or convenient for the development, financing, construction, or
2 operation of an in-state natural gas pipeline project or part of an in-state natural gas
3 pipeline project;

4 (4) transfer or otherwise dispose of all or part of an in-state natural gas
5 pipeline project developed by the Alaska Gasline Development Corporation or transfer
6 or otherwise dispose of an interest in an asset of the Alaska Gasline Development
7 Corporation; and

8 (5) provide transportation of natural gas by contract carriage.

9 (b) Upon commencement of construction of an in-state natural gas pipeline,
10 the Alaska Gasline Development Corporation shall analyze additional natural gas
11 pipelines connecting to industrial, residential, or utility customers in other regions of
12 the state. If the Alaska Gasline Development Corporation finds that a natural gas
13 pipeline analyzed under this subsection is in the best interest of the state and can meet
14 the needs of industrial, residential, or utility customers at commercially reasonable
15 rates, the Alaska Gasline Development Corporation shall finance, construct, or operate
16 the natural gas pipeline as necessary, subject to appropriation. When developing or
17 constructing an additional natural gas pipeline, the Alaska Gasline Development
18 Corporation shall, to the maximum extent feasible, use existing land, structures, real or
19 personal property, rights-of-way, easements, or other interests in land acquired by the
20 Alaska Gasline Development Corporation or the Alaska Natural Gas Development
21 Authority.

22 (c) The Alaska Gasline Development Corporation may issue bonds and notes
23 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
24 The provisions of AS 18.56.110(a) - (f) and 18.56.115 - 18.56.190 apply to the Alaska
25 Gasline Development Corporation in the exercise of its powers under this subsection,
26 except that, in AS 18.56.110 - 18.56.190, as applicable under this subsection, the term
27 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
28 Gasline Development Corporation may issue bonds and notes and otherwise incur
29 indebtedness under this subsection without limit as to principal amount. The bonds,
30 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
31 create an obligation or liability of the corporation except to the extent that the

1 corporation agrees in writing to accept the obligation or liability.

2 (d) No debt, obligation, or liability of the Alaska Gasline Development
3 Corporation shall become a debt, obligation, or liability of the state or any part or
4 subdivision of the state or of the corporation or a subsidiary corporation of the
5 corporation other than the Alaska Gasline Development Corporation, except as
6 provided in this subsection. This subsection applies to all debt, obligations, and
7 liabilities of the Alaska Gasline Development Corporation regardless of how the debt,
8 obligations, or liabilities are created, including by contract, tort, or bond or note
9 issuance. Except as provided in this subsection, a person may not bring suit against the
10 state or any part or subdivision of the state or against the corporation or a subsidiary
11 corporation of the corporation other than the Alaska Gasline Development
12 Corporation in the courts of the state to enforce or seek a remedy with respect to a
13 debt, obligation, or liability of the Alaska Gasline Development Corporation. The
14 corporation may waive, in whole or in part, the application of the provisions of this
15 subsection to the corporation with respect to a debt, obligation, or liability of the
16 Alaska Gasline Development Corporation. To be effective, a waiver by the
17 corporation must be in writing and shall only have effect to the extent provided in the
18 writing.

19 (e) In the exercise of its powers under (c) and (d) of this section, the Alaska
20 Gasline Development Corporation may not pledge the faith and credit of the state or a
21 political subdivision of the state other than the Alaska Gasline Development
22 Corporation to the repayment of the principal of or interest on any bonds issued by the
23 Alaska Gasline Development Corporation.

24 (f) The in-state natural gas pipeline fund is established in the Alaska Gasline
25 Development Corporation and consists of money appropriated to it. Unless otherwise
26 provided by law, money appropriated to the fund lapses into the general fund on the
27 day this subsection is repealed. The Alaska Gasline Development Corporation shall
28 manage and invest the fund to yield competitive market rates. The Alaska Gasline
29 Development Corporation shall invest money in the fund in the same manner and on
30 the same conditions as permitted for investment by the commissioner of revenue of
31 funds belonging to the state or held in the treasury under AS 37.10.070 and as

1 provided for fiduciaries of state funds under AS 37.10.071. Interest and other income
 2 received on money in the fund shall be separately accounted for and may be
 3 appropriated to the fund. The Alaska Gasline Development Corporation may use
 4 money appropriated to the fund for the planning, designing, financing, development,
 5 construction, and operation of an in-state natural gas pipeline.

6 (g) If commitments to acquire firm transportation capacity are received in an
 7 open season conducted by the Alaska Gasline Development Corporation, the Alaska
 8 Gasline Development Corporation shall, within 10 days after executing the
 9 commitments, report the results of the open season to the president of the senate and
 10 the speaker of the house of representatives and inform the public of the results of the
 11 open season through publication on the Internet website of the Alaska Gasline
 12 Development Corporation and in a press release or other announcement to the media.
 13 The results made public must include the name of each prospective shipper, the
 14 amount of capacity allocated, and the period of the commitment.

15 (h) In this section, "in-state natural gas pipeline" and "natural gas pipeline"
 16 have the meanings given in AS 38.34.099.

17 * Sec. 3. AS 36.30.850(b) is amended by adding a new paragraph to read:

18 (49) contracts by the Alaska Natural Gas Development Authority
 19 under AS 41.41.070(d).

20 * Sec. 4. AS 38.34.050(a) is amended to read:

21 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
 22 GASLINE DEVELOPMENT TEAM] may have access to information of all state
 23 agencies that is directly related to the planning, design, construction, or operation of
 24 the in-state natural gas pipeline. If a state agency finds that the information to be
 25 transferred under this subsection is confidential, the state agency may require the
 26 Alaska Gasline Development Corporation to enter into a confidentiality
 27 agreement under (e) of this section before the transfer of that information, or, if
 28 the state agency determines that a law or provision of a contract to which the
 29 state agency is a party requires the state agency to preserve the confidentiality of
 30 the information and that delivering the information to the Alaska Gasline
 31 Development Corporation would violate the confidentiality provision of that law

1 or contract, the state agency shall identify the applicable law or contract
 2 provision to the Alaska Gasline Development Corporation and may require the
 3 Alaska Gasline Development Corporation to obtain the consent of the person
 4 who has the right to waive the confidentiality of the information under the
 5 applicable law or contract provision before the state agency transfers the
 6 information to the Alaska Gasline Development Corporation.

7 * **Sec. 5.** AS 38.34.050(b) is amended to read:

8 (b) All state agencies or entities shall cooperate with and, except for requests
 9 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
 10 requests for information from the Alaska Gasline Development Corporation
 11 [JOINT IN-STATE GASLINE DEVELOPMENT TEAM]. The Alaska Gasline
 12 Development Corporation [DEVELOPMENT TEAM] shall avoid duplicating
 13 studies, plans, and designs that have already been produced or otherwise obtained by
 14 other state entities.

15 * **Sec. 6.** AS 38.34.050(c) is amended to read:

16 (c) Notwithstanding any contrary provision of law, the Department of Natural
 17 Resources shall grant the Alaska Gasline Development Corporation [ALASKA
 18 HOUSING FINANCE CORPORATION] a right-of-way lease under AS 38.35 for the
 19 gas pipeline transportation corridor at no appraisal or rental cost if

20 (1) [THE CORPORATION SUBMITS] a complete right-of-way lease
 21 application under AS 38.35.050 is submitted;

22 (2) the lease application is made the subject of notice and other
 23 reasonable and appropriate publication requirements under AS 38.35.070; and

24 (3) the corporation that submits the application for the right-of-way
 25 lease agrees to be bound by the right-of-way lease covenants set out in AS 38.35.120,
 26 except for the covenants in AS 38.35.120(a)(1), (2), and (5); notwithstanding AS
 27 38.35.120(b), a right-of-way lease subject to this paragraph is valid and of legal
 28 effect.

29 * **Sec. 7.** AS 38.34.050 is amended by adding new subsections to read:

30 (e) The Alaska Gasline Development Corporation may enter into
 31 confidentiality agreements necessary to acquire or provide information to carry out its

1 functions. Information acquired or provided by the Alaska Gasline Development
2 Corporation under a confidentiality agreement is not subject to disclosure under AS
3 40.25.110. The Alaska Gasline Development Corporation may enter into
4 confidentiality agreements with a public agency, as defined in AS 40.25.220, to allow
5 release of confidential information. The portions of the records and files of a public
6 agency bound by a confidentiality agreement that reflect, incorporate, or analyze
7 information subject to a confidentiality agreement under this subsection are not public
8 records. Confidentiality agreements entered into under this subsection are valid and
9 binding against all parties in accordance with the terms of the confidentiality
10 agreement.

11 (f) Information relating to field studies conducted and other technical
12 information developed or obtained by the Alaska Gasline Development Corporation
13 that relates to the development, financing, construction, or operation of an in-state
14 natural gas pipeline project by the Alaska Gasline Development Corporation is
15 confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline
16 Development Corporation may waive the confidentiality of the information described
17 in this subsection, except for information acquired from another person that is subject
18 to a confidentiality agreement, if the waiver is in the best interest of the state and will
19 facilitate the development, financing, or construction of an in-state natural gas
20 pipeline.

21 (g) Upon request by the Alaska Gasline Development Corporation, a
22 municipality or a state entity shall provide water, sand and gravel, other
23 nonhydrocarbon natural resources, and a permit or a lease to the Alaska Gasline
24 Development Corporation at the usual and customary rates, except as provided in (c)
25 of this section. In this subsection, "state entity" means a state department, authority, or
26 other administrative unit of the executive branch of state government, a public
27 university, or a state public corporation.

28 (h) That part of the cost of providing, under (g) of this section, water, sand and
29 gravel, or other nonhydrocarbon natural resources, or of entering into a lease or
30 issuing a permit, that is borne by the Alaska Gasline Development Corporation for an
31 in-state natural gas pipeline project that is owned in whole or in part by the Alaska

1 Gasline Development Corporation may not be included in the rate base in a
2 proceeding under AS 42 or before the Federal Energy Regulatory Commission.

3 (i) After approval by the commissioner of natural resources, a lease received
4 by the Alaska Gasline Development Corporation under (c) of this section may be
5 transferred to a successor in interest under the same terms and conditions applicable to
6 the right-of-way lease granted to the Alaska Gasline Development Corporation.

7 * **Sec. 8.** AS 38.34.099 is repealed and reenacted to read:

8 **Sec. 38.34.099. Definitions.** In this chapter,

9 (1) "Alaska Gasline Development Corporation" means the corporation
10 created under AS 18.56.086 that is authorized to exercise the powers and take the
11 actions described in AS 18.56.087;

12 (2) "in-state natural gas pipeline" means a natural gas pipeline for
13 transporting natural gas in the state;

14 (3) "natural gas pipeline" means all the facilities of a total system of
15 pipe for transportation of natural gas for treatment or conditioning, delivery, storage,
16 or further transportation, and including all pipe, pump and compressor stations, station
17 equipment, and all other facilities used or necessary for an integral line of pipe to carry
18 out the transportation of the gas.

19 * **Sec. 9.** AS 38.35.100(d) is amended to read:

20 (d) The commissioner shall include in a conditional lease each requirement
21 and condition of the covenants established under AS 38.35.120, **except that, for a**
22 **lease entered into under AS 38.34.050(c), the covenants in AS 38.35.120(a)(1), (2),**
23 **and (5) may not be included.** The commissioner may also require that the lessee
24 agree to additional conditions that the commissioner finds to be in the public interest.
25 In place of the covenant established under AS 38.35.120(a)(9), the commissioner shall
26 require the lessee to agree that it will not transfer, assign, pledge, or dispose of in any
27 manner, directly or indirectly, its interest in a conditional right-of-way lease or a
28 pipeline subject to the conditional lease, unless the commissioner, after considering
29 the public interest and issuing written findings to substantiate a decision to allow the
30 transfer, authorizes the transfer. The commissioner shall also require the lessee to
31 agree not to allow the transfer of control of the lessee without the approval of the

1 commissioner; as used in this subsection, "transfer of control of the lessee" means the
2 transfer of 30 percent or more, in the aggregate, of ownership interest in the lessee in
3 one or more transactions to one or more persons by one or more persons.

4 * **Sec. 10.** AS 38.35.120(a) is amended to read:

5 (a) **Except as provided in AS 38.34.050(c), a** [A] noncompetitive lease of
6 state land for a right-of-way for an oil or natural gas pipeline valued at \$1,000,000 or
7 more may be granted only upon the condition that the lessee expressly covenants in
8 the lease, in consideration of the rights acquired by it under the lease, that

9 (1) it assumes the status of and will perform all of its functions
10 undertaken under the lease as a common carrier and will accept, convey, and transport
11 without discrimination crude oil or natural gas, depending on the kind of pipeline
12 involved, delivered to it for transportation from fields in the vicinity of the pipeline
13 subject to the lease throughout its route both on state land obtained under the lease and
14 on the other land; it will accept, convey, and transport crude oil or natural gas without
15 unjust or unreasonable discrimination in favor of one producer or person, including
16 itself, as against another but will take the crude oil or natural gas, depending on the
17 kind of pipeline involved, delivered or offered, without unreasonable discrimination,
18 that the Regulatory Commission of Alaska shall, after a full hearing with due notice to
19 the interested parties and a proper finding of facts, determine to be reasonable in the
20 performance of its duties as a common carrier; however, a lessee that owns or operates
21 a natural gas pipeline

22 (A) subject to regulation either under the Natural Gas Act (15
23 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
24 with respect to rates and charges for the sale of natural gas, is, to the extent of
25 that regulation, exempt from the common carrier requirement in this
26 paragraph;

27 (B) that is a North Slope natural gas pipeline (i) is required to
28 operate as a common carrier only with respect to the intrastate transportation of
29 North Slope natural gas, as that term is defined in AS 42.06.630, and (ii) is not
30 required to operate as a common carrier as to a liquefied natural gas facility or
31 a marine terminal facility associated with the pipeline, and is not otherwise

1 required to perform its functions under the lease as a common carrier; for
2 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
3 facilities of a total system of pipe, whether owned or operated under a contract,
4 agreement, or lease, used by a carrier for transportation of North Slope natural
5 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
6 transportation, and including all pipe, pump, or compressor stations, station
7 equipment, tanks, valves, access roads, bridges, airfields, terminals and
8 terminal facilities, including docks and tanker loading facilities, operations
9 control centers for both the upstream part of the pipeline and the terminal,
10 tanker ballast treatment facilities, fire protection system, communication
11 system, and all other facilities used or necessary for an integral line of pipe,
12 taken as a whole, to carry out transportation, including an extension or
13 enlargement of the line;

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

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

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

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

1 (6) it shall, notwithstanding any other provision, provide connections
2 and interchange facilities at state expense at such places the state considers necessary
3 if the state determines to take a portion of its royalty or taxes in oil or natural gas;

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

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

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

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

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

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

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

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

31 (12) the granting of the right-of-way lease is subject to the express

1 condition that the exercise of the rights and privileges granted under the lease will not
 2 unduly interfere with the management, administration, or disposal by the state of the
 3 land affected by the lease, and that the lessee agrees and consents to the occupancy
 4 and use by the state, its grantees, permittees, or other lessees of any part of the right-
 5 of-way not actually occupied or required by the pipeline for the full and safe
 6 utilization of the pipeline, for necessary operations incident to land management,
 7 administration, or disposal;

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

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

17 * **Sec. 11.** AS 38.35.120(b) is amended to read:

18 (b) **Except as provided in AS 38.34.050(c), for** [FOR] a right-of-way lease
 19 granted under this chapter for an oil or natural gas pipeline valued at \$1,000,000 or
 20 more to be valid and of legal effect, it must contain the terms required to be inserted
 21 under the provisions of AS 38.35.110 - 38.35.140. **Except as provided in AS**
 22 **38.34.050(c), an** [AN] oil or natural gas pipeline right-of-way lease granted under this
 23 chapter that does not contain the required terms is null and void and without legal
 24 effect and does not vest any interest in state land or any authority in the carrier granted
 25 the lease.

26 * **Sec. 12.** AS 38.35.140 is amended by adding a new subsection to read:

27 (c) Notwithstanding (a) of this section, a right-of-way lease shall be granted
 28 without appraisal or rental costs to the Alaska Gasline Development Corporation
 29 created under AS 18.56.086.

30 * **Sec. 13.** AS 38.35.200 is amended by adding new subsections to read:

31 (c) Except as provided for an applicant under (a) of this section,

1 notwithstanding any contrary provision of law, an action or decision of the
 2 commissioner or other state officer or agency concerning the issuance or approval of a
 3 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
 4 development, construction, or initial operation of a natural gas pipeline by the Alaska
 5 Gasline Development Corporation, a subsidiary created by the Alaska Housing
 6 Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this
 7 chapter may not be subject to judicial review, except that a claim alleging the
 8 invalidity of this subsection must be brought within 60 days after the effective date of
 9 this Act, and a claim alleging that an action will deny rights under the Constitution of
 10 the State of Alaska must be brought within 60 days following the date of that action. A
 11 claim that is not filed within the limitations established in this subsection is barred. A
 12 complaint under this subsection must be filed in superior court, and the superior court
 13 has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction
 14 with a final judgment on a claim filed under this subsection, the superior court may
 15 not grant injunctive relief, including a temporary restraining order, preliminary
 16 injunction, permanent injunction, or stay against the issuance of a necessary right-of-
 17 way, permit, lease, certificate, license, or other authorization for the development,
 18 construction, or initial operation of a natural gas pipeline by the Alaska Gasline
 19 Development Corporation, a subsidiary created by the Alaska Housing Finance
 20 Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the
 21 meaning given in AS 38.34.099.

22 (d) An appeal of a permitting decision or authorization by the Department of
 23 Environmental Conservation under AS 46.03 or AS 46.14 that is made under a
 24 program approved or delegated by the United States Environmental Protection Agency
 25 is not

26 (1) subject to the limitation in (a) of this section;

27 (2) included in the actions or decisions described in (c) of this section.

28 * **Sec. 14.** AS 40.25.120(a) is amended to read:

29 (a) Every person has a right to inspect a public record in the state, including
 30 public records in recorders' offices, except

31 (1) records of vital statistics and adoption proceedings, which shall be

1 treated in the manner required by AS 18.50;

2 (2) records pertaining to juveniles unless disclosure is authorized by
3 law;

4 (3) medical and related public health records;

5 (4) records required to be kept confidential by a federal law or
6 regulation or by state law;

7 (5) to the extent the records are required to be kept confidential under
8 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
9 or retain federal assistance;

10 (6) records or information compiled for law enforcement purposes, but
11 only to the extent that the production of the law enforcement records or information

12 (A) could reasonably be expected to interfere with enforcement
13 proceedings;

14 (B) would deprive a person of a right to a fair trial or an
15 impartial adjudication;

16 (C) could reasonably be expected to constitute an unwarranted
17 invasion of the personal privacy of a suspect, defendant, victim, or witness;

18 (D) could reasonably be expected to disclose the identity of a
19 confidential source;

20 (E) would disclose confidential techniques and procedures for
21 law enforcement investigations or prosecutions;

22 (F) would disclose guidelines for law enforcement
23 investigations or prosecutions if the disclosure could reasonably be expected to
24 risk circumvention of the law; or

25 (G) could reasonably be expected to endanger the life or
26 physical safety of an individual;

27 (7) names, addresses, and other information identifying a person as a
28 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
29 advance college tuition savings program under AS 14.40.803 - 14.40.817;

30 (8) public records containing information that would disclose or might
31 lead to the disclosure of a component in the process used to execute or adopt an

1 electronic signature if the disclosure would or might cause the electronic signature to
2 cease being under the sole control of the person using it;

3 (9) reports submitted under AS 05.25.030 concerning certain
4 collisions, accidents, or other casualties involving boats;

5 (10) records or information pertaining to a plan, program, or
6 procedures for establishing, maintaining, or restoring security in the state, or to a
7 detailed description or evaluation of systems, facilities, or infrastructure in the state,
8 but only to the extent that the production of the records or information

9 (A) could reasonably be expected to interfere with the
10 implementation or enforcement of the security plan, program, or procedures;

11 (B) would disclose confidential guidelines for investigations or
12 enforcement and the disclosure could reasonably be expected to risk
13 circumvention of the law; or

14 (C) could reasonably be expected to endanger the life or
15 physical safety of an individual or to present a real and substantial risk to the
16 public health and welfare;

17 (11) the written notification regarding a proposed regulation provided
18 under AS 24.20.105 to the Department of Law and the affected state agency and
19 communications between the Legislative Affairs Agency, the Department of Law, and
20 the affected state agency under AS 24.20.105;

21 (12) records that are

22 (A) proprietary, privileged, or a trade secret in accordance with
23 AS 43.90.150 or 43.90.220(e);

24 (B) applications that are received under AS 43.90 until notice is
25 published under AS 43.90.160;

26 **(13) information that is covered by a confidentiality agreement**
27 **between the Alaska Gasline Development Corporation created under AS**
28 **18.56.086 and the provider or recipient of the information.**

29 * Sec. 15. AS 41.41.010(a) is amended to read:

30 (a) There is established the Alaska Natural Gas Development Authority, the
31 purpose of which is to provide one or more of the following services and functions in

1 order to acquire [BRING] natural gas produced in [FROM THE NORTH SLOPE
2 OR OTHER REGIONS OF] the state for delivery to market, including

3 [(1)] the acquisition and conditioning of natural gas [;

4 (2) THE DESIGN AND CONSTRUCTION OF THE PIPELINE
5 SYSTEM;

6 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
7 SYSTEM;

8 (4) THE DESIGN, CONSTRUCTION, AND OPERATION OF
9 OTHER FACILITIES NECESSARY FOR DELIVERING THE GAS TO MARKET,
10 INCLUDING MARKETS IN THE STATE;] and

11 [(5)] the acquisition of natural gas market share sufficient to ensure the
12 long-term feasibility of pipeline system projects.

13 * **Sec. 16.** AS 41.41.010(d) is amended to read:

14 (d) The acquisition of natural gas from the North Slope and other regions of
15 the state, including the Alaska outer continental shelf, and making that natural gas
16 available to [ITS DELIVERY TO MARKETS IN THE STATE FOR USE BY]
17 markets in the state or for export from the state [TO TIDEWATER FOR
18 SHIPMENT TO MARKET BY THE AUTHORITY] are essential government
19 functions of the state.

20 * **Sec. 17.** AS 41.41.010 is amended by adding a new subsection to read:

21 (f) To honor delivery commitments in a contract entered into by the authority,
22 the authority and the commissioner of natural resources may pledge, as necessary,
23 royalty gas owned by the state and not otherwise committed by contract to other
24 purchasers of royalty gas. The commissioner of natural resources shall determine the
25 amount of gas that may be pledged and the price for that gas. A pledge made under
26 this subsection shall be treated as a disposal of gas other than by sale or exchange for
27 purposes of AS 38.05.183.

28 * **Sec. 18.** AS 41.41.020 is repealed and reenacted to read:

29 **Sec. 41.41.020. Authority governing body.** The authority shall be governed
30 by the board of directors of the Alaska Housing Finance Corporation.

31 * **Sec. 19.** AS 41.41.060 is amended to read:

1 **Sec. 41.41.060. Compensation of board members; per diem and travel**
 2 **expenses.** Members of the board described in AS 18.56.030(a)(4) are entitled to
 3 compensation and reimbursement as provided in AS 18.56.030(e) when on official
 4 business of the authority [PER DIEM AND TRAVEL EXPENSES AUTHORIZED
 5 FOR BOARDS AND COMMISSIONS UNDER AS 39.20.180].

6 * **Sec. 20.** AS 41.41.070(d) is amended to read:

7 (d) In addition to its employees, the authority may contract for and engage the
 8 services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors, and
 9 legal counsel, including bond counsel, the authority considers necessary for the
 10 purpose of developing information, furnishing advice, or conducting studies,
 11 investigations, hearings, or other proceedings. The procurement of services under
 12 this subsection is exempt from AS 36.30, including AS 36.30.015(d) and (f).

13 * **Sec. 21.** AS 41.41.090(b) is amended to read:

14 (b) If a member of the board or an employee of the authority acquires, owns,
 15 or controls an interest, direct or indirect, in an entity [OR PROJECT] in which assets
 16 of the authority are invested, the member shall immediately disclose the interest to the
 17 board. The disclosure is a matter of public record and shall be included in the minutes
 18 of the first board meeting following the disclosure.

19 * **Sec. 22.** AS 41.41.150(a) is amended to read:

20 (a) Information in the possession of the authority is a public record, except
 21 that information that is contained in or subject to a confidentiality agreement
 22 between the authority and the Alaska Gasline Development Corporation or that
 23 discloses the particulars of the business or affairs of a private enterprise or investor is
 24 confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140.
 25 Confidential information may be disclosed only for the purposes of an official law
 26 enforcement investigation or when its production is required in a court proceeding.

27 * **Sec. 23.** AS 41.41.200 is amended to read:

28 **Sec. 41.41.200. Powers of the authority.** In furtherance of its corporate
 29 purposes, in addition to its other powers, the authority may

30 (1) sue and be sued;

31 (2) adopt a seal;

- 1 (3) adopt, amend, and repeal bylaws and regulations;
 2 (4) make and execute contracts and other instruments;
 3 (5) in its own name acquire property, lease, rent, convey, or acquire
 4 real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE
 5 MAY BE ACQUIRED BY EMINENT DOMAIN];
 6 (6) acquire natural gas supplies;
 7 (7) issue bonds and otherwise incur indebtedness in accordance with
 8 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
 9 (8) accept gifts, grants, or loans from and enter into contracts or other
 10 transactions regarding gifts, grants, or loans with a federal agency or an agency or
 11 instrumentality of the state, a municipality, private organization, or other source;
 12 (9) enter into contracts or agreements with a federal agency, agency or
 13 instrumentality of the state, municipality, or public or private individual or entity, with
 14 respect to the exercise of its powers;
 15 (10) charge fees or other forms of remuneration for the use of authority
 16 properties and facilities;
 17 (11) defend and indemnify a current or former member of the board or
 18 an employee or agent of the authority against the costs, expenses, judgments, and
 19 liabilities as a result of actions taken in good faith on behalf of the authority; and
 20 (12) purchase insurance to protect its assets, services, and employees
 21 against liabilities that may arise from authority operations and activities.

22 * **Sec. 24.** AS 41.41.990(2) is amended to read:

23 (2) "board" means the board of directors of the Alaska Housing
 24 Finance Corporation acting as the board of the Alaska Natural Gas Development
 25 Authority;

26 * **Sec. 25.** AS 42.04.080(a) is amended to read:

27 (a) Except as provided in AS 42.05.171 or AS 42.06.140, when a matter
 28 comes for decision before the commission under AS 42.05, [OR] AS 42.06, or AS
 29 42.08, the chair shall appoint a hearing panel composed of three or more members to
 30 hear, or if a hearing is not required, to otherwise consider, and decide the case. The
 31 panel shall exercise the powers of the commission with respect to the matter.

1 * **Sec. 26.** AS 42.05 is amended by adding a new section to read:

2 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A
3 contract entered into by a public utility with the Alaska Gasline Development
4 Corporation (AS 18.56.087) or its successors or assigns may contain a covenant for
5 the public utility to establish, charge, and collect rates sufficient to meet its obligations
6 under the contract. If the contract is approved by the commission under AS 42.08, the
7 rate covenant is valid and enforceable.

8 (b) A public utility negotiating to purchase natural gas to be shipped on an in-
9 state natural gas pipeline regulated under AS 42.08 shall submit the contract to the
10 commission before the contract takes effect.

11 (c) A public utility negotiating to contract for the storage of natural gas related
12 to (b) of this section shall submit the contract to the commission before the contract
13 takes effect.

14 (d) The commission shall review and may conduct an investigation and hearing
15 to determine whether a contract submitted under (b) or (c) of this section is just and
16 reasonable. The commission shall either approve the contract as presented or, if the
17 commission finds that a contract is unjust or unreasonable, disapprove the contract. If
18 the commission has not acted within 180 days after the contract is submitted, the
19 contract shall be considered approved and shall take effect immediately. A contract
20 that is approved or considered approved under this section is not subject to further
21 review by the commission. The commission may, by order, extend the 180-day review
22 period by the duration of any delay caused by a failure of the public utility to submit
23 supplemental information that is available to the public utility.

24 * **Sec. 27.** AS 42.05.711 is amended by adding a new subsection to read:

25 (s) An in-state natural gas pipeline subject to AS 42.08 and an in-state natural
26 gas pipeline carrier subject to AS 42.08 are exempt from this chapter.

27 * **Sec. 28.** AS 42.06 is amended by adding a new section to article 7 to read:

28 **Sec. 42.06.601. Exemption.** An in-state natural gas pipeline subject to AS
29 42.08 and an in-state natural gas pipeline carrier subject to AS 42.08 are exempt from
30 this chapter.

31 * **Sec. 29.** AS 42 is amended by adding a new chapter to read:

1 **Chapter 08. In-state Pipeline Contract Carrier.**

2 **Article 1. Application of Chapter; Purpose.**

3 **Sec. 42.08.010. Application of chapter; exemption.** (a) This chapter applies
4 to the regulation of an in-state natural gas pipeline authorized by law to provide
5 transportation by contract carriage.

6 (b) An in-state natural gas pipeline subject exclusively to federal jurisdiction
7 is exempt from this chapter.

8 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
9 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
10 subsidiary created under AS 18.56.086 and authorized to exercise the powers and take
11 the actions described in AS 18.56.087, is financially fit, willing, and able to take the
12 actions, properly to perform the service, and to conform to the requirements of this
13 chapter.

14 (b) The board of directors and the officers of the Alaska Gasline Development
15 Corporation are managerially fit, willing, and able to manage the Alaska Gasline
16 Development Corporation and to take the actions, properly to perform the service, and
17 to conform to the requirements of this chapter.

18 (c) The proposed service, construction, and operation of an in-state natural gas
19 pipeline is required by present and future public convenience and necessity.

20 (d) The findings that the Alaska Gasline Development Corporation is
21 financially fit in (a) of this section and managerially fit in (b) of this section and that
22 an in-state natural gas pipeline is required by present or future public convenience and
23 necessity in (c) of this section are conclusive and binding on the commission.

24 (e) The commission shall determine whether a person making application
25 under this chapter is technically fit, willing, and able to take the actions, properly to
26 perform the service, and to conform to the requirements in this chapter.

27 **Article 2. Powers and Duties of Regulatory Commission of Alaska.**

28 **Sec. 42.08.220. General powers and duties.** (a) The commission shall
29 (1) regulate, under the provisions of this chapter, an in-state natural gas
30 pipeline that is expressly authorized by law to provide transportation by way of
31 contract carriage;

1 (2) require permits for the construction, enlargement in size or
2 operating capacity, extension, connection and interconnection, operation, or
3 abandonment of an in-state natural gas pipeline facility, under the provisions of this
4 chapter and subject to the same standards as certification in AS 42.08.310;

5 (3) provide all reasonable assistance to the Department of Law in
6 intervening in, offering evidence in, and participating in proceedings involving an in-
7 state natural gas pipeline carrier or affiliated interest and affecting the interests of the
8 state, before an officer, department, board, commission, or court of another state or the
9 United States.

10 (b) The commission may

11 (1) approve contracts as otherwise provided in this chapter;

12 (2) investigate, on complaint or its own motion, disputes related to
13 rules, regulations, services, practices, and facilities

14 (A) that are not subject to the dispute resolution provisions in
15 an in-state natural gas pipeline carrier's contracts or tariffs;

16 (B) that relate to an unreasonable diminution in the quantity or
17 quality in the provision of service to a public utility;

18 (C) that are a violation of the in-state natural gas pipeline
19 carrier's tariff or contract with the public utility;

20 (D) that have not been resolved by the in-state natural gas
21 pipeline carrier; and

22 (E) in which it clearly appears from specific facts shown by
23 affidavit or by verified complaint that immediate and irreparable injury, loss,
24 or damage will result to the peace, health, safety, or general welfare of the
25 public from a violation;

26 (3) adopt regulations that are necessary and proper to the performance
27 of the duties of the commission under this chapter, including regulations governing
28 practices and procedures of the commission; the regulations may not be inconsistent
29 with state law;

30 (4) initiate, intervene in, and appear personally or by counsel and offer
31 evidence in and participate in, any proceedings involving an in-state natural gas

1 pipeline carrier and affecting the interests of the state, before an officer, department,
2 board, commission, or court of this state; and

3 (5) assign a qualified, unbiased, and impartial administrative law
4 judge, with experience in the general practice of law, to conduct hearings under this
5 chapter; the administrative law judge may perform other duties in connection with the
6 administration of this chapter and other laws; an administrative law judge hired to
7 conduct hearings under this chapter shall have been admitted to practice law for at
8 least five years immediately before appointment under this paragraph.

9 (c) The commission may not

10 (1) require rates, rate design, or tariff rules or regulations except as
11 provided in this chapter; and

12 (2) conduct further review, investigate, or order a modification of a
13 contract that is approved or considered approved or filed under this chapter.

14 **Sec. 42.08.230. Commission decision-making procedures.** The commission
15 shall comply with AS 42.04.080(a) and expeditiously adjudicate all matters that come
16 before the commission.

17 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**
18 All reports, orders, decisions, and regulations of the commission shall be in writing.
19 The commission shall notify all affected operators of in-state natural gas pipeline
20 facilities and interested parties of reports, orders, decisions, and regulations as they are
21 issued and adopted, and, when appropriate, publish them in a manner that will
22 reasonably inform the public or the affected consumers of the services of an in-state
23 natural gas pipeline facility. The commission may set charges for costs of printing or
24 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
25 publication requirement, as it pertains to regulations, does not supersede the
26 requirements of AS 44.62 (Administrative Procedure Act).

27 **Sec. 42.08.250. Application of Administrative Procedure Act.** (a) The
28 administrative adjudication procedures of AS 44.62 (Administrative Procedure Act)
29 do not apply to adjudicatory proceedings of the commission under this chapter, except
30 that final administrative determinations by the commission are subject to judicial
31 review under AS 44.62 (Administrative Procedure Act) as provided in AS 42.08.530.

1 (b) AS 44.62 (Administrative Procedure Act) applies to regulations adopted
2 by the commission.

3 **Sec. 42.08.260. Annual report.** The commission shall include in its annual
4 report under AS 42.05.211 and AS 42.06.220 a review of its activities under this
5 chapter during the previous fiscal year and notify the legislature that the report is
6 available. The report must address the regulation of in-state natural gas pipeline
7 facilities in the state as of June 30 of each year and must contain details about the
8 commission's compliance with the performance measures in this chapter.

9 **Article 3. Contract Review; Contract Carriage Certificate.**

10 **Sec. 42.08.300. Review of certain contracts by the commission.** (a) The
11 Alaska Gasline Development Corporation or its successors or assigns shall submit
12 each of its precedent agreements for firm transportation service to the commission. A
13 precedent agreement negotiated with an entity that is not a public utility may be filed
14 under seal. Under AS 42.08.400, the commission shall keep confidential a precedent
15 agreement filed under seal. Submission of precedent agreements to the commission is
16 permissible before construction of an in-state natural gas pipeline and before a request
17 for certification under this chapter.

18 (b) In the review of a precedent agreement submitted under (a) of this section
19 and a related contract submitted under AS 42.05.433, the commission shall

20 (1) conclude that any transaction negotiated at arm's length between
21 the parties is just and reasonable unless the commission finds that there was unlawful
22 market activity connected to the contract rate or there was unfair dealing, such as fraud
23 or duress, at the contract formation stage;

24 (2) review and may conduct an investigation and hearing to determine
25 whether a contract submitted under (a) of this section is just and reasonable; the
26 commission shall either approve the contract as presented or, if the commission finds
27 that a contract is unjust or unreasonable, disapprove the contract; if the commission
28 has not acted within 180 days after the submission of a contract, the contract shall be
29 considered approved and shall take effect immediately; a contract that is approved or
30 considered approved under this paragraph is not subject to further review by the
31 commission.

1 (c) For the purposes of (b)(1) of this section, a transaction is arm's length if it
2 is between two unaffiliated parties or, if the parties are affiliated, the parties have
3 followed the standards of conduct for transmission providers adopted by the Federal
4 Energy Regulatory Commission.

5 **Sec. 42.08.310. Contract carriage certificate.** (a) The owner of an in-state
6 natural gas pipeline subject to this chapter may not engage in the transportation of
7 natural gas or undertake the construction of a natural gas pipeline facility for that
8 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
9 certificate of public convenience and necessity by the commission authorizing contract
10 carriage is in force with respect to that owner. A certificate shall describe the nature
11 and extent of the authority granted, including, as appropriate for the services involved,
12 a description of the authorized area and scope of operation for the in-state natural gas
13 pipeline facility.

14 (b) Application for a certificate shall be made in writing to the commission
15 and verified under oath. The commission by regulation shall establish the
16 requirements for the form of the application and the information to be contained in the
17 application. Notice of the application shall be provided to interested parties in the
18 manner provided by regulation.

19 (c) Within 180 days after receiving an application under this chapter, a
20 contract carriage certificate shall be issued to a qualified applicant, authorizing the
21 whole or any part of the operation, service, construction, or acquisition covered by the
22 application, if the commission finds that the applicant is fit, willing, and able properly
23 to do the acts, perform the service proposed, and conform to the provisions of this
24 chapter and the requirements of the commission, and that the proposed service,
25 operation, construction, extension, or acquisition, to the extent authorized by the
26 certificate, is or will be required by the present or future public convenience and
27 necessity. Otherwise, the application shall be denied.

28 (d) Consistent with the terms of this chapter, the commission may attach to a
29 contract carriage certificate terms and conditions that are in the best interest of the in-
30 state natural gas pipeline facility and the public.

31 (e) Operating authority may not be transferred by sale or lease of the contract

1 carriage certificate or by the sale of substantially all of the stock or assets of a pipeline
2 carrier holding a certificate without prior approval by the commission. A transfer not
3 involving a substantial change in ownership shall be summarily approved. The
4 commission's decision under this subsection shall be based on the best interest of the
5 public.

6 (f) After receiving a complaint or on its own motion, the commission, after
7 notice and hearing and for good cause shown, may amend, modify, suspend, or
8 revoke, in whole or in part, a certificate. Good cause for amendment, modification,
9 suspension, or revocation of a certificate is

10 (1) misrepresentation of a material fact in obtaining the certificate;

11 (2) unauthorized discontinuance or abandonment of all or part of a
12 service that is the subject of the certificate;

13 (3) wilful failure to comply with the provisions of this chapter or a
14 regulation or order of the commission; or

15 (4) wilful failure to comply with a term, condition, or limitation of the
16 certificate.

17 (g) Service or use of all or a portion of an in-state natural gas pipeline
18 certificated under this chapter may not be abandoned or permanently discontinued
19 without permission and approval by the commission, after due notice and hearing, and
20 a finding by the commission that continued service is not required by public
21 convenience and necessity. Any interested person may file a protest or memorandum
22 of opposition to or in support of discontinuance or abandonment with the commission.
23 The commission may order a temporary suspension of a service or of part of a service.

24 **Sec. 42.08.320. Tariffs, contracts, filing, and public inspection.** (a) An in-
25 state natural gas pipeline carrier shall file with the commission all rules, regulations,
26 terms, and conditions pertaining to service provided under the certificate, and copies
27 of all contracts with shippers that in any way affect or relate to the carrier's rates,
28 tariffs, charges, classifications, rules, regulations, terms, and conditions to service
29 provided under the certificate. The in-state natural gas pipeline carrier shall maintain
30 copies on file at its principal business office and at places designated by the
31 commission and make the copies available to, and subject to inspection by, the general

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public on demand. Rules, regulations, terms, and conditions not included in the tariff of an in-state natural gas pipeline carrier shall be included in the contract with each shipper.

(b) The terms and conditions under which an in-state natural gas pipeline carrier offers its services and facilities to the public shall be governed strictly by the provisions of the tariffs and filed contracts that are in effect. A change in tariff rate, charge, rule, regulation, or condition of service is not effective until filed under (a) of this section. If more than one tariff rate or charge may reasonably be applied for billing purposes, the tariff, rate, or charge most advantageous to the shipper shall be used.

Sec. 42.08.330. Expansion; dispute resolution. (a) A contract entered into by an in-state natural gas pipeline carrier may provide for expansion unless the expansion would cause the pipeline to be a competing natural gas pipeline or project as defined in AS 43.90.440.

(b) A contract entered into by an in-state natural gas pipeline carrier shall include dispute resolution procedures.

Sec. 42.08.340. Regulatory cost charge. (a) An in-state natural gas pipeline operating under this chapter shall pay to the commission an annual regulatory cost charge in an amount not to exceed the sum of the following percentages of gross revenue derived from operations in the state: (1) not more than 0.7 percent to fund the operations of the commission, and (2) not more than 0.17 percent to fund operations of the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be assessed on a pipeline under this chapter unless the pipeline is subject to this chapter and has used the commission's services under this chapter in the prior fiscal year.

(b) The commission shall by regulation establish a method to determine annually the amount of the regulatory cost charge. If the amount the commission expects to collect under (a) of this section, AS 42.05.254(a), and AS 42.06.286(a) exceeds the authorized budgets of the commission and the Department of Law public advocacy function under AS 42.04.070(c) and AS 44.23.020(e), the commission shall, by order, reduce the percentage determined under (e) of this section so that the total

1 amount of the fees collected approximately equals the authorized budgets of the
2 commission and the Department of Law public advocacy function under AS
3 42.04.070(c) and AS 44.23.020(e) for the fiscal year.

4 (c) The commission shall administer the charge imposed under this section.
5 The Department of Revenue shall collect and enforce the charge imposed under this
6 section. The Department of Administration shall identify the amount of the operating
7 budgets of the commission and the Department of Law public advocacy function
8 under AS 42.04.070(c) and AS 44.23.020(e) that lapse into the general fund each year.
9 The legislature may appropriate an amount equal to the lapsed amount to the
10 commission and to the Department of Law public advocacy function under AS
11 42.04.070(c) and AS 44.23.020(e) for operating costs for the next fiscal year. If the
12 legislature does so, the commission shall reduce the total regulatory cost charge
13 collected for that fiscal year by a comparable amount.

14 (d) The commission may adopt regulations under AS 44.62 (Administrative
15 Procedure Act) necessary to administer this section, including requirements and
16 procedures for reporting information and making quarterly payments. The Department
17 of Revenue may adopt regulations under AS 44.62 (Administrative Procedure Act) for
18 investigating the accuracy of filed information and for collecting required payments.

19 (e) The commission shall by regulation establish a method to determine
20 annually the maximum percentage of gross revenue that will apply to each regulated
21 public utility sector, the maximum percentage of gross revenue that will apply to the
22 regulated pipeline carrier sector under AS 42.06, and the maximum percentage of
23 gross revenue that will apply to pipelines regulated under this chapter in accordance
24 with AS 42.05.254(h).

25 **Sec. 42.08.350. Nothing to alter the calculation of taxes and royalty.**
26 Nothing in this chapter shall alter the calculation of production taxes under AS
27 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under AS
28 38.05.180.

29 **Article 4. Records; Investigations.**

30 **Sec. 42.08.400. Public records.** (a) Except as provided in (b) and (c) of this
31 section or prohibited from disclosure under state or federal law, records in the

1 possession of the commission are open to public inspection at reasonable times.

2 (b) The commission may by regulation classify records received from an in-
3 state natural gas pipeline carrier or in-state natural gas pipeline as privileged records
4 that are not open to the public for inspection.

5 (c) A record filed with the commission that is or relates to a precedent
6 agreement or other contract between an in-state natural gas pipeline carrier and an
7 unregulated entity is a privileged record that is not open to the public for inspection.

8 (d) A person may make written objection to the public disclosure of
9 information contained in a record filed under this chapter or of information obtained
10 by the commission or by the attorney general under this chapter, stating the grounds
11 for the objection. When an objection is made, the commission shall order the
12 information withheld from public disclosure if the information adversely affects the
13 interest of the person making written objection and disclosure is not required in the
14 interest of the public.

15 (e) A commissioner may certify as to all official records of the commission
16 under this section and may certify as to all official acts of the commission under this
17 chapter.

18 **Sec. 42.08.410. Investigations.** The commission may investigate any matter
19 set out in AS 42.08.220(b)(2). An investigation may be public, nonpublic, or both. In
20 conducting an investigation, the commission may compel the attendance and
21 testimony of witnesses and the production of records and testimony before the
22 commission or its designee. In the course of an investigation, the commission may
23 exclude from attendance at the taking of investigative testimony all persons except a
24 person compelled to attend, that person's attorney, members of the commission or the
25 commission's staff, and a person authorized to transcribe the proceedings.

26 **Article 5. General Provisions.**

27 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
28 carrier shall file with the commission a written appointment of a named permanent
29 resident, which may be a corporation, of this state as its registered agent in this state
30 upon whom service of all notices, regulations, and requests of the commission may be
31 made. The appointment shall specify the address in this state of the appointed agent.

1 The address may be changed from time to time by filing a new address in the state
2 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
3 registered agent, service of notices, regulations, and requests may be made by posting
4 a copy in the main office of the commission and filing a copy in the office of the
5 lieutenant governor.

6 **Sec. 42.08.520. Effect of regulations.** Regulations adopted by the commission
7 under this chapter have the effect of law.

8 **Sec. 42.08.530. Judicial review and enforcement.** (a) Except as provided in
9 AS 38.35.200(c), a final order of the commission under this chapter is subject to
10 judicial review under AS 44.62.560 and 44.62.570.

11 (b) If an appeal is not taken from a final order of the commission within 10
12 calendar days after an investigation under AS 42.08.220(b)(2), the commission may
13 apply to the superior court for enforcement of the order of the commission. The court
14 shall enforce the order by injunction or other process.

15 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
16 from orders of the commission and applications for enforcement of orders of the
17 commission may be joined. The court may, in the interests of justice, separate the
18 actions.

19 **Sec. 42.08.900. Definitions.** In this chapter,

20 (1) "commission" means the Regulatory Commission of Alaska (AS
21 42.04.010);

22 (2) "commissioner" means a member of the commission;

23 (3) "firm transportation service" means service by an in-state natural
24 gas pipeline carrier that is not subject to a prior claim by another shipper or another
25 class of service; service constitutes "firm transportation service" if the service receives
26 the same priority as any other class of firm transportation service;

27 (4) "in-state natural gas pipeline" or "in-state natural gas pipeline
28 facility" means a natural gas pipeline that has been authorized by the legislature to
29 transport natural gas in the state by way of contract carriage;

30 (5) "in-state natural gas pipeline carrier" means the owner, including a
31 corporation, company, or other entity organized under the laws of the United States or

1 of any state, of an in-state natural gas pipeline or an interest in it, or any person,
 2 including a corporation, company, or other entity organized under the laws of the
 3 United States or of any state, that has been granted the right to transport natural gas as
 4 a contract carrier by the legislature;

5 (6) "natural gas pipeline" has the meaning given in AS 38.34.099;

6 (7) "precedent agreement" means a contractual commitment to acquire
 7 firm transportation capacity, executed between an in-state natural gas pipeline carrier
 8 and another person, that establishes the rates, terms, and conditions for service;

9 (8) "record" means a report, file, book, account, paper, or application,
 10 and the facts and information contained in it.

11 * **Sec. 30.** AS 43.56.020 is amended by adding a new subsection to read:

12 (d) Taxable property of a natural gas pipeline project owned or financed by
 13 the Alaska Gasline Development Corporation established under AS 18.56.086, or a
 14 joint venture, partnership, or other entity that includes the Alaska Gasline
 15 Development Corporation, is exempt from state taxes levied or authorized under AS
 16 43.56.010(a) and local taxes levied or authorized under AS 43.56.010(b) before the
 17 commencement of commercial operations of that natural gas pipeline project. In this
 18 subsection, "commencement of commercial operations" means the first flow of natural
 19 gas in the project that generates revenue to the owners of the natural gas pipeline
 20 project.

21 * **Sec. 31.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050,
 22 and 41.41.080 are repealed.

23 * **Sec. 32.** Section 1, 2002 Ballot Measure No. 3, is repealed.

24 * **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to
 25 read:

26 **TRANSITION AND LEGISLATIVE INTENT.** It is the intent of the legislature that a
 27 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 6 of this Act, AS
 28 38.35.100(d), as amended by sec. 9 of this Act, AS 38.35.120(a), as amended by sec. 10 of
 29 this Act, and AS 38.35.120(b), as amended by sec. 11 of this Act, that is entered into between
 30 the commissioner of natural resources and the Alaska Gasline Development Corporation, a
 31 subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086, before the

1 effective dates of secs. 6 and 9 - 11 of this Act be amended as soon as practicable after the
2 effective dates of secs. 6 and 9 - 11 of this Act to conform to the requirements of AS
3 38.34.050(c), as amended by sec. 6 of this Act, AS 38.35.100(d), as amended by sec. 9 of this
4 Act, AS 38.35.120(a), as amended by sec. 10 of this Act, and AS 38.35.120(b), as amended
5 by sec. 11 of this Act.

6 * **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to
7 read:

8 REVISOR'S INSTRUCTIONS. The revisor of statutes shall change the catch lines of

9 (1) AS 38.34.050 from "Cooperation and access to information" to
10 "Cooperation; information sharing; permits, use of state resources, and leases"; and

11 (2) AS 38.35.200 from "Judicial review of decisions of commissioner on
12 application" to "Judicial review."

13 * **Sec. 35.** This Act takes effect immediately under AS 01.10.070(c).

*Adopted
3/16/12*

27-LS0075\K
Bullock
3/16/12

CS FOR HOUSE BILL NO. 9(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Millett, Thompson, Hawker, Pruitt

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Gasline Development Corporation, a subsidiary created**
2 **by the Alaska Housing Finance Corporation; establishing and relating to the in-state**
3 **natural gas pipeline fund; making certain information provided to or by the Alaska**
4 **Gasline Development Corporation exempt from inspection as a public record; relating**
5 **to the Joint In-State Gasline Development Team; relating to the judicial review of a**
6 **right-of-way lease or an action or decision related to the development or construction of**
7 **an oil or gas pipeline on state land; relating to the lease of a right-of-way by the Alaska**
8 **Gasline Development Corporation or a successor in interest for a gas pipeline**
9 **transportation corridor; relating to the cost of natural resources, permits, and leases**
10 **provided to the Alaska Gasline Development Corporation; relating to the review of**
11 **natural gas transportation contracts by the Regulatory Commission of Alaska; relating**
12 **to the regulation by the Regulatory Commission of Alaska of an in-state gas pipeline**

1 project developed by the Alaska Gasline Development Corporation; relating to the
2 Alaska Natural Gas Development Authority; relating to the procurement of certain
3 services by the Alaska Natural Gas Development Authority; exempting property of a
4 project developed by the Alaska Gasline Development Corporation from property taxes
5 before the commencement of commercial operations; 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 INTENT.** It is the intent of the legislature that

11 (1) an executed pipeline operating agreement between the Alaska Gasline
12 Development Corporation and the operator of the pipeline developed by the Alaska Gasline
13 Development Corporation be disclosed to the public to the extent the disclosure would not
14 divulge trade secrets or other proprietary business information of the Alaska Gasline
15 Development Corporation or the operator;

16 (2) the purpose of the Alaska Gasline Development Corporation is to
17 construct, own, operate, manage, or participate in natural gas pipelines and associated
18 facilities and operations for the purpose of making natural gas available to Fairbanks, the
19 Southcentral region of the state, and other communities in the state at the lowest rate possible
20 for a natural gas pipeline that operates in a manner consistent with safe and prudent standards;

21 (3) the Alaska Gasline Development Corporation shall endeavor to develop
22 natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of
23 the state to which the natural gas may be delivered at commercially reasonable rates;

24 (4) the Alaska Gasline Development Corporation shall endeavor to develop
25 natural gas pipelines to provide shippers access to natural gas produced in the state for
26 transport at commercially reasonable rates;

27 (5) passage of this Act constitutes a finding of public convenience and
28 necessity for an in-state natural gas pipeline developed by the Alaska Gasline Development
29 Corporation;

1 (6) the development of a natural gas pipeline by the Alaska Gasline
2 Development Corporation is in the best interest of the state; and

3 (7) it is the policy of the state to make the state's share of royalty natural gas
4 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
5 Development Corporation.

6 * **Sec. 2.** AS 18.56 is amended by adding a new section to read:

7 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
8 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
9 have all powers granted to it by the corporation. The Alaska Gasline Development
10 Corporation shall, to the fullest extent possible, advance an in-state natural gas
11 pipeline as described in the July 1, 2011, project plan prepared under AS 38.34.040 by
12 the Alaska Gasline Development Corporation and the Joint In-State Gasline
13 Development Team, with modifications determined by the Alaska Gasline
14 Development Corporation to be necessary to construct and operate an in-state natural
15 gas pipeline in a safe and economic manner. In addition to the powers granted to it by
16 the corporation, the Alaska Gasline Development Corporation may

17 (1) determine the form of ownership and the operating structure of an
18 in-state natural gas pipeline developed by the Alaska Gasline Development
19 Corporation and may enter into agreements with other persons for joint ownership or
20 operation or both of the in-state natural gas pipeline;

21 (2) exercise the power of eminent domain or file a declaration of
22 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is
23 necessary for an in-state natural gas pipeline; the exercise of powers by the Alaska
24 Gasline Development Corporation under this paragraph may not exceed the
25 permissible exercise of the powers by the state;

26 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
27 property, an interest in property, a right-of-way, a franchise, an easement, other
28 interest in land, or an interest in or right to capacity in any pipeline system determined
29 to be necessary or convenient for the development, financing, construction, or
30 operation of an in-state natural gas pipeline project or part of an in-state natural gas
31 pipeline project; and

1 (4) transfer or otherwise dispose of all or part of an in-state natural gas
2 pipeline project developed by the Alaska Gasline Development Corporation or transfer
3 or otherwise dispose of an interest in an asset of the Alaska Gasline Development
4 Corporation.

5 (b) Upon commencement of construction of an in-state natural gas pipeline,
6 the Alaska Gasline Development Corporation shall analyze additional natural gas
7 pipelines connecting to industrial, residential, or utility customers in other regions of
8 the state. If the Alaska Gasline Development Corporation finds that a natural gas
9 pipeline analyzed under this subsection is in the best interest of the state and can meet
10 the needs of industrial, residential, or utility customers at commercially reasonable
11 rates, the Alaska Gasline Development Corporation shall finance, construct, or operate
12 the natural gas pipeline as necessary, subject to appropriation. When developing or
13 constructing an additional natural gas pipeline, the Alaska Gasline Development
14 Corporation shall, to the maximum extent feasible, use existing land, structures, real or
15 personal property, rights-of-way, easements, or other interests in land acquired by the
16 Alaska Gasline Development Corporation or the Alaska Natural Gas Development
17 Authority.

18 (c) The Alaska Gasline Development Corporation may issue bonds and notes
19 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
20 The provisions of AS 18.56.110(a) - (f) and 18.56.115 - 18.56.190 apply to the Alaska
21 Gasline Development Corporation in the exercise of its powers under this subsection,
22 except that, in AS 18.56.110 - 18.56.190, as applicable under this subsection, the term
23 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
24 Gasline Development Corporation may issue bonds and notes and otherwise incur
25 indebtedness under this subsection without limit as to principal amount. The bonds,
26 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
27 create an obligation or liability of the corporation except to the extent that the
28 corporation agrees in writing to accept the obligation or liability.

29 (d) No debt, obligation, or liability of the Alaska Gasline Development
30 Corporation shall become a debt, obligation, or liability of the state or any part or
31 subdivision of the state or of the corporation or a subsidiary corporation of the

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corporation other than the Alaska Gasline Development Corporation, except as provided in this subsection. This subsection applies to all debt, obligations, and liabilities of the Alaska Gasline Development Corporation regardless of how the debt, obligations, or liabilities are created, including by contract, tort, or bond or note issuance. Except as provided in this subsection, a person may not bring suit against the state or any part or subdivision of the state or against the corporation or a subsidiary corporation of the corporation other than the Alaska Gasline Development Corporation in the courts of the state to enforce or seek a remedy with respect to a debt, obligation, or liability of the Alaska Gasline Development Corporation. The corporation may waive, in whole or in part, the application of the provisions of this subsection to the corporation with respect to a debt, obligation, or liability of the Alaska Gasline Development Corporation. To be effective, a waiver by the corporation must be in writing and shall only have effect to the extent provided in the writing.

(e) In the exercise of its powers under (c) and (d) of this section, the Alaska Gasline Development Corporation may not pledge the faith and credit of the state or a political subdivision of the state other than the Alaska Gasline Development Corporation to the repayment of the principal of or interest on any bonds issued by the Alaska Gasline Development Corporation.

(f) The in-state natural gas pipeline fund is established in the Alaska Gasline Development Corporation and consists of money appropriated to it. Unless otherwise provided by law, money appropriated to the fund lapses into the general fund on the day this subsection is repealed. The Alaska Gasline Development Corporation shall manage and invest the fund to yield competitive market rates. The Alaska Gasline Development Corporation shall invest money in the fund in the same manner and on the same conditions as permitted for investment by the commissioner of revenue of funds belonging to the state or held in the treasury under AS 37.10.070 and as provided for fiduciaries of state funds under AS 37.10.071. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund. The Alaska Gasline Development Corporation may use money appropriated to the fund for the planning, designing, financing, development,

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1 construction, and operation of an in-state natural gas pipeline.

2 (g) If commitments to acquire firm transportation capacity are received in an
3 open season conducted by the Alaska Gasline Development Corporation, the Alaska
4 Gasline Development Corporation shall, within 10 days after executing the
5 commitments, report the results of the open season to the president of the senate and
6 the speaker of the house of representatives and inform the public of the results of the
7 open season through publication on the Internet website of the Alaska Gasline
8 Development Corporation and in a press release or other announcement to the media.
9 The results made public must include the name of each prospective shipper, the
10 amount of capacity allocated, and the period of the commitment.

11 (h) In this section, "in-state natural gas pipeline" and "natural gas pipeline"
12 have the meanings given in AS 38.34.099.

13 * Sec. 3. AS 36.30.850(b) is amended by adding a new paragraph to read:

14 (49) contracts by the Alaska Natural Gas Development Authority
15 under AS 41.41.070(d).

16 * Sec. 4. AS 38.34.050(a) is amended to read:

17 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
18 GASLINE DEVELOPMENT TEAM] may have access to information of all state
19 agencies that is directly related to the planning, design, construction, or operation of
20 the in-state natural gas pipeline. If a state agency finds that the information to be
21 transferred under this subsection is confidential, the state agency may require the
22 Alaska Gasline Development Corporation to enter into a confidentiality
23 agreement under (e) of this section before the transfer of that information, or, if
24 the state agency determines that certain information may not be disclosed
25 without impairing the rights of a third party to maintain the confidentiality of the
26 information, the state agency may require the Alaska Gasline Development
27 Corporation to obtain the consent of the third party before the state agency
28 transfers that information.

29 * Sec. 5. AS 38.34.050(b) is amended to read:

30 (b) All state agencies or entities shall cooperate with and, except for requests
31 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to

1 requests for information from the Alaska Gasline Development Corporation
2 [JOINT IN-STATE GASLINE DEVELOPMENT TEAM]. The Alaska Gasline
3 Development Corporation [DEVELOPMENT TEAM] shall avoid duplicating
4 studies, plans, and designs that have already been produced or otherwise obtained by
5 other state entities.

6 * **Sec. 6.** AS 38.34.050(c) is amended to read:

7 (c) Notwithstanding any contrary provision of law, the Department of Natural
8 Resources shall grant the Alaska Gasline Development Corporation [ALASKA
9 HOUSING FINANCE CORPORATION] a right-of-way lease under AS 38.35 for the
10 gas pipeline transportation corridor **at no appraisal or rental cost** if

11 (1) [THE CORPORATION SUBMITS] a complete right-of-way lease
12 application under AS 38.35.050 **is submitted**;

13 (2) the lease application is made the subject of notice and other
14 reasonable and appropriate publication requirements under AS 38.35.070; and

15 (3) the corporation **that submits the application for the right-of-way**
16 **lease** agrees to be bound by the right-of-way lease covenants set out in AS 38.35.120,
17 **except for the covenants in AS 38.35.120(a)(1), (2), (5), and (7); notwithstanding**
18 **AS 38.35.120(b), a right-of-way lease subject to this paragraph is valid and of**
19 **legal effect.**

20 * **Sec. 7.** AS 38.34.050 is amended by adding new subsections to read:

21 (e) The Alaska Gasline Development Corporation may enter into
22 confidentiality agreements necessary to acquire or provide information to carry out its
23 functions. Information acquired or provided by the Alaska Gasline Development
24 Corporation under a confidentiality agreement is not subject to disclosure under
25 AS 40.25.110. The Alaska Gasline Development Corporation may enter into
26 confidentiality agreements with a public agency, as defined in AS 40.25.220, to allow
27 release of confidential information. The portions of the records and files of a public
28 agency bound by a confidentiality agreement that reflect, incorporate, or analyze
29 information subject to a confidentiality agreement under this subsection are not public
30 records. Confidentiality agreements entered into under this subsection are valid and
31 binding against all parties in accordance with the terms of the confidentiality

1 agreement.

2 (f) Information relating to field studies conducted and other technical
3 information developed or obtained by the Alaska Gasline Development Corporation
4 that relates to the development, financing, construction, or operation of an in-state
5 natural gas pipeline project by the Alaska Gasline Development Corporation is
6 confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline
7 Development Corporation may waive the confidentiality of the information described
8 in this subsection, except for information acquired from another person that is subject
9 to a confidentiality agreement, if the waiver is in the best interest of the state and will
10 facilitate the development, financing, or construction of an in-state natural gas
11 pipeline.

12 (g) Upon request by the Alaska Gasline Development Corporation, a
13 municipality or a state entity shall provide water, sand and gravel, other
14 nonhydrocarbon natural resources, and a permit or a lease to the Alaska Gasline
15 Development Corporation at the usual and customary rates, except as provided in (c)
16 of this section. In this subsection, "state entity" means a state department, authority, or
17 other administrative unit of the executive branch of state government, a public
18 university, or a state public corporation.

19 (h) That part of the cost of providing, under (g) of this section, water, sand and
20 gravel, or other nonhydrocarbon natural resources, or of entering into a lease or
21 issuing a permit, that is borne by the Alaska Gasline Development Corporation for an
22 in-state natural gas pipeline project that is owned in whole or in part by the Alaska
23 Gasline Development Corporation may not be included in the rate base in a
24 proceeding under AS 42 or before the Federal Energy Regulatory Commission.

25 (i) After approval by the commissioner of natural resources, a lease received
26 by the Alaska Gasline Development Corporation under (c) of this section may be
27 transferred to a successor in interest under the same terms and conditions applicable to
28 the right-of-way lease granted to the Alaska Gasline Development Corporation.

29 * **Sec. 8.** AS 38.34.099 is repealed and reenacted to read:

30 **Sec. 38.34.099. Definitions.** In this chapter,

31 (1) "Alaska Gasline Development Corporation" means the corporation

1 created under AS 18.56.086 that is authorized to exercise the powers and take the
2 actions described in AS 18.56.087;

3 (2) "in-state natural gas pipeline" means a natural gas pipeline for
4 transporting natural gas in the state;

5 (3) "natural gas pipeline" means all the facilities of a total system of
6 pipe for transportation of natural gas for treatment or conditioning, delivery, storage,
7 or further transportation, and including all pipe, pump and compressor stations, station
8 equipment, and all other facilities used or necessary for an integral line of pipe to carry
9 out the transportation of the gas.

10 * **Sec. 9.** AS 38.35.100(d) is amended to read:

11 (d) The commissioner shall include in a conditional lease each requirement
12 and condition of the covenants established under AS 38.35.120, **except that, for a**
13 **lease entered into under AS 38.34.050(c), the covenants in AS 38.35.120(a)(1), (2),**
14 **(5), and (7) may not be included.** The commissioner may also require that the lessee
15 agree to additional conditions that the commissioner finds to be in the public interest.
16 In place of the covenant established under AS 38.35.120(a)(9), the commissioner shall
17 require the lessee to agree that it will not transfer, assign, pledge, or dispose of in any
18 manner, directly or indirectly, its interest in a conditional right-of-way lease or a
19 pipeline subject to the conditional lease, unless the commissioner, after considering
20 the public interest and issuing written findings to substantiate a decision to allow the
21 transfer, authorizes the transfer. The commissioner shall also require the lessee to
22 agree not to allow the transfer of control of the lessee without the approval of the
23 commissioner; as used in this subsection, "transfer of control of the lessee" means the
24 transfer of 30 percent or more, in the aggregate, of ownership interest in the lessee in
25 one or more transactions to one or more persons by one or more persons.

26 * **Sec. 10.** AS 38.35.120(a) is amended to read:

27 (a) **Except as provided in AS 38.34.050(c), a** [A] noncompetitive lease of
28 state land for a right-of-way for an oil or natural gas pipeline valued at \$1,000,000 or
29 more may be granted only upon the condition that the lessee expressly covenants in
30 the lease, in consideration of the rights acquired by it under the lease, that

31 (1) it assumes the status of and will perform all of its functions

1 undertaken under the lease as a common carrier and will accept, convey, and transport
 2 without discrimination crude oil or natural gas, depending on the kind of pipeline
 3 involved, delivered to it for transportation from fields in the vicinity of the pipeline
 4 subject to the lease throughout its route both on state land obtained under the lease and
 5 on the other land; it will accept, convey, and transport crude oil or natural gas without
 6 unjust or unreasonable discrimination in favor of one producer or person, including
 7 itself, as against another but will take the crude oil or natural gas, depending on the
 8 kind of pipeline involved, delivered or offered, without unreasonable discrimination,
 9 that the Regulatory Commission of Alaska shall, after a full hearing with due notice to
 10 the interested parties and a proper finding of facts, determine to be reasonable in the
 11 performance of its duties as a common carrier; however, a lessee that owns or operates
 12 a natural gas pipeline

13 (A) subject to regulation either under the Natural Gas Act (15
 14 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
 15 with respect to rates and charges for the sale of natural gas, is, to the extent of
 16 that regulation, exempt from the common carrier requirement in this
 17 paragraph;

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

1 tanker ballast treatment facilities, fire protection system, communication
2 system, and all other facilities used or necessary for an integral line of pipe,
3 taken as a whole, to carry out transportation, including an extension or
4 enlargement of the line;

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

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

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

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

23 (6) it shall, notwithstanding any other provision, provide connections
24 and interchange facilities at state expense at such places the state considers necessary
25 if the state determines to take a portion of its royalty or taxes in oil or natural gas;

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

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

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

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

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

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

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

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

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

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

1 indemnify the state for the liabilities or damages;

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

8 * **Sec. 11.** AS 38.35.120(b) is amended to read:

9 (b) **Except as provided in AS 38.34.050(c), for** [FOR] a right-of-way lease
10 granted under this chapter for an oil or natural gas pipeline valued at \$1,000,000 or
11 more to be valid and of legal effect, it must contain the terms required to be inserted
12 under the provisions of AS 38.35.110 - 38.35.140. **Except as provided in**
13 **AS 38.34.050(c), an** [AN] oil or natural gas pipeline right-of-way lease granted under
14 this chapter that does not contain the required terms is null and void and without legal
15 effect and does not vest any interest in state land or any authority in the carrier granted
16 the lease.

17 * **Sec. 12.** AS 38.35.140 is amended by adding a new subsection to read:

18 (c) Notwithstanding (a) of this section, a right-of-way lease shall be granted
19 without appraisal or rental costs to the Alaska Gasline Development Corporation
20 created under AS 18.56.086.

21 * **Sec. 13.** AS 38.35.200 is amended by adding new subsections to read:

22 (c) Except as provided for an applicant under (a) of this section,
23 notwithstanding any contrary provision of law, an action or decision of the
24 commissioner or other state officer or agency concerning the issuance or approval of a
25 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
26 development, construction, or initial operation of a natural gas pipeline by the Alaska
27 Gasline Development Corporation, a subsidiary created by the Alaska Housing
28 Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this
29 chapter may not be subject to judicial review, except that a claim alleging the
30 invalidity of this subsection must be brought within 60 days after the effective date of
31 this Act, and a claim alleging that an action will deny rights under the Constitution of

1 the State of Alaska must be brought within 60 days following the date of that action. A
 2 claim that is not filed within the limitations established in this subsection is barred. A
 3 complaint under this subsection must be filed in superior court, and the superior court
 4 has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction
 5 with a final judgment on a claim filed under this subsection, the superior court may
 6 not grant injunctive relief, including a temporary restraining order, preliminary
 7 injunction, permanent injunction, or stay against the issuance of a necessary right-of-
 8 way, permit, lease, certificate, license, or other authorization for the development,
 9 construction, or initial operation of a natural gas pipeline by the Alaska Gasline
 10 Development Corporation, a subsidiary created by the Alaska Housing Finance
 11 Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the
 12 meaning given in AS 38.34.099.

13 (d) An appeal of a permitting decision or authorization by the Department of
 14 Environmental Conservation under AS 46.03 or AS 46.14 that is made under a
 15 program approved or delegated by the United States Environmental Protection Agency
 16 is not

- 17 (1) subject to the limitation in (a) of this section;
- 18 (2) included in the actions or decisions described in (c) of this section.

19 * **Sec. 14.** AS 40.25.120(a) is amended to read:

20 (a) Every person has a right to inspect a public record in the state, including
 21 public records in recorders' offices, except

- 22 (1) records of vital statistics and adoption proceedings, which shall be
 23 treated in the manner required by AS 18.50;
- 24 (2) records pertaining to juveniles unless disclosure is authorized by
 25 law;
- 26 (3) medical and related public health records;
- 27 (4) records required to be kept confidential by a federal law or
 28 regulation or by state law;
- 29 (5) to the extent the records are required to be kept confidential under
 30 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
 31 or retain federal assistance;

1 (6) records or information compiled for law enforcement purposes, but
2 only to the extent that the production of the law enforcement records or information

3 (A) could reasonably be expected to interfere with enforcement
4 proceedings;

5 (B) would deprive a person of a right to a fair trial or an
6 impartial adjudication;

7 (C) could reasonably be expected to constitute an unwarranted
8 invasion of the personal privacy of a suspect, defendant, victim, or witness;

9 (D) could reasonably be expected to disclose the identity of a
10 confidential source;

11 (E) would disclose confidential techniques and procedures for
12 law enforcement investigations or prosecutions;

13 (F) would disclose guidelines for law enforcement
14 investigations or prosecutions if the disclosure could reasonably be expected to
15 risk circumvention of the law; or

16 (G) could reasonably be expected to endanger the life or
17 physical safety of an individual;

18 (7) names, addresses, and other information identifying a person as a
19 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
20 advance college tuition savings program under AS 14.40.803 - 14.40.817;

21 (8) public records containing information that would disclose or might
22 lead to the disclosure of a component in the process used to execute or adopt an
23 electronic signature if the disclosure would or might cause the electronic signature to
24 cease being under the sole control of the person using it;

25 (9) reports submitted under AS 05.25.030 concerning certain
26 collisions, accidents, or other casualties involving boats;

27 (10) records or information pertaining to a plan, program, or
28 procedures for establishing, maintaining, or restoring security in the state, or to a
29 detailed description or evaluation of systems, facilities, or infrastructure in the state,
30 but only to the extent that the production of the records or information

31 (A) could reasonably be expected to interfere with the

1 implementation or enforcement of the security plan, program, or procedures;

2 (B) would disclose confidential guidelines for investigations or
3 enforcement and the disclosure could reasonably be expected to risk
4 circumvention of the law; or

5 (C) could reasonably be expected to endanger the life or
6 physical safety of an individual or to present a real and substantial risk to the
7 public health and welfare;

8 (11) the written notification regarding a proposed regulation provided
9 under AS 24.20.105 to the Department of Law and the affected state agency and
10 communications between the Legislative Affairs Agency, the Department of Law, and
11 the affected state agency under AS 24.20.105;

12 (12) records that are

13 (A) proprietary, privileged, or a trade secret in accordance with
14 AS 43.90.150 or 43.90.220(e);

15 (B) applications that are received under AS 43.90 until notice is
16 published under AS 43.90.160;

17 **(13) information that is covered by a confidentiality agreement**
18 **between the Alaska Gasline Development Corporation created under**
19 **AS 18.56.086 and the provider or recipient of the information.**

20 * Sec. 15. AS 41.41.010(a) is amended to read:

21 (a) There is established the Alaska Natural Gas Development Authority, the
22 purpose of which is to provide one or more of the following services and functions in
23 order to **acquire** [BRING] natural gas **produced in** [FROM THE NORTH SLOPE
24 OR OTHER REGIONS OF] the state **for delivery** to market, including

25 [(1)] the acquisition and conditioning of natural gas [;

26 (2) THE DESIGN AND CONSTRUCTION OF THE PIPELINE
27 SYSTEM;

28 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
29 SYSTEM;

30 (4) THE DESIGN, CONSTRUCTION, AND OPERATION OF
31 OTHER FACILITIES NECESSARY FOR DELIVERING THE GAS TO MARKET,

1 INCLUDING MARKETS IN THE STATE;] and

2 [(5)] the acquisition of natural gas market share sufficient to ensure the
3 long-term feasibility of pipeline system projects.

4 * **Sec. 16.** AS 41.41.010(d) is amended to read:

5 (d) The acquisition of natural gas from the North Slope and other regions of
6 the state, including the Alaska outer continental shelf, and **making that natural gas**
7 **available to** [ITS DELIVERY TO MARKETS IN THE STATE FOR USE BY]
8 markets in the state or **for export from the state** [TO TIDEWATER FOR
9 SHIPMENT TO MARKET BY THE AUTHORITY] are essential government
10 functions of the state.

11 * **Sec. 17.** AS 41.41.010 is amended by adding a new subsection to read:

12 (f) To honor delivery commitments in a contract entered into by the authority,
13 the authority and the commissioner of natural resources may pledge, as necessary,
14 royalty gas owned by the state and not otherwise committed by contract to other
15 purchasers of royalty gas. The commissioner of natural resources shall determine the
16 amount of gas that may be pledged and the price for that gas. A pledge made under
17 this subsection shall be treated as a disposal of gas other than by sale or exchange for
18 purposes of AS 38.05.183.

19 * **Sec. 18.** AS 41.41.020 is repealed and reenacted to read:

20 **Sec. 41.41.020. Authority governing body.** The authority shall be governed
21 by the board of directors of the Alaska Housing Finance Corporation.

22 * **Sec. 19.** AS 41.41.060 is amended to read:

23 **Sec. 41.41.060. Compensation of board members; per diem and travel**
24 **expenses.** Members of the board **described in AS 18.56.030(a)(4)** are entitled to
25 **compensation and reimbursement as provided in AS 18.56.030(e) when on official**
26 **business of the authority** [PER DIEM AND TRAVEL EXPENSES AUTHORIZED
27 FOR BOARDS AND COMMISSIONS UNDER AS 39.20.180].

28 * **Sec. 20.** AS 41.41.070(d) is amended to read:

29 (d) In addition to its employees, the authority may contract for and engage the
30 services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors, **and**
31 **legal counsel, including bond counsel,** the authority considers necessary for the

1 purpose of developing information, furnishing advice, or conducting studies,
2 investigations, hearings, or other proceedings. **The procurement of services under**
3 **this subsection is exempt from AS 36.30, including AS 36.30.015(d) and (f).**

4 * **Sec. 21.** AS 41.41.090(b) is amended to read:

5 (b) If a member of the board or an employee of the authority acquires, owns,
6 or controls an interest, direct or indirect, in an entity [OR PROJECT] in which assets
7 of the authority are invested, the member shall immediately disclose the interest to the
8 board. The disclosure is a matter of public record and shall be included in the minutes
9 of the first board meeting following the disclosure.

10 * **Sec. 22.** AS 41.41.150(a) is amended to read:

11 (a) Information in the possession of the authority is a public record, except
12 that information that **is contained in or subject to a confidentiality agreement**
13 **between the authority and the Alaska Gasline Development Corporation or that**
14 discloses the particulars of the business or affairs of a private enterprise or investor is
15 confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140.
16 Confidential information may be disclosed only for the purposes of an official law
17 enforcement investigation or when its production is required in a court proceeding.

18 * **Sec. 23.** AS 41.41.200 is amended to read:

19 **Sec. 41.41.200. Powers of the authority.** In furtherance of its corporate
20 purposes, in addition to its other powers, the authority may

- 21 (1) sue and be sued;
- 22 (2) adopt a seal;
- 23 (3) adopt, amend, and repeal bylaws and regulations;
- 24 (4) make and execute contracts and other instruments;
- 25 (5) in its own name acquire property, lease, rent, convey, or acquire
26 real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE
27 MAY BE ACQUIRED BY EMINENT DOMAIN];
- 28 (6) acquire natural gas supplies;
- 29 (7) issue bonds and otherwise incur indebtedness in accordance with
30 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
- 31 (8) accept gifts, grants, or loans from and enter into contracts or other

1 transactions regarding gifts, grants, or loans with a federal agency or an agency or
2 instrumentality of the state, a municipality, private organization, or other source;

3 (9) enter into contracts or agreements with a federal agency, agency or
4 instrumentality of the state, municipality, or public or private individual or entity, with
5 respect to the exercise of its powers;

6 (10) charge fees or other forms of remuneration for the use of authority
7 properties and facilities;

8 (11) defend and indemnify a current or former member of the board or
9 an employee or agent of the authority against the costs, expenses, judgments, and
10 liabilities as a result of actions taken in good faith on behalf of the authority; and

11 (12) purchase insurance to protect its assets, services, and employees
12 against liabilities that may arise from authority operations and activities.

13 * **Sec. 24.** AS 41.41.990(2) is amended to read:

14 (2) "board" means the board of directors of the Alaska Housing
15 Finance Corporation acting as the board of the Alaska Natural Gas Development
16 Authority;

17 * **Sec. 25.** AS 42.05 is amended by adding a new section to read:

18 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A public
19 utility negotiating a contract with the Alaska Gasline Development Corporation
20 created under AS 18.56.086, or with any entity controlled by the Alaska Gasline
21 Development Corporation, shall submit the contract to the commission before the
22 contract takes effect.

23 (b) A public utility negotiating to purchase natural gas to be shipped on any
24 pipeline owned by either the Alaska Gasline Development Corporation or an entity
25 controlled by the Alaska Gasline Development Corporation shall submit the contract
26 to the commission before the contract takes effect.

27 (c) A public utility negotiating a natural gas storage contract related to (a) or
28 (b) of this section shall submit the contract to the commission before the contract takes
29 effect.

30 (d) The commission shall review and may conduct an investigation and
31 hearing to determine whether a contract submitted under (a), (b), or (c) of this section

1 is just and reasonable. The commission shall either approve the contract as presented,
2 or, if the commission finds that the contract is unjust, unreasonable, or unduly
3 discriminatory or preferential, the commission shall disapprove the contract. If the
4 commission does not act within 180 days after the submission of the contract, the
5 contract shall be considered approved and shall be implemented. A contract that is
6 approved or considered approved under this subsection is not subject to further review
7 by the commission.

8 (e) Before the start of construction of a natural gas pipeline by the Alaska
9 Gasline Development Corporation or an entity controlled by the Alaska Gasline
10 Development Corporation, the Alaska Gasline Development Corporation shall submit
11 to the commission under seal any firm transportation precedent agreement it has
12 negotiated with an entity that is not a public utility. Notwithstanding AS 40.25.110
13 and AS 42.05.671(a), the commission shall keep an agreement submitted under this
14 subsection confidential.

15 (f) The commission shall review each agreement submitted under (e) of this
16 section and compare the firm transportation rates in the agreement to the weighted-
17 average of the firm transportation rates contained in the firm transportation contracts
18 submitted under (a) of this section that were approved under (d) of this section. The
19 transportation rates in the contracts submitted under (a) of this section shall be
20 weighted by volume for purposes of the comparison. The commission shall approve
21 by order an agreement submitted under (e) of this section if the firm transportation
22 rates are equal to or less than the weighted-average firm transportation rates in
23 contracts submitted under (a) of this section and approved under (d) of this section.
24 The commission shall disapprove by order an agreement submitted under (e) of this
25 section if the firm transportation rates are greater than the weighted-average firm
26 transportation rate in contracts submitted under (a) of this section and approved under
27 (d) of this section. If the commission has not disapproved an agreement submitted
28 under (e) of this section within 30 days after the submission of the agreement, the
29 agreement shall be considered approved and shall take effect immediately. A firm
30 transportation precedent agreement that is approved under this subsection is not
31 subject to further review by the commission.

1 * **Sec. 26.** AS 42.05.711 is amended by adding a new subsection to read:

2 (s) Except for the review of a contract for the transportation of natural gas
3 under AS 42.05.433, the Alaska Gasline Development Corporation created under
4 AS 18.56.086, a joint venture, partnership, or other entity controlled by the Alaska
5 Gasline Development Corporation, or a natural gas pipeline owned or financed by the
6 Alaska Gasline Development Corporation is exempt from this chapter until all debt
7 incurred to finance or refinance the cost of developing and constructing the natural gas
8 pipeline is paid in full. However, the Alaska Gasline Development Corporation or a
9 joint venture, partnership, or other entity that includes the Alaska Gasline
10 Development Corporation may elect to be subject to regulation under this chapter to
11 the extent and in the manner the Alaska Gasline Development Corporation elects and
12 determines is appropriate.

13 * **Sec. 27.** AS 42.06 is amended by adding a new section to article 7 to read:

14 **Sec. 42.06.601. Exemption.** The Alaska Gasline Development Corporation
15 created under AS 18.56.086, an entity controlled by the Alaska Gasline Development
16 Corporation, or a natural gas pipeline owned, operated, financed, or controlled, in
17 whole or in part, by the Alaska Gasline Development Corporation is not subject to this
18 chapter except to the extent and in the manner the Alaska Gasline Development
19 Corporation elects and determines is appropriate.

20 * **Sec. 28.** AS 43.56.020 is amended by adding a new subsection to read:

21 (d) Taxable property of a natural gas pipeline project owned or financed by
22 the Alaska Gasline Development Corporation established under AS 18.56.086, or a
23 joint venture, partnership, or other entity that includes the Alaska Gasline
24 Development Corporation, is exempt from state taxes levied or authorized under
25 AS 43.56.010(a) and local taxes levied or authorized under AS 43.56.010(b) before
26 the commencement of commercial operations of that natural gas pipeline project. In
27 this subsection, "commencement of commercial operations" means the first flow of
28 natural gas in the project that generates revenue to the owners of the natural gas
29 pipeline project.

30 * **Sec. 29.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050,
31 and 41.41.080 are repealed.

1 * **Sec. 30.** Section 1, 2002 Ballot Measure No. 3, is repealed.

2 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a
5 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 6 of this Act,
6 AS 38.35.100(d), as amended by sec. 9 of this Act, AS 38.35.120(a), as amended by sec. 10
7 of this Act, and AS 38.35.120(b), as amended by sec. 11 of this Act, that is entered into
8 between the commissioner of natural resources and the Alaska Gasline Development
9 Corporation, a subsidiary of the Alaska Housing Finance Corporation created under
10 AS 18.56.086, before the effective dates of secs. 6 and 9 - 11 of this Act be amended as soon
11 as practicable after the effective dates of secs. 6 and 9 - 11 of this Act to conform to the
12 requirements of AS 38.34.050(c), as amended by sec. 6 of this Act, AS 38.35.100(d), as
13 amended by sec. 9 of this Act, AS 38.35.120(a), as amended by sec. 10 of this Act, and
14 AS 38.35.120(b), as amended by sec. 11 of this Act.

15 * **Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 REVISOR'S INSTRUCTIONS. The revisor of statutes shall change the catch lines of

18 (1) AS 38.34.050 from "Cooperation and access to information" to
19 "Cooperation; information sharing; permits, use of state resources, and leases"; and

20 (2) AS 38.35.200 from "Judicial review of decisions of commissioner on
21 application" to "Judicial review."

22 * **Sec. 33.** This Act takes effect immediately under AS 01.10.070(c).

failed
2-7

27-LS0075\K.18
Bullock
3/20/12

AMENDMENT #12

GOTTENBERG

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

- 1 Page 4, line 5:
- 2 Delete "Upon commencement of construction of"
- 3 Insert "When designing"

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: _____

Amendment: 12

MEMBER	Favor	Oppose
REP. DOOGAN ^{Costello}		✓
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN		
REP. WILSON		✓
REP. COSTELLO		
REP. STOLTZE		✓
REP. THOMAS		✓

YEA 2

NAY 7

failed
7-7

AMENDMENT #11

BY REPRESENTATIVE

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"



- 1 Page 2, line 27 through Page 3, line 2
- 2 Delete all material
- 3
- 4 Renumber the following subsection accordingly.
- 5
- 6
- 7

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/22

Amendment: 11

MEMBER	Favor	Oppose
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN	—	—
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN	—	—
REP. THOMAS		✓
REP. STOLTZE		✓

YEA 7

NAY 7

2-7
failed

27-LS0075\K.14
Bullock
3/19/12

AMENDMENT #9

Gara
Justin Boy

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 2, lines 1 - 3:

2 Delete "relating to the Alaska Natural Gas Development Authority; relating to
3 the procurement of certain services by the Alaska Natural Gas Development
4 Authority;"

5

6 Page 16, line 20, through page 19, line 16:

7 Delete all material.

8

9 Renumber the following bill sections accordingly.

10

11 Page 21, lines 30 - 31:

12 Delete "38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050, and 41.41.080"

13 Insert "and 38.34.060"

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: _____

Amendment: Am 9

MEMBER	Favor	Oppose
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN	✓	
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN	✓	
REP. EDGMON		✓
REP. STOLTZE		✓
REP. THOMAS		✓

YEA _____

NAY _____

Failed 2.7

27-LS0075\K.7
Bullock
3/19/12

AMENDMENT #8

CUTTENBERG

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 1, line 2, following "Corporation;":

2 Insert "relating to the tariff for transporting natural gas in an in-state natural gas
3 pipeline developed by the Alaska Gasline Development Corporation;"

4

5 Page 6, following line 10:

6 Insert a new subsection to read:

7 "(h) If the Alaska Gasline Development Corporation or a joint venture,
8 partnership, or other entity that includes the Alaska Gasline Development Corporation
9 elects to be subject to regulation under AS 42.05 or AS 42.06, the Alaska Gasline
10 Development Corporation shall propose and support rates for the transportation of gas
11 to delivery points along the in-state natural gas pipeline that are based on the costs to
12 deliver natural gas to each delivery point and that do not include the costs to make
13 deliveries downstream from each delivery point for which a separate rate is set."

14

15 Reletter the following subsection accordingly.

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: _____

Amendment: Amend 8

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
REP. GARA		✓
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN	_____	_____
REP. WILSON	✓	
REP. COSTELLO		✓
REP. DOOGAN	_____	
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. THOMAS		✓
REP. STOLTZE		✓

YEA 2

NAY 7

failed
2-7

AMENDMENT #7

GUTTENBERG

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 1, line 2, following "Corporation;":

2 Insert "relating to the tariff for transporting natural gas liquids in an in-state
3 natural gas pipeline developed by the Alaska Gasline Development Corporation;"

4

5 Page 6, following line 10:

6 Insert a new subsection to read:

7 "(h) If the Alaska Gasline Development Corporation or a joint venture,
8 partnership, or other entity that includes the Alaska Gasline Development Corporation
9 elects to be subject to regulation under AS 42.05 or AS 42.06, the Alaska Gasline
10 Development Corporation shall propose and support separate rates for the
11 transportation of gas liquids to be paid by the shippers of gas liquids."

12

13 Reletter the following subsection accordingly.

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/22

Amendment: Am 7

MEMBER	Favor	Oppose
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN		✓
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN		✓
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. STOLTZE		✓
REP. THOMAS		✓

YEA _____

NAY _____

failed
2-7

AMENDMENT #6

Gara

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 1, line 2, following "Corporation;":

2 Insert "requiring legislative approval for the Alaska Gasline Development
3 Corporation to continue the development of an in-state natural gas pipeline after a
4 certain amount of money has been spent to develop the project;"

5

6 Page 4, following line 4:

7 Insert a new subsection to read:

8 "(b) The Alaska Gasline Development Corporation may not continue the
9 development of an in-state natural gas pipeline without legislative approval after the
10 Alaska Gasline Development Corporation spends \$100,000,000 for the development
11 of the in-state natural gas pipeline after the effective date of this section. Legislative
12 approval may be in the form of an appropriation to the Alaska Gasline Development
13 Corporation for the purpose of developing an in-state natural gas pipeline."

14

15 Reletter the following subsections accordingly.

16

17 Page 5, line 15:

18 Delete "(c) and (d)"

19 Insert "(d) and (e)"

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/

Amendment: Am 6

MEMBER	Favor	Oppose
REP. JOULE		✓
REP. NEUMAN	_____	
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN	_____	
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. THOMAS		✓
REP. STOLTZE		✓

YEA _____

NAY _____

W/D

AMENDMENT #5
Gave

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 1, line 2, following "Corporation;":

2 Insert "requiring legislative approval before certain expansion of an in-state
3 natural gas pipeline developed by the Alaska Gasline Development Corporation;"

4

5 Page 4, following line 4:

6 Insert a new subsection to read:

7 "(b) The Alaska Gasline Development Corporation may not expand the design
8 capacity of an in-state natural gas pipeline to accommodate throughput of more than
9 500,000,000 cubic feet a day of North Slope gas to market before receiving
10 authorization by law to proceed with the expansion."

11

12 Reletter the following subsections accordingly.

13

14 Page 5, line 15:

15 Delete "(c) and (d)"

16 Insert "(d) and (e)"

Filed 2-7

27-LS0075\K.4
Bullock
3/19/12

AMENDMENT #4

Gava
CUTLER

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 1, line 2, following "Corporation;":

2 Insert "requiring legislative approval before construction of an in-state natural
3 gas pipeline developed by the Alaska Gasline Development Corporation;"

4

5 Page 4, following line 4:

6 Insert a new subsection to read:

7 "(b) The Alaska Gasline Development Corporation may not begin to construct
8 an in-state natural gas pipeline before project sanction and before receiving
9 authorization by law to proceed with the construction. In this subsection, "sanction"
10 has the meaning given in AS 43.90.900."

11

12 Reletter the following subsections accordingly.

13

14 Page 5, line 15:

15 Delete "(c) and (d)"

16 Insert "(d) and (e)"

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 1/22/12

Amendment: 4 Am

MEMBER	Favor	Oppose
REP. WILSON		✓
REP. COSTELLO		✓
REP. DOOGAN		
REP. EDGMON		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN		✓
REP. THOMAS		✓
REP. STOLTZE		✓

YEA 2

NAY 7

Adopted 3/21/12

27-LS0075K.15
Bullock
3/19/12

AMENDMENT #3 by Rep. Thomas

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 2, line 1, following "Corporation;":

2 Insert "relating to the regulation by the Regulatory Commission of Alaska of an
3 in-state natural gas pipeline that is expressly authorized to provide transportation as a
4 contract carrier;"

5

6 Page 3, line 31:

7 Delete "and"

8

9 Page 4, line 4, following "Corporation":

10 Insert "; and

11 (5) provide transportation of natural gas by way of contract carriage"

12

13 Page 7, line 17:

14 Delete "AS 38.35.120(a)(1), (2), (5), and (7)"

15 Insert "AS 38.35.120(a)(1), (2), and (5)"

16

17 Page 9, lines 13 - 14:

18 Delete "AS 38.35.120(a)(1), (2), (5), and (7)"

19 Insert "AS 38.35.120(a)(1), (2), and (5)"

20

21 Page 19, line 17, through page 21, line 19:

22 Delete all material and insert:

23 "* Sec. 25. AS 42.04.080(a) is amended to read:

1 (a) Except as provided in AS 42.05.171 or AS 42.06.140, when a matter
 2 comes for decision before the commission under AS 42.05, [OR] AS 42.06, or
 3 AS 42.08, the chair shall appoint a hearing panel composed of three or more members
 4 to hear, or if a hearing is not required, to otherwise consider, and decide the case. The
 5 panel shall exercise the powers of the commission with respect to the matter.

6 * **Sec. 26.** AS 42.05 is amended by adding a new section to read:

7 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A
 8 contract entered into by a public utility with the Alaska Gasline Development
 9 Corporation (AS 18.56.087) or its successors or assigns may contain a covenant for
 10 the public utility to establish, charge, and collect rates sufficient to meet its obligations
 11 under the contract. If the contract is approved by the commission under AS 42.08, the
 12 rate covenant is valid and enforceable.

13 (b) A public utility negotiating to purchase natural gas to be shipped on an in-
 14 state natural gas pipeline regulated under AS 42.08 shall submit the contract to the
 15 commission before the contract takes effect.

16 (c) A public utility negotiating to contract for the storage of natural gas related
 17 to (b) of this section shall submit the contract to the commission before the contract
 18 takes effect.

19 (d) The commission shall review and may conduct an investigation and
 20 hearing to determine whether a contract submitted under (b) or (c) of this section is
 21 just and reasonable. The commission shall either approve the contract as presented or,
 22 if the commission finds that a contract is unjust or unreasonable, disapprove the
 23 contract. If the commission has not acted within 180 days after the contract is
 24 submitted, the contract shall be considered approved and shall take effect immediately.
 25 A contract that is approved or considered approved under this section is not subject to
 26 further review by the commission.

27 * **Sec. 27.** AS 42.05.711 is amended by adding a new subsection to read:

28 (s) An in-state natural gas pipeline subject to AS 42.08 and an in-state natural
 29 gas pipeline carrier subject to AS 42.08 are exempt from this chapter.

30 * **Sec. 28.** AS 42.06 is amended by adding a new section to article 7 to read:

31 **Sec. 42.06.601. Exemption.** An in-state natural gas pipeline subject to

1 AS 42.08 and an in-state natural gas pipeline carrier subject to AS 42.08 are exempt
2 from this chapter.

3 * **Sec. 29.** AS 42 is amended by adding a new chapter to read:

4 **Chapter 08. In-state Pipeline Contract Carrier.**

5 **Article 1. Application of Chapter; Purpose.**

6 **Sec. 42.08.010. Application of chapter; exemption.** (a) This chapter applies
7 to the regulation of an in-state natural gas pipeline authorized by law to provide
8 transportation by contract carriage.

9 (b) An in-state natural gas pipeline subject exclusively to federal jurisdiction
10 is exempt from this chapter.

11 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
12 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
13 subsidiary created under AS 18.56.086 and authorized to exercise the powers and take
14 the actions described in AS 18.56.087, is financially fit, willing, and able to take the
15 actions, properly to perform the service, and to conform to the requirements of this
16 chapter.

17 (b) The board of directors and the officers of the Alaska Gasline Development
18 Corporation are managerially fit, willing, and able to manage the Alaska Gasline
19 Development Corporation and to take the actions, properly to perform the service, and
20 to conform to the requirements of this chapter.

21 (c) The proposed service, construction, and operation of an in-state natural gas
22 pipeline is required by present and future public convenience and necessity.

23 (d) The findings that the Alaska Gasline Development Corporation is
24 financially fit in (a) of this section and managerially fit in (b) of this section and that
25 an in-state natural gas pipeline is required by present or future public convenience and
26 necessity in (c) of this section are conclusive and binding on the commission.

27 (e) The commission shall determine whether a person making application
28 under this chapter is technically fit, willing, and able to take the actions, properly to
29 perform the service, and to conform to the requirements in this chapter.

30 **Article 2. Powers and Duties of Regulatory Commission of Alaska.**

31 **Sec. 42.08.220. General powers and duties.** (a) The commission shall

1 (1) regulate, under the provisions of this chapter, an in-state natural gas
2 pipeline that is expressly authorized by law to provide transportation by way of
3 contract carriage;

4 (2) require permits for the construction, enlargement in size or
5 operating capacity, extension, connection and interconnection, operation, or
6 abandonment of an in-state natural gas pipeline facility, under the provisions of this
7 chapter and subject to the same standards as certification in AS 42.08.310;

8 (3) provide all reasonable assistance to the Department of Law in
9 intervening in, offering evidence in, and participating in proceedings involving an in-
10 state natural gas pipeline carrier or affiliated interest and affecting the interests of the
11 state, before an officer, department, board, commission, or court of another state or the
12 United States.

13 (b) The commission may

14 (1) approve contracts as otherwise provided in this chapter;

15 (2) investigate, on complaint or its own motion, disputes related to
16 rules, regulations, services, practices, and facilities

17 (A) that are not subject to the dispute resolution provisions in
18 an in-state natural gas pipeline carrier's contracts or tariffs;

19 (B) that relate to an unreasonable diminution in the quantity or
20 quality in the provision of service to a public utility;

21 (C) that are a violation of the in-state natural gas pipeline
22 carrier's tariff or contract with the public utility;

23 (D) that have not been resolved by the in-state natural gas
24 pipeline carrier; and

25 (E) in which it clearly appears from specific facts shown by
26 affidavit or by verified complaint that immediate and irreparable injury, loss,
27 or damage will result to the peace, health, safety, or general welfare of the
28 public from a violation;

29 (3) adopt regulations that are necessary and proper to the performance
30 of the duties of the commission under this chapter, including regulations governing
31 practices and procedures of the commission; the regulations may not be inconsistent

1 with state law;

2 (4) initiate, intervene in, and appear personally or by counsel and offer
3 evidence in and participate in, any proceedings involving an in-state natural gas
4 pipeline carrier and affecting the interests of the state, before an officer, department,
5 board, commission, or court of this state; and

6 (5) assign a qualified, unbiased, and impartial administrative law
7 judge, with experience in the general practice of law, to conduct hearings under this
8 chapter; the administrative law judge may perform other duties in connection with the
9 administration of this chapter and other laws; an administrative law judge hired to
10 conduct hearings under this chapter shall have been admitted to practice law for at
11 least five years immediately before appointment under this paragraph.

12 (c) The commission may not

13 (1) require rates, rate design, or tariff rules or regulations except as
14 provided in this chapter; and

15 (2) conduct further review, investigate, or order a modification of a
16 contract that is approved or considered approved or filed under this chapter.

17 **Sec. 42.08.230. Commission decision-making procedures.** The commission
18 shall comply with AS 42.04.080(a) and expeditiously adjudicate all matters that come
19 before the commission.

20 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**
21 All reports, orders, decisions, and regulations of the commission shall be in writing.
22 The commission shall notify all affected operators of in-state natural gas pipeline
23 facilities and interested parties of reports, orders, decisions, and regulations as they are
24 issued and adopted, and, when appropriate, publish them in a manner that will
25 reasonably inform the public or the affected consumers of the services of an in-state
26 natural gas pipeline facility. The commission may set charges for costs of printing or
27 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
28 publication requirement, as it pertains to regulations, does not supersede the
29 requirements of AS 44.62 (Administrative Procedure Act).

30 **Sec. 42.08.250. Application of Administrative Procedure Act.** (a) The
31 administrative adjudication procedures of AS 44.62 (Administrative Procedure Act)

1 do not apply to adjudicatory proceedings of the commission under this chapter, except
2 that final administrative determinations by the commission are subject to judicial
3 review under AS 44.62 (Administrative Procedure Act) as provided in AS 42.08.530.

4 (b) AS 44.62 (Administrative Procedure Act) applies to regulations adopted
5 by the commission.

6 **Sec. 42.08.260. Annual report.** The commission shall include in its annual
7 report under AS 42.05.211 and AS 42.06.220 a review of its activities under this
8 chapter during the previous fiscal year and notify the legislature that the report is
9 available. The report must address the regulation of in-state natural gas pipeline
10 facilities in the state as of June 30 of each year and must contain details about the
11 commission's compliance with the performance measures in this chapter.

12 **Article 3. Contract Review; Contract Carriage Certificate.**

13 **Sec. 42.08.300. Review of certain contracts by the commission.** (a) The
14 Alaska Gasline Development Corporation or its successors or assigns shall submit
15 each of its precedent agreements for firm transportation service to the commission. A
16 precedent agreement negotiated with an entity that is not a public utility may be filed
17 under seal. Under AS 42.08.400, the commission shall keep confidential a precedent
18 agreement filed under seal. Submission of precedent agreements to the commission is
19 permissible before construction of an in-state natural gas pipeline and before a request
20 for certification under this chapter.

21 (b) In the review of a precedent agreement submitted under (a) of this section
22 and a related contract submitted under AS 42.05.433, the commission shall

23 (1) conclude that any transaction negotiated at arm's length between
24 the parties is just and reasonable unless the commission finds that there was unlawful
25 market activity connected to the contract rate or there was unfair dealing, such as fraud
26 or duress, at the contract formation stage;

27 (2) review and may conduct an investigation and hearing to determine
28 whether a contract submitted under (a) of this section is just and reasonable; the
29 commission shall either approve the contract as presented or, if the commission finds
30 that a contract is unjust or unreasonable, disapprove the contract; if the commission
31 has not acted within 180 days after the submission of a contract, the contract shall be

1 considered approved and shall take effect immediately; a contract that is approved or
2 considered approved under this paragraph is not subject to further review by the
3 commission.

4 (c) For the purposes of (b)(1) of this section, a transaction is arm's length if it
5 is between two unaffiliated parties or, if the parties are affiliated, the parties have
6 followed the standards of conduct for transmission providers adopted by the Federal
7 Energy Regulatory Commission.

8 **Sec. 42.08.310. Contract carriage certificate.** (a) The owner of an in-state
9 natural gas pipeline subject to this chapter may not engage in the transportation of
10 natural gas or undertake the construction of a natural gas pipeline facility for that
11 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
12 certificate of public convenience and necessity by the commission authorizing contract
13 carriage is in force with respect to that owner. A certificate shall describe the nature
14 and extent of the authority granted, including, as appropriate for the services involved,
15 a description of the authorized area and scope of operation for the in-state natural gas
16 pipeline facility.

17 (b) Application for a certificate shall be made in writing to the commission
18 and verified under oath. The commission by regulation shall establish the
19 requirements for the form of the application and the information to be contained in the
20 application. Notice of the application shall be provided to interested parties in the
21 manner provided by regulation.

22 (c) Within 180 days after receiving an application under this chapter, a
23 contract carriage certificate shall be issued to a qualified applicant, authorizing the
24 whole or any part of the operation, service, construction, or acquisition covered by the
25 application, if the commission finds that the applicant is fit, willing, and able properly
26 to do the acts, perform the service proposed, and conform to the provisions of this
27 chapter and the requirements of the commission, and that the proposed service,
28 operation, construction, extension, or acquisition, to the extent authorized by the
29 certificate, is or will be required by the present or future public convenience and
30 necessity. Otherwise, the application shall be denied.

31 (d) Consistent with the terms of this chapter, the commission may attach to a

1 contract carriage certificate terms and conditions that are in the best interest of the in-
2 state natural gas pipeline facility and the public.

3 (e) Operating authority may not be transferred by sale or lease of the contract
4 carriage certificate or by the sale of substantially all of the stock or assets of a pipeline
5 carrier holding a certificate without prior approval by the commission. A transfer not
6 involving a substantial change in ownership shall be summarily approved. The
7 commission's decision under this subsection shall be based on the best interest of the
8 public.

9 (f) After receiving a complaint or on its own motion, the commission, after
10 notice and hearing and for good cause shown, may amend, modify, suspend, or
11 revoke, in whole or in part, a certificate. Good cause for amendment, modification,
12 suspension, or revocation of a certificate is

13 (1) misrepresentation of a material fact in obtaining the certificate;

14 (2) unauthorized discontinuance or abandonment of all or part of a
15 service that is the subject of the certificate;

16 (3) wilful failure to comply with the provisions of this chapter or a
17 regulation or order of the commission; or

18 (4) wilful failure to comply with a term, condition, or limitation of the
19 certificate.

20 (g) Service or use of all or a portion of an in-state natural gas pipeline
21 certificated under this chapter may not be abandoned or permanently discontinued
22 without permission and approval by the commission, after due notice and hearing, and
23 a finding by the commission that continued service is not required by public
24 convenience and necessity. Any interested person may file a protest or memorandum
25 of opposition to or in support of discontinuance or abandonment with the commission.
26 The commission may order a temporary suspension of a service or of part of a service.

27 **Sec. 42.08.320. Tariffs, contracts, filing, and public inspection.** (a) An in-
28 state natural gas pipeline carrier shall file with the commission all rules, regulations,
29 terms, and conditions pertaining to service provided under the certificate, and copies
30 of all contracts with shippers that in any way affect or relate to the carrier's rates,
31 tariffs, charges, classifications, rules, regulations, terms, and conditions to service

1 provided under the certificate. The in-state natural gas pipeline carrier shall maintain
2 copies on file at its principal business office and at places designated by the
3 commission and make the copies available to, and subject to inspection by, the general
4 public on demand. Rules, regulations, terms, and conditions not included in the tariff
5 of an in-state natural gas pipeline carrier shall be included in the contract with each
6 shipper.

7 (b) The terms and conditions under which an in-state natural gas pipeline
8 carrier offers its services and facilities to the public shall be governed strictly by the
9 provisions of the tariffs and filed contracts that are in effect. A change in tariff rate,
10 charge, rule, regulation, or condition of service is not effective until filed under (a) of
11 this section. If more than one tariff rate or charge may reasonably be applied for
12 billing purposes, the tariff, rate, or charge most advantageous to the shipper shall be
13 used.

14 **Sec. 42.08.330. Expansion; dispute resolution.** (a) A contract entered into by
15 an in-state natural gas pipeline carrier may provide for expansion unless the expansion
16 would cause the pipeline to be a competing natural gas pipeline or project as defined
17 in AS 43.90.440.

18 (b) A contract entered into by an in-state natural gas pipeline carrier shall
19 include dispute resolution procedures.

20 **Sec. 42.08.340. Regulatory cost charge.** (a) An in-state natural gas pipeline
21 operating under this chapter shall pay to the commission an annual regulatory cost
22 charge in an amount not to exceed the sum of the following percentages of gross
23 revenue derived from operations in the state: (1) not more than 0.7 percent to fund the
24 operations of the commission, and (2) not more than 0.17 percent to fund operations of
25 the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the
26 Department of Law. A regulatory cost charge may not be assessed on a pipeline under
27 this chapter unless the pipeline is subject to this chapter and has used the commission's
28 services under this chapter in the prior fiscal year.

29 (b) The commission shall by regulation establish a method to determine
30 annually the amount of the regulatory cost charge. If the amount the commission
31 expects to collect under (a) of this section, AS 42.05.254(a), and AS 42.06.286(a)

1 exceeds the authorized budgets of the commission and the Department of Law public
2 advocacy function under AS 42.04.070(c) and AS 44.23.020(e), the commission shall,
3 by order, reduce the percentage determined under (e) of this section so that the total
4 amount of the fees collected approximately equals the authorized budgets of the
5 commission and the Department of Law public advocacy function under
6 AS 42.04.070(c) and AS 44.23.020(e) for the fiscal year.

7 (c) The commission shall administer the charge imposed under this section.
8 The Department of Revenue shall collect and enforce the charge imposed under this
9 section. The Department of Administration shall identify the amount of the operating
10 budgets of the commission and the Department of Law public advocacy function
11 under AS 42.04.070(c) and AS 44.23.020(e) that lapse into the general fund each year.
12 The legislature may appropriate an amount equal to the lapsed amount to the
13 commission and to the Department of Law public advocacy function under
14 AS 42.04.070(c) and AS 44.23.020(e) for operating costs for the next fiscal year. If the
15 legislature does so, the commission shall reduce the total regulatory cost charge
16 collected for that fiscal year by a comparable amount.

17 (d) The commission may adopt regulations under AS 44.62 (Administrative
18 Procedure Act) necessary to administer this section, including requirements and
19 procedures for reporting information and making quarterly payments. The Department
20 of Revenue may adopt regulations under AS 44.62 (Administrative Procedure Act) for
21 investigating the accuracy of filed information and for collecting required payments.

22 (e) The commission shall by regulation establish a method to determine
23 annually the maximum percentage of gross revenue that will apply to each regulated
24 public utility sector, the maximum percentage of gross revenue that will apply to the
25 regulated pipeline carrier sector under AS 42.06, and the maximum percentage of
26 gross revenue that will apply to pipelines regulated under this chapter in accordance
27 with AS 42.05.254(h).

28 **Sec. 42.08.350. Nothing to alter the calculation of taxes and royalty.**
29 Nothing in this chapter shall alter the calculation of production taxes under
30 AS 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under
31 AS 38.05.180.

1 **Article 4. Records; Investigations.**

2 **Sec. 42.08.400. Public records.** (a) Except as provided in (b) and (c) of this
3 section or prohibited from disclosure under state or federal law, records in the
4 possession of the commission are open to public inspection at reasonable times.

5 (b) The commission may by regulation classify records received from an in-
6 state natural gas pipeline carrier or in-state natural gas pipeline as privileged records
7 that are not open to the public for inspection.

8 (c) A record filed with the commission that is or relates to a precedent
9 agreement or other contract between an in-state natural gas pipeline carrier and an
10 unregulated entity is a privileged record that is not open to the public for inspection.

11 (d) A person may make written objection to the public disclosure of
12 information contained in a record filed under this chapter or of information obtained
13 by the commission or by the attorney general under this chapter, stating the grounds
14 for the objection. When an objection is made, the commission shall order the
15 information withheld from public disclosure if the information adversely affects the
16 interest of the person making written objection and disclosure is not required in the
17 interest of the public.

18 (e) A commissioner may certify as to all official records of the commission
19 under this section and may certify as to all official acts of the commission under this
20 chapter.

21 **Sec. 42.08.410. Investigations.** The commission may investigate any matter
22 set out in AS 42.08.220(b)(2). An investigation may be public, nonpublic, or both. In
23 conducting an investigation, the commission may compel the attendance and
24 testimony of witnesses and the production of records and testimony before the
25 commission or its designee. In the course of an investigation, the commission may
26 exclude from attendance at the taking of investigative testimony all persons except a
27 person compelled to attend, that person's attorney, members of the commission or the
28 commission's staff, and a person authorized to transcribe the proceedings.

29 **Article 5. General Provisions.**

30 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
31 carrier shall file with the commission a written appointment of a named permanent

1 resident, which may be a corporation, of this state as its registered agent in this state
2 upon whom service of all notices, regulations, and requests of the commission may be
3 made. The appointment shall specify the address in this state of the appointed agent.
4 The address may be changed from time to time by filing a new address in the state
5 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
6 registered agent, service of notices, regulations, and requests may be made by posting
7 a copy in the main office of the commission and filing a copy in the office of the
8 lieutenant governor.

9 **Sec. 42.08.520. Effect of regulations.** Regulations adopted by the commission
10 under this chapter have the effect of law.

11 **Sec. 42.08.530. Judicial review and enforcement.** (a) Except as provided in
12 AS 38.35.200(c), a final order of the commission under this chapter is subject to
13 judicial review under AS 44.62.560 and 44.62.570.

14 (b) If an appeal is not taken from a final order of the commission within 10
15 calendar days after an investigation under AS 42.08.220(b)(2), the commission may
16 apply to the superior court for enforcement of the order of the commission. The court
17 shall enforce the order by injunction or other process.

18 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
19 from orders of the commission and applications for enforcement of orders of the
20 commission may be joined. The court may, in the interests of justice, separate the
21 actions.

22 **Sec. 42.08.900. Definitions.** In this chapter,

23 (1) "commission" means the Regulatory Commission of Alaska
24 (AS 42.04.010);

25 (2) "commissioner" means a member of the commission;

26 (3) "firm transportation service" means service by an in-state natural
27 gas pipeline carrier that is not subject to a prior claim by another shipper or another
28 class of service; service constitutes "firm transportation service" if the service receives
29 the same priority as any other class of firm transportation service;

30 (4) "in-state natural gas pipeline" or "in-state natural gas pipeline
31 facility" means a natural gas pipeline that has been authorized by the legislature to

1 transport natural gas in the state by way of contract carriage;

2 (5) "in-state natural gas pipeline carrier" means the owner, including a
3 corporation, company, or other entity organized under the laws of the United States or
4 of any state, of an in-state natural gas pipeline or an interest in it, or any person,
5 including a corporation, company, or other entity organized under the laws of the
6 United States or of any state, that has been granted the right to transport natural gas as
7 a contract carrier by the legislature;

8 (6) "natural gas pipeline" has the meaning given in AS 38.34.099;

9 (7) "precedent agreement" means a contractual commitment to acquire
10 firm transportation capacity, executed between an in-state natural gas pipeline carrier
11 and another person, that establishes the rates, terms, and conditions for service;

12 (8) "record" means a report, file, book, account, paper, or application,
13 and the facts and information contained in it."
14

15 Renumber the following bill sections accordingly.

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Amendment 2

Passed 7/2

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

Pass
7/2

DATE: 3/21/12
~~3/23/12~~

Amendment: 2 Thomas

MEMBER

Favor

Oppose

REP. NEUMAN	✓	
REP. WILSON		
REP. COSTELLO	✓	
REP. DOOGAN	✓	
REP. EDGMON		
REP. FAIRCLOUGH	✓	
REP. GARA		✓
REP. GUTTENBERG		✓
REP. JOULE	✓	
REP. STOLTZE	✓	
REP. THOMAS	✓	

YEA 7

NAY 2

Pass
7/2

AMENDMENT #2 by Rep Thomas

OFFERED IN THE HOUSE

TO: CSHB 9(FIN), Draft Version "K"

1 Page 6, lines 24 - 28:

2 Delete "certain information may not be disclosed without impairing the rights of
3 a third party to maintain the confidentiality of the information, the state agency may
4 require the Alaska Gasline Development Corporation to obtain the consent of the third
5 party before the state agency transfers that information"

6 Insert "a law or provision of a contract to which the state agency is a party
7 requires the state agency to preserve the confidentiality of the information and that
8 delivering the information to the Alaska Gasline Development Corporation would
9 violate the confidentiality provision of that law or contract, the state agency shall
10 identify the applicable law or contract provision to the Alaska Gasline Development
11 Corporation and may require the Alaska Gasline Development Corporation to obtain
12 the consent of the person who has the right to waive the confidentiality of the
13 information under the applicable law or contract provision before the state agency
14 transfers the information to the Alaska Gasline Development Corporation"

1 Amendment 1
Failed 7/2

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 3/21/12
~~3/13/12~~

Amendment: 1 Gara

MEMBER	Favor	Oppose
REP. COSTELLO		✓
REP. DOOGAN		✓
REP. EDGMON		
REP. FAIRCLOUGH		✓
REP. GARA	✓	
REP. GUTTENBERG	✓	
REP. JOULE		✓
REP. NEUMAN		✓
REP. WILSON		
REP. STOLTZE		✓
REP. THOMAS		✓

YEA 2

NAY 3

Failed
7/2

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARA

TO: CSHB 9(FIN), Draft Version "K"

1 Page 4, following line 4:

2 Insert new subsections to read:

3 "(b) Notwithstanding the powers granted to the Alaska Gasline Development
4 Corporation by (a) of this section and granted by the Alaska Housing Finance
5 Corporation, the Alaska Gasline Development Corporation may not proceed with the
6 construction of an in-state natural gas pipeline if the Alaska Gasline Development
7 Corporation determines, after a full and objective study, that one or more of the
8 following options provide a greater benefit to the state than an in-state natural gas
9 pipeline constructed by the Alaska Gasline Development Corporation:

10 (1) continuing to develop a natural gas pipeline capable of transporting
11 not less than 3,000,000,000 cubic feet of natural gas a day, but only if the Alaska
12 Gasline Development Corporation finds there are adequate natural gas resources in the
13 Cook Inlet sedimentary basin that may be economically produced to meet in-state
14 demand;

15 (2) delivering natural gas and propane produced in the state by a means
16 other than the development and construction of an in-state natural gas pipeline by the
17 Alaska Gasline Development Corporation, but only if the Alaska Gasline
18 Development Corporation finds that the alternative means for delivering natural gas
19 and propane are less expensive than the construction of an in-state natural gas
20 pipeline;

21 (3) continuing to develop a natural gas pipeline capable of transporting
22 not less than 3,000,000,000 cubic feet of gas a day if the Alaska Gasline Development
23 Corporation finds that the development of the larger capacity pipeline would deliver

1 cheaper natural gas to markets in the state and provide the state with greater revenue
2 when compared to an in-state natural gas pipeline developed and constructed by the
3 Alaska Gasline Development Corporation;

4 (4) delivering natural gas by truck to the Fairbanks North Star Borough
5 and subsidizing facilities for delivering propane to rural communities in the state that
6 are not connected to the state's contiguous road system if those alternatives are more
7 cost-effective than the development and construction of an in-state natural gas pipeline
8 by the Alaska Gasline Development Corporation.

9 (c) During development of the in-state natural gas pipeline and before the start
10 of construction of an in-state natural gas pipeline, the Alaska Gasline Development
11 Corporation shall determine whether a natural gas pipeline capable of delivering
12 3,000,000,000 cubic feet of natural gas a day or more from the North Slope to market
13 is a viable project. If the Alaska Gasline Development Corporation determines that a
14 natural gas pipeline capable of delivering 3,000,000,000 cubic feet of natural gas a day
15 or more from the North Slope to market remains a viable project and there is an
16 adequate supply of marketable natural gas in Cook Inlet to meet natural gas demand in
17 the Railbelt, the Alaska Gasline Development Corporation shall research and consider
18 whether a small-diameter natural gas pipeline from Cook Inlet to the Fairbanks area
19 could be built to deliver natural gas at a reasonably economic cost. If the Alaska
20 Gasline Development Corporation finds that a small-diameter natural gas pipeline
21 from Cook Inlet to the Fairbanks area could be built to deliver natural gas at a
22 reasonably economic cost under the circumstances described in this subsection, the
23 Alaska Gasline Development Corporation shall stop the development of an in-state
24 natural gas pipeline from the North Slope and study the viability of a small-diameter
25 natural gas pipeline from Cook Inlet to the Fairbanks area."

26
27 Reletter the following subsections accordingly.

28
29 Page 5, line 15:

30 Delete "(c) and (d)"

31 Insert "(e) and (f)"

Amendment 1 to Amendment 3
Failed 7/2

2012 HOUSE FINANCE COMMITTEE VOTE SHEET

Failed
Amend 1
Amendment 3 - Gara
(27-250075)(K.17)

DATE: 3/21/12
BX/12

Amendment: 3 - Thomas

MEMBER	Favor	Oppose
REP. JOULE		✓
REP. NEUMAN		
REP. WILSON ^{Rep} Wilson		✓
REP. COSTELLO		✓
REP. DOOGAN		✓
REP. EDGMON ^{Rep Edgmon}		✓
REP. FAIRCLOUGH		✓
REP. GARA	✓	✓
REP. GUTTENBERG	✓	
REP. THOMAS		
REP. STOLTZE		✓

YEA 2
NAY 37

Failed

Amendment 1
to Amendment
#3

27-LS0075\K.17
Bullock
3/20/12

AMENDMENT #10

Gera

OFFERED IN THE HOUSE

TO: Amendment K.15 to CSHB 9(FIN), Draft Version "K"

1 Page 6, lines 23 - 27, of the amendment:

2 Delete

3 "(1) conclude that any transaction negotiated at arm's length between
4 the parties is just and reasonable unless the commission finds that there was unlawful
5 market activity connected to the contract rate or there was unfair dealing, such as fraud
6 or duress, at the contract formation stage;

7 (2)"

8

9 Page 6, line 28, of the amendment:

10 Delete "contract submitted under (a) of this section is just and reasonable; the"

11 Insert "precedent agreement submitted under (a) of this section and a related contract
12 submitted under AS 42.05.433 are just and reasonable under the standards adopted by the
13 commission under AS 42.05.291(c). The"

14

15 Page 7, line 2, of the amendment:

16 Delete "paragraph"

17 Insert "subsection"

18

19 Page 7, lines 4 - 7, of the amendment:

20 Delete all material.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CS HB 009 (RES)
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB009CS(RES)-DOR-AHFC-03-12-12 Dept. Affected Revenue
 Title In-State Gasline Development Corp. Appropriation Alaska Housing Finance Corp.
 Allocation Alaska Gasline Development Corp.
 Sponsor Representative Chenault
 Requester (H) FIN OMB Component Number 2986

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	3,997.0	1,207.2	7,785.5	8,504.5	9,368.8	7,688.6	7,688.6	
Travel	65.2		259.2	319.4	404.4	144.4	142.0	
Services	4,676.1	2,422.2	7,456.0	7,384.6	6,957.0	6,597.9	6,570.3	
Commodities	39.5		17.5	32.5	139.0	11.0	63.5	
Capital Outlay								
Grants, Benefits								
Miscellaneous	5.0		10.0	10.0	10.0	5.0	5.0	
TOTAL OPERATING	8,782.8	3,629.4	15,528.2	16,251.0	16,879.2	14,446.9	14,469.4	

FUND SOURCE		(Thousands of Dollars)					
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1178	temp code (UGF)		15,528.2	16,251.0	16,879.2	14,446.9	14,469.4
1061	CIP Rcpts (Other)	8,782.8	3,629.4				
TOTAL		8,782.8	3,629.4	15,528.2	16,251.0	16,879.2	14,446.9

POSITIONS							
Full-time	22	7	45	48	61	54	54
Part-time							
Temporary							

CHANGE IN REVENUES

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 21,000.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note incorporates the fiscal impact of all state agencies affected by its implementation.

Prepared by Joe Dubler, Vice President and Chief Financial Officer Phone 907.330.6303
 Division Alaska Gasline Development Corporation Date/Time 3/12/12 1:00 PM
 Approved by Dan Fauske, President, AGDC Date 3/12/2012
Department of Revenue

FISCAL NOTE

**STATE OF ALASKA
2012 LEGISLATIVE SESSION**

BILL NO. CS HB 009 (RES)

Analysis

This omnibus bill is intended to allow the Alaska Gasline Development Corporation (AGDC) to continue its statutory mission of bringing natural gas from the Alaska North Slope to Fairbanks and Southcentral Alaska. In its current form, the bill does the following:

- Establishes an in-state natural gas pipeline fund;
- Makes certain information provided to or by the Alaska Gasline Development Corporation exempt from inspection as a public record;
- Replaces the Joint In-State Gasline Development Team with the AHFC Board of Directors;
- Modifies the judicial review process of a right-of-way lease for the development or construction of an oil or gas pipeline on state land;
- Exempts a pipeline owned by the AGDC from common-carrier restrictions;
- Requires departments to provide natural resources, permits, and leases to the AGDC;
- Limits the review of natural gas transportation contracts by the Regulatory Commission of Alaska;
- Modifies the Alaska Natural Gas Development Authority statutes to allow it to act as a gas marketing entity for AGDC; and
- Exempts property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations.

This legislation will have a fiscal impact for the following state agencies:

Alaska Housing Finance Corporation

- Alaska Gas Line Development Corporation
- Alaska Natural Gas Development Authority

Department of Natural Resources

- State Pipeline Coordinators Office
- Office of History and Archaeology
- Division of Geological and Geophysical Surveys
- Division of Mining, Land and Water

Department of Environmental Conservation

- Division of Environmental Health - Air Quality
- Division of Environmental Health - Drinking Water
- Division of Environmental Health - Food Safety and Sanitation
- Division of Environmental Health - Solid Waste Management
- Division of Spill Prevention and Response - Contaminated Sites
- Division of Spill Prevention and Response - Industry Preparedness & Pipeline Operations
- Division of Spill Prevention and Response - Prevention and Emergency Response Program
- Division of Water

Department of Transportation & Public Facilities

- Statewide Engineering & Design

See attachment for budget details for each agency.

	FY13	FY13	FY14	FY15	FY16	FY17	FY18
AGDC	6,014.0	3,629.4	11,031.7	11,031.7	11,031.7	11,031.7	11,031.7
ANGDA	436.7		436.7	436.7	436.7	436.7	436.7
DNR	609.7		2,237.6	2,563.0	2,563.0	374.1	374.1
DEC	290.8		410.6	808.0	2,436.2	2,604.4	2,626.9
DOT/PF	1,431.6		1,411.6	1,411.6	411.6		
Total:	8,782.8	3,629.4	15,528.2	16,251.0	16,879.2	14,446.9	14,469.4

Tom, here are the questions you posed to the active duty military.

Below are their answers.

Thanks!

McHugh

QUESTIONS:

1. What are the state's military bases currently using for power generation and space heating
2. Do they have their own generation equipment and gas supply contracts
3. Would they buy gas off an instate line 10 years from now if they knew it was coming

US Army Alaska (USARAK) operates Fort Wainwright and Fort Greely.

Answers:

1. Coal to steam
2. We provide all of the heat to the installation and most of the time all the power. We can get power from GVEA if needed but at higher costs. The few areas that use fuel oil for heating are outlying areas, the rest of the post is heated by coal. The one housing area using gas has a contract. We have a contract for coal, which will soon be re-advertized. Our utilities have been privatized so we don't own them anymore.
3. If we had the choice today between gas or coal we would stay with coal given current prices. Initial estimates show that our utility bill will increase approximately \$4 to \$5 million each year if we went to 100% gas as our source of fuel to heat the installation. One of our housing projects uses gas for heating from the local gas distributor, making those houses the most expensive housing on Fort Wainwright to heat. For strategic purposes we must keep the discussions open regarding gas due to the ever increasing pressure of the regulators to make coal more expensive.

US Air Force Alaska operates Joint Base Elmendorf-Richardson (JBER) and Eielson Air Force Base.

Answers:

1. Eielson = Eielson operates a co-generation (heat and electricity) coal-fired plant which referred to as the "chip" - CHPP (central heat and power plant).

JBER = POWER: Electricity is provided to JBER from Anchorage Municipal Light and Power. Once Landfill Gas Plant is in full operation (Jan 2013 estimated) part of our electricity will come from Doyon (local UP provider for JBER ~ Richardson) and the rest will be purchased from Anchorage Municipal Light and Power.

JBER = HEAT: JBER is heated via distributed Natural Gas that is purchased through a commodities contract with Enstar Natural Gas (Local NG Supplier).

2. Eielson = 354 Civil Engineer Squadron operates and maintains the CHPP. The CHPP is located on Eielson AFB along with all of the associated utilities. The heat and electrical loads are created on base. Eielson does not take care of any demand off base.

JBER = Both natural gas and electricity commodities are furnished via Contracts with Enstar and Anchorage Municipal Light and Power respectively.

3. Cannot speculate on this question. No answer.



March 21, 2012

Sent Via Email: representative_bill_stoltze@legis.state.ak.us

Representative Bill Stoltze
State Capitol Room 515
Juneau, AK. 99801

Dear Representative Stoltze:

Ahtna, Incorporated (Ahtna) is pleased to submit the following comments in response to the current version of the 27th Alaska Legislature House Bill 9.

Ahtna's lands extend from the Nenana River in the north to the Chugach Range in the south. The Alaska-Canada border forms the eastern border and the western portion reaches into Denali National Park and Preserve. Ahtna's fee simple land ownership includes 1.77 million acres. Ahtna has more than 1,730 shareholders. Many of Ahtna's shareholders reside in semi-remote villages with few economic opportunities. Ahtna's headquarters are located in Glennallen, Alaska.

Ahtna's mission is to promote the economic and social well-being of our present and future shareholders, to strengthen the Native way of life of our Alaska Native shareholders, to responsibly develop and enhance our land and resources, reflecting from the Ahtna vision statement; our Culture unites us, our Land sustains us, our People are prosperous.

The current version of House Bill 9 has 32 Sections of which most deal with amendments, repeals and additions of previous State Regulations and Statutes. However, there are numerous important legal issues associated with House Bill 9 that Ahtna is very concerned with and the concerns are identified below:

- I. Exercise eminent domain and acquire private property rights necessary or convenient for owning or operating the pipeline without consultation and negotiation. Approximately 33-miles or 264 acres of the Alaska Gasline Development Corporation (AGDC) Alaska Stand Alone Pipeline project will directly impact Ahtna conveyed or selected ANCSA lands.
- II. All State agencies and entities, i.e. Alaska State legislature, will be burdened with giving priority to AGDC requests for information.
- III. The AS 38.34.050(c) amendment, besides transferring the right from AHFC to AGDC, would specify that the real property lease be given at no cost or rental fee and that the lease is not subject to the lease requirements contained in AS 38.35.120(a)(1), (2), (5), and (7). These paragraphs of current law would require that AGDC operate the pipeline as a common carrier and that it be subject to regulation by the Regulatory Commission of Alaska. With this change, these paragraphs of current law would not apply to AGDC's lease.
- IV. HB-9 adds a new subsection to AS 38.35.200, judicial review of decisions of commissioner on an application. This subsection is modeled after the Trans-Alaska Pipeline Authorization Act provision to foreclose lawsuits against any phase of development and/or construction. This subsection only allows those who have standing to bring about an action alleging that an action will deny rights under the state Constitution or challenging the invalidity of this section. The complaint must be filed in a state Superior Court and the court may not grant injunctive relief with the exception of a final judgment. It also exempts an appeal of a permitting decision by the Department of Environmental Conservation under AS 46.03 (Environmental Conservation) and AS 46.14 (Air Quality Control) that is delegated to the department by the Environmental Protection Agency. We recommend that this subsection be deleted in its entirety to allow for reasonable public due process and judicial review.

- V. Amends AS 40.25.120(a), Public records; exceptions, certified copies. Allows AGDC and the provider or recipient of the information to enter into confidentiality agreements that would not be subject to public disclosure. Ahtna is very concerned with this language and recommends that it be significantly amended to clearly define what public documents will be exempt from public disclosure.

Over the course of the previous 40-years the State of Alaska and Ahtna have issued oil and gas exploration leases and drilled several gas and oil wells within the Copper River Basin. In 2010 Ahtna drilled a natural gas well near Glennallen which proved natural gas reserves adjacent to State owned lands. The unresolved issues of accessing and shipping on an AGDC developed pipeline bring serious limitations to future natural gas development in our region. The current version of House Bill 9 reduces and eliminates private property rights; burdens State agencies and entities to prioritize AGDC specialized requests for information and permitting needs; and leaves many unanswered legal questions. For these reasons Ahtna cannot support House Bill 9 in its current form.

Thank you for your consideration of these comments,



Michelle Anderson, President
Ahtna, Incorporated

Cc: Rep. Anna Fairclough
Rep. Mia Costello
Rep. Mike Doogan
Rep. Les Gara
Rep. David Guttenberg

One other important deficit of HB9

Placing ANGDA's TransCanada/Exxon Open Season bid under AGDC may create a shipper vs. pipeline conflict that could jeopardize the 30% discount for Alaskan consumers. The volume ANGDA bid can be expanded to include additional volumes for an LNG project out of Valdez.

I spoke at the Eagle River Town Hall meeting Saturday and suggested that this did not have to be decided this session. The legislature could amend the bill to give AGDC the powers that they need to conduct business and they shouldn't abolish AS 41.41 until we know how that would impact the Open Season bid. The AG's office is working on it.

All the best,

Kirsten Sikora
ANGDA
269-6523

HB – 9 ISSUES

20120314 - "OD" Odsather / Kaye Laughlin

A sectional summary of HB 9 is attached for your information.

- There are significant dangers within HB 9.
- I commented on the record but there are times when public testimony is not enough.
- If these statements make you uncomfortable please contact your representatives:
- **Do not pass this bill in any form.**

contact information is available at:

<http://w3.legis.state.ak.us/docs/pdf/whoswho.pdf>

and anyone who will listen/care (Senate, House, Mayor, Assembly, etc.). Call with questions and pass along to any of your friends. This will **negatively affect all of us.**

- The Legislature and the Governor giving: WHAT???
 - a. any state agency the power to select ownership,
 - b. transfer a 7 billion dollar project to the private sector without transparency,
 - c. unlimited bonding authority (without returning to the legislature for approval,

- d. be exempt from the RCA and the requirement for a state funded project to be a common carrier.

WHERE ARE THEIR HEADS????

BOTTOM LINE: Authority to contract, eminent domain, legal recourse for remedies of wrong, no oversight to protect consumers from the state government. Imagine a Czar within our state with no limits on funding and no entity protecting us for a project that would extend decades into the future.

Our system of government was designed to protect us by balancing power via checks and balances.

- This legislation disregards this most basic principle of government.
- This project has minimized and muffled the public's ability to attend public meetings at every level.
 - The attendance levels have been extremely low and often more regulators are at the public hearings than members of the public. **This needs to be seriously investigated.** Fairbanks had about 5 testifiers and about 12 regulators and Anchorage had only 2 testifiers.
 - During public hearing the Project staff said that no off-takes would be added to the Pipeline design until the OPEN SEASON was initiated and completed.
 - There has been no feedback (orally or in writing) to the public regarding comments and suggestions made at the public hearings accepting or rejecting comments submitted.

- The Speaker said just prior to the Committee vote that, “it may not be the right project or the cheapest but it's the one we've got.”
 - NOTE: There are other alternatives that this project refused to publicly listen (written comments were also submitted) to or review which may be superior to what is proposed at this time.
 - There are unnamed forces that are working actively to block alternate reviews, misdirect the public, members of the Legislature and Governors staff.
 - Possibilities: Isabelli, ENSTAR, Alaska Railroad, Flint Hills, etc. Harry Noah I'll bet is in the mix too.
- **The legislature should perform its fiduciary responsibilities** and not just spend the state money because it is available now and burning a hole in the collective "pocket".

Our biggest money maker, the Trans-Alaska Pipeline is in danger of being shut down because of decreased throughput. Should we be spending our savings account on a project shrouded in secrecy? **Maybe this is a good time to remember the litany of failed projects that have been funded without adequate public input and ownership.**

Most states would love to have the resources that Alaska has and we continue to squander them, sacrificing our rightful place in the global market to strengthen misdirected Alaskan political campaigns and careers / jobs at every level.

Here's a specific review of HB9.

There are many negatives to this bill, but the most important issues are:

- that the AHFC/AGDC Board of Directors and staff will have ABSOLUTE authority to:

1. Determine ownership, operating structure and dispose of the pipeline project or other assets (Potentially worth up to 7 billion dollars). These decisions could commit the citizens of Alaska for years to come and **without** Legislative oversight.

- They can Issue bonds without limitation and there is no requirement for them to come back to the Legislature for permission.
 - Financial commitments like this will affect Alaskans for years to come and should require Legislative oversight.

3. They have the choice to OPERATE as a contract pipeline vs. a common carrier pipeline.

- That means that they want to limit who can ship gas in the pipe. Current law 38.34.050 would require that AGDC operate as a common carrier.
 - **But they want to remove that requirement.**
 - That is the equivalent of the state building a highway but one entity gets to determine who can drive on it.
 - More carriers mean better pricing and that's in the public's best interest.

4. Section 6 - Access confidential information from State agencies via a confidentiality agreement. In some cases that's not an issue but for agencies who have confidentiality agreements with private sector companies, that is not something that can be legislated.

- The private sector company (not the STATE) ultimately decides who gets to see their proprietary information.

When asked about it in Committee the sponsors staff skillfully pushed concerns to the side.

- But there should be prohibitive language added.
- Section 6 also requires communities along the pipeline to provide water, sand gravel, and other recourses to AGDC.
 - This was debated and the sponsors said that they would bring these requests back before the legislature prior to enforcing.
 - I believe if that is the case then that language should be included.

5. HB – 9 Limits the ability to raise an objection to this natural gas pipeline to a window within 60 days of the application or 60 days after passage of this bill.

- **There will not be sufficient information available to effectively review the impacts of this or any other pipeline 60 days after the effective date of this legislation. I'll bet that much of the information to raise objection will not be out for another year so how can comments be made?**
- So the public's rights to object will be stifled.

6. It removes itself from Regulatory Commission of Alaska oversight.

- The RCA is responsible to protect consumer interests by reviewing and overseeing tariffs/rates for energy consumers.
- This is a really complicated issue and one of our contractors call you directly and makes everything easy to understand.

WHAT do Hawker & Chenault have to gain through HB 9 when there are "tools" through the APP Open Season that would provide citizens of Alaska with the lowest energy rates possible? There is something unsavory here!!

Many Alaskans will not benefit from a pipeline but they would benefit through propane that is being wasted. **The Propane project has received very little support from the Legislature and no support from the Governor.** Propane would have been able to help the RURAL and those coastal communities such as Nome and Kotzebue during this winter's fuel shortage when RUSSIA had to come to their rescue.

Do the math and agree that the Bullet line is uneconomical. If successful in pushing this project through, then Alaskans will be committed to high natural gas rates for 20-30 year even when Cook Inlet hits lower cost natural gas. Of course the Cook Inlet fields only provide Methane. The North Slope provides all 6 flavors of gas.

- The Bullet Line contracts will saddle south-central consumers with high gas prices even though gas could be purchased and transported at much lower prices.
- The project will pay for a “state subsidy” as much as 1 to 2 billion USA dollars each operational year. It isn't necessary.
- That is a significant risk given recent gas finds and incentives paid for by the state that are in competition with the bullet line.

SIDE NOTES OF IMPORTANCE NOT MENTIONED IN HB-9:

[1] This project wants to export gas. **No mention of exporting the gas was made in the public hearings presented.** It was mentioned in recent newspaper articles but well after the public hearing period. Large LNG (Methane only) tankers will not ply the upper Cook Inlet basin because of lack of useable water depth, limited maneuverability and steerage, and about 6 months of ice flow. Medium sized tankers could operate out of Nikiski (**fact not mentioned in the public hearings – either export or Nikiski**) but new docks would have to be built another mile further offshore from the existing dock to accommodate the additional tanker depth of keel. Again maneuvering room and steerage is a

concern at this location. Boulders, as big a house, roll around on the sea floor. The only truly plausible solution is the deep ice-free waters of Prince William Sound and sufficient water depths to accommodate large tankers.

[2] Existing Rights-Of-Way exist following the TAPS route and Glenn Highways for a lateral to Anchorage. The TAPS 30-year Environmental Impact Statement was recently updated to conform with the new and updated laws, regulations, and stipulation criteria that have transpired since construction.

[3] Proposed demands on state agencies to provide R-O-W's via DNR, DOT/PF, ADF&G, associated State and potential Federal Parks lands, etc. for this pipeline have not as yet reared their knotty heads. Further an EIS has not been performed for adequacy, etc.

[4] Alignments including but not limited to the Prudhoe Bay complex, Atigun Pass, a multitude of River and Stream Crossings, approval of aboveground and below ground design criteria, Yukon River Crossing, including a propane TAP at the Yukon River, passing the eastern side of the Minto Flats, providing off-takes and safely Passing through or going around villages such as Nenana, Healy, Cantwell, Denali State park, observing the Omnibus Act, Trapper Creek, Talkeetna, and Willow. Fairbanks and North Pole are only served on a Limited basis.

[5] A MAJOR FAIRBANKS ISSUE:

A spur line at Dunbar extends 39 miles through some of the worst non-thaw stable soils and terminates in the University of Alaska Experimental Farm fields. It falls far short of the Anchor Tenants (GVEA and the Refinery) located 20 miles further southeast in North Pole. The project said they only have to take the gas line to the point near the where the gas is distributed. The 20-mile pipeline could over 20 million dollars and WHO IS TO OWN AND FUND IT??

- ASAP refuses to acknowledge servicing the three major military bases.
- They will provide only Methane to Fairbanks.
- The interior uses a large quantity of Propane and the project will not provide a facility to drop off Propane in a quantity to the interior or at any other location along the line.

Subject: HB-9 Preliminary Comments
From: "OD Odsather" <erwm8706@acsalaska.net>
Date: Sat, March 17, 2012 2:01 pm
To: "Co-Chair" <Representative_Bill_Stoltze@legis.state.ak.us>
Cc: laughlin.kaye11@gmail.com (more)

I have never seen such HB-9 legislative trash in my life. The article in the Fairbanks March 14th paper by Dermot Cole identified the obnoxious chunks but it doesn't nearly describe the crafty ineptness of ASAP and Fauske and their legislative Co-horts to destroy existing thoughtful state programs and statutes (FUBAR - comes to mind).

Before you start crafting trash you might investigate the inept public hearing process adopted by AHFC and ASAP. Most of the public didn't know or hear about the public meetings until it was long past.

In Nenana, previous ASAP teams traveling through promised Nenana an off take for Methane and Propane but on the one official meeting Nenana, they denied that opportunity to Nenana with no further justification (talk to their mayor Jayson Mayrand). They didn't put one in at the Yukon River either to serve the river communities or any other community for that matter. They blindly ignored the 3 major military bases in the interior. They haughtily did not include the 20 miles of pipe to North Pole because they were told that they only had to tie-in to where the gas was being distributed by Fairbanks Natural Gas (near the U/A Experimental fields) at the corner of Giest Road and the Parks.

Further, the folks offering written testimony were not thanked or informed in any way of the acceptance or rejection of their presentation. PLUS there was only ONE public hearing planned for the entire project life - the ASAP team said. AND the project didn't even have for public review an EIS, rough or final specifications completed, final alignment nor had they talked with the private land owners or begun writing up the 25 plans necessary to handle such things as solid waste management, Human carnivore interaction, etc. The public loves to comment on those documents. Trying to get information from ASAP was almost impossible. Fauske would make a public presentation and go sit down someplace out of the way and not answer any questions from the public.

Permitting had not yet begun (nor all of the legalese delicacies therein) and there are always lots of things to discuss there by the public. The public has been stiffed, humiliated, intimidated and ignored into submission without firing a shot by ASAP and your legal body dumbly is and has allowed this to happen. Shame on you. There are at least two bills that are joined at the hip and have elements, which in my belief are CRIMINAL, and if you - the legislature (and agencies) don't resolve them now and rethread the heads of the associated blowhards that crafted them, I'm sure the public sector and federal government will help you in court to sort out and remember the system of checks and balances you are by oath legally supposed to uphold.

The shipping and operating issue components addressed, I don't think can legally live in the same house, have the same address or have the same Board of Directors can they? They each have separate mandates and charges from the State Government.

Sincerely...

Richard "OD" Odsather
1372 Gilmore Trail
Fairbanks, Alaska 99712
457-8345

Attachments:

20120313 - A sectional summary of HB 9 is attached for your information.docx 38 k

HB 9 In-State Gasline Development Corporation Fiscal Analysis

	Included in FY13 Governor's Request	FY13 Appropriation Request	FY13 TOTAL	FY14 Base	FY14 New	FY14 TOTAL	FY15 Base	FY15 New	FY15 TOTAL	FY16 Base	FY16 New	FY16 TOTAL	FY17 Base	FY17 New	FY17 TOTAL	FY18 Base	FY18 New	FY18 TOTAL
DEPARTMENT OF REVENUE																		
Alaska Gasline Development Corporation	3,629.4	6,014.0	9,643.4	9,643.4	4,828.8	14,472.2	14,472.2		14,472.2	14,472.2		14,472.2	14,472.2		14,472.2	14,472.2		14,472.2
Alaska Natural Gas Development Authority			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	3,629.4	6,014.0	9,643.4	9,643.4	4,828.8	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities	7	14	21	21	7	28	28		28	28		28	28		28	28		28
TOTAL	7	14	21	21	7	28	28	0	28	28	0	28	28	0	28	28	0	28

DEPARTMENT OF ENVIRONMENTAL CONSERVATION																		
Environmental Health - Air Quality			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Environmental Health - Drinking Water			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Environmental Health - Food Safety & Sanitation			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Environmental Health - Solid Waste Management			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Spill Prevention & Response			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Spill Prevention & Response			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Spill Prevention & Response			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Division of Water			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities			0	0		0	0		0	0		0	0		0	0		0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

DEPARTMENT OF NATURAL RESOURCES																		
State Pipeline Coordinators Office			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Office of History and Archaeology			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Division of Geological and Geophysical Surveys			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Division of Mining, Land and Water			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities			0	0		0	0		0	0		0	0		0	0		0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES																		
Statewide Engineering & Design			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities			0	0		0	0		0	0		0	0		0	0		0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

GRAND TOTAL	3,629.4	6,014.0	9,643.4	9,643.4	4,828.8	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2	14,472.2	0.0	14,472.2
CUMULATIVE TOTAL			9,643.4			24,115.6			38,587.8			53,060.0			67,532.2			82,004.4
Commercial Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pipeline & Facilities Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Support Activities	7	14	21	21	7	28	28	0	28	28	0	28	28	0	28	28	0	28
POSITION GRAND TOTAL	7	14	21	21	7	28	28	0	28	28	0	28	28	0	28	28	0	28

Alaska Gasline Development Corporation

ASAP - Funding Outline thru FEL 3

Total Projected Costs: \$ 400,000,000.0 (+/- 30%)

Funding Needed at Start of Activity	Supplemental FY2010 3/31/2010	FY2011 7/1/2010	Total FEL 1	Supplemental FY2011 4/1/2011	FY2012 7/1/2011	Governer's Budget FY2013	In-State Pipeline Fund	Total FEL 2	Future Appropriation	Total FEL 3	Totals FEL 1- FEL 3
FEL 1											
DEC pre-AGDC	6,827,612		6,827,612								6,827,612
AGDC Report		15,640,000	15,640,600								15,640,600
FEL 2											
Commercial Operations				820,000	2,910,000	3,800,000	1,795,000	9,325,000			9,325,000
Pipeline Environmental & Permitting				1,177,000	4,176,000	2,600,000	7,578,000	15,531,000			15,531,000
Pipeline Engineering				2,130,000	7,559,000	3,400,000	29,169,000	42,258,000			42,258,000
Facilities Environmental & Permitting				642,000	2,277,000	1,200,000	2,800,000	6,919,000			6,919,000
Facilities Engineering				292,000	1,038,000	4,770,000	105,347,000	111,447,000			111,447,000
AGDC Support Activities				1,139,000	4,040,000	5,230,000	44,111,000	54,520,000			54,520,000
FEL 3											
Commercial Operations							1,200,000		3,300,000	4,500,000	4,500,000
Pipeline Environmental & Permitting									11,488,000	11,488,000	11,488,000
Pipeline Engineering							2,100,000		22,407,000	24,507,000	24,507,000
Facilities Environmental & Permitting											
Facilities Engineering							3,600,000		68,527,788	72,127,788	72,127,788
AGDC Support Activities							2,300,000		22,609,000	24,909,000	24,909,000
	6,827,612	15,640,000	22,468,212	6,200,000	22,000,000	21,000,000	200,000,000	240,000,000	128,331,788	137,531,788	400,000,000

Note: All projections are at a +/- 30% confidence level.



Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

March 19, 2012

Members of the Alaska Interior Delegation
Alaska State Capitol
Juneau, Alaska 99801

RE: High Cost of Energy

Dear Members of the Interior Delegation,

The Board of Directors of the Greater Fairbanks Chamber of Commerce appreciates the work that you are doing to address the high cost of energy in the Interior, the Chamber's number one priority this legislative session. Our bi-weekly teleconferences have ensured that the Chamber is informed and engaged regarding the multiple and occasionally conflicting legislative activities taking place in Juneau that impact our community.

The purpose of this letter is to **emphasize and clarify the collective priorities** of the Chamber in reducing the high cost of energy that is severely impacting our residential and business communities. After thorough review of the bills and appropriations currently being addressed this session, the Chamber provides the following recommendations for your consideration.

For the near term (less than 5 years) gas trucking project(s) from the North Slope and gas storage tax credits are the quickest approaches to bring affordable natural gas to the Interior. Immediate actions for longer term solutions include House Bill 9 and exploration tax credits. The top recommendations are summarized below:

1. Capital funding for liquefaction and vaporization facilities that are necessary to supply natural gas to the Interior of Alaska.
2. Legislation providing gas storage tax credits are critical components of supplying gas to the Interior. This methodology has been used in the South-central region to meet storage needs. The same approach and parity should be used for Interior storage needs.
3. The new version of House Bill 9 aligns with the Chamber's ongoing priority for getting reasonably priced gas to the Interior. We strongly support the work being done on a gas pipeline and will work diligently to ensure the issues, such as fair tariffs, will be addressed without preventing passage of the bill.
4. Legislation that provides tax credits for oil and gas exploration in frontier basins is an important piece of the long term energy picture for the Interior.
5. The expansion of a distribution system, as well as low cost energy conversion loans, will prove to be valuable once movement has occurred addressing the supply of natural gas.

INVESTORS

DIAMOND

BP Exploration
ConocoPhillips
ExxonMobil
Fairbanks Daily News-Miner
Fairbanks Memorial Hospital &
Denali Center
Flint Hills Resources Alaska
Mt. McKinley Bank
Santina's Flowers & Gifts

PLATINUM

Alyeska Pipeline Service Co.
Carlson Center
Doyon, Limited
Fred Meyer Stores
Golden Heart Utilities
Wells Fargo Bank Alaska

GOLD

Birchwood Homes
Denali State Bank
Design Alaska
Doyon Utilities LLC
First National Bank Alaska
GCI
Kinross-Fort Knox Mine
Lynden
MAC Federal Credit Union
Northrim Bank
Sumitomo Metal Mining Pogo LLC
Usibelli Coal Mine

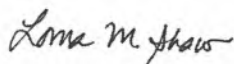
SILVER

ACS
Alaska Airlines
Alaska Railroad
Alaska USA
AT&T
Dr. Christopher Henry -- Henry
Orthodontics
Everts Air Cargo, Everts Air AK
Exclusive Paving/Univ. Redi-Mix
Fairbanks Natural Gas
Flowline Alaska
Fountainhead Hotels
General Teamsters Local 959
GVEA
Hale & Associates, Inc.
JL Properties, Inc.
Key Bank
Personnel Plus
Shell Exploration & Production Co.
Spirit of Alaska FCU
Tanana Valley Clinic
TDL Staffing
TOTE
Tower Hill Mines-Livengood Gold
Project
WAL-MART Stores, Inc.
Yukon Title Company

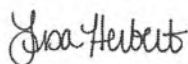
In addition to the above recommendations, the Chamber continues to support forward movement on the Susitna/Watana Dam project and the re-start of the Healy Clean Coal Plant (HCCP). Specifically, the hydroelectric energy project is a valuable investment for the state to ensure stable electric rates for the next 100 years. The scope of the project however, should be designed for maximum benefit for the ratepayers of the Interior. Both the Susitna/Watana Dam project and HCCP would provide significant energy relief for the Interior.

We respectfully urge the Interior Delegation to act collectively in support of our recommendations.

Thank you again for your hard work,



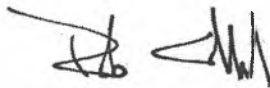
Lorna Shaw
Board of Directors, Chair



Lisa Herbert
Executive Director



Brian Newton
Government Relations Committee, Chair



Bob Shefchik
Energy Committee, Chair

cc:

The Honorable Governor Parnell
Senator Gary Stevens, Senate President
Senator Kevin Meyer, Majority Leader
Senator Lyman Hoffman, Co-Chair Finance
Senator Bert Stedman, Co-Chair Finance
Representative Mike Chenault, Speaker
Representative Alan Austerman, Majority Leader
Representative Beth Kerttula, Minority Leader
Representative Bill Stoltze, Co-Chair Finance
Representative Bill Thomas, Co-Chair Finance
Fairbanks North Star Borough Assembly
Fairbanks City Council
North Pole City Council
Membership of the Greater Fairbanks Chamber of Commerce
Alaska State Chamber of Commerce
Anchorage Chamber of Commerce
Consumer Energy Alliance – Alaska
Alaska Support Industry Alliance
Alaska Oil & Gas Association

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 9(RES)
Fiscal Note Number 1
(H) Publish Date 2/29/12

Identifier (file name) HB009CS-DOR-AHFC-02-08-12 Dept. Affected Revenue
Title In-State Gasline Development Corp. Appropriation Alaska Housing Finance Corp.
Allocation Alaska Gasline Development Corp.
Sponsor Representative Chenault
Requester (H) RES OMB Component Number 2986

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services		1,207.2	5,000.0	5,200.0	5,400.0	5,600.0	5,800.0	
Travel								
Services		2,422.2	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	3,629.4	11,000.0	11,200.0	11,400.0	11,600.0	11,800.0	

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)		3,629.4	11,000.0	11,200.0	11,400.0	11,600.0	11,800.0
	TOTAL	0.0	3,629.4	11,000.0	11,200.0	11,400.0	11,600.0	11,800.0

POSITIONS								
Full-time			21					
Part-time								
Temporary								

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 21,000.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for version U.

Prepared by Joe Dubler, Vice President and Chief Financial Officer
Division Alaska Gasline Development Corporation
Approved by Dan Fauske, President, AGDC
Department of Revenue

Phone 907.330.6303
Date/Time 2/8/12 11:00 AM
Date 2/8/2012

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 9(RES)

Analysis

CSHB 9 is an omnibus bill that is necessary for the Alaska Gasline Development Corporation's (AGDC) to continue its statutory mission of bringing natural gas from the Alaska North Slope to Fairbanks and Southcentral Alaska including:

- Determine the ownership and operating structure and enter into agreements relating to ownership and operation;
- Exercise eminent domain;
- Acquire property and rights necessary or convenient for owning or operating the pipeline;
- Dispose of the pipeline project or other assets.
- Add powers to enable AGDC to issue bonds without limitation to further its purposes;
- Add language to protect the State, the various subdivisions of the state and the Alaska Housing Finance Corporation (AHFC) from any liability for the actions of AGDC;
- Establish an "in-state natural gas pipeline fund" where money can be appropriated and used for AGDC's purposes;
- Modify the Alaska Natural Gas Development Authority (ANGDA) statutes to bring it under the control of the AHFC board of directors and gives the ANGDA the ability to pledge royalty gas owned by the state;
- Exempts contracts by the Alaska Natural Gas Development Authority (ANGDA) from the provisions of AS 36.30, the procurement code. AGDC is already exempt from the state procurement code.
- Replaces the Joint In-State Gasline Development Team with AGDC;
- Allow AGDC to operate the pipeline as a common carrier that is not subject to regulation by the Regulatory Commission of Alaska;
- Give AGDC the ability to enter into confidentiality agreements and keep information confidential and not subject to disclosure under the Public Records Act (AS 40.25);
- Adds language that is intended to limit the ability of those with objections to natural gas pipeline construction to stop necessary projects;
- Allows those who have standing to bring about an action alleging that an action will deny rights under the state Constitution or challenging the invalidity of this section.
- Changes the compensation of board members for AHFC;
- Taxable property of a natural gas pipeline developed by the Alaska Gasline Development Corporation is exempt from state or local taxes until the first natural gas flows in the project generating revenue to the owners of the natural gas pipeline project;
- Repeals the Statute creating the Joint In-State Gasline Development Team;
- Repeals Section 1 of Ballot Measure No. 3; and
- Provides for an immediate effective date.

While this Fiscal Note indicates a relatively small fiscal impact in the current year, it should be noted that the 2010 Legislature appropriated \$200 million to a fund that would be created under this bill.

2.3.5 Recommended Legislative Actions

Currently pending state legislation addressing AGDC and ASAP will contribute greatly to the success of the project. AGDC recommends passage of these measures.

- **House Bill 189:** This bill provides that, to the extent AGDC enters into confidentiality agreements, information provided pursuant to such agreements is not subject to the Public Records Act. Further, it adjusts board participation to include the Alaska Railroad Chairman's designee and elimination of ANGDA participation. The bill passed the House, and was referred to Senate Resources. It has not been heard.
- **House Bill 203:** This legislation creates a fund for AGDC. The bill passed the House, and was referred to Senate Finance. It has not been heard.
- **House Bill 215:** This legislation limits the judicial review of a right-of-way lease or the development or construction of an oil or gas pipeline on state land. The bill passed the House and was referred to both Senate Judiciary and Finance. It has not been heard. This legislation is modeled after the Trans-Alaska Pipeline legislation that was adopted by Congress in 1973. Similar legislation was passed by the Alaska State Legislature in 1973 (Senate Bill 3) related to the Trans-Alaska Pipeline.

In addition, AGDC believes that several other legislative measures are important to address issues identified during its investigation and studies of the past year. AGDC recommends the following:

- ***Address the issue of contract vs. common carrier:*** Shippers will be reluctant to bid firm transportation as long as ASAP is required to operate as a common carrier for intrastate transport of gas. A common carrier operation by definition will not have 100% capacity covered through firm transportation agreements. The Alaska Legislature should amend the Alaska Pipeline Act to conform to the changes proposed in House Bill 215 or otherwise exempt ASAP from the common carrier provisions of the act. ASAP has virtually no chance of attracting adequate shipping commitments as a common carrier.
- ***Empower AGDC with ratemaking authority over its projects:*** For AGDC projects, AGDC needs to have the sole right to determine the ratemaking methodology and settle tariff disputes for intrastate gas shipments (including Gas Conditioning Facility tariffs) over the life of the initial firm transportation commitments or during the period of AGDC financing, whichever is longer.
- ***Stabilize property taxes:*** AGDC recommends that the State of Alaska fix the methodology and assessed mill rates for the first 20 years of the ASAP Project.
- ***Request waiver of rental on state land:*** The Alaska Legislature should consider whether it should pass a law waiving rental from AGDC for rights-of-way on state land or state agency land unless and until ASAP is transferred to a builder/owner/operator. Such legislation would preclude the Legislature from having to appropriate money to AGDC that is then transferred to another state entity.

With regard to the first two recommendations, AGDC staff will work with counsel to have proposed language ready by September 15, 2011.



MATANUSKA-SUSITNA BOROUGH

Office of the Mayor

350 East Dahlia Avenue • Palmer, AK 99645

Phone (907) 745-9682 • Fax (907) 745-9669

www.matsugov.us

January 23, 2012

The Honorable Mike Chenault
Alaska State Capitol
Room 208
Juneau, AK 99801

Dear Mr. Chenault:

We have entered very exciting times for our state. I, like you, desire to bring about a change that will benefit all Alaskans. Please find attached Resolution 12-003 which passed the Matanuska-Susitna Borough Assembly by unanimous consent on Tuesday, January 17, 2012.

There are great opportunities within the complex issues surrounding the delivery of natural gas. We are encouraging you to consider the efficiencies and future strategic result of delivering high volumes at a competitive price. By combining the concept of the ASAP "bullet" line with the larger Trans Canada AGIA project, we believe that Alaska can compete on the world market. This combination would drive down energy costs for our current and future businesses and our residents, serving as an economic engine of both local and international importance. As you know, Port MacKenzie is ready and available to serve in the delivery of that gas to the existing Cook Inlet gas infrastructure.

Please feel free to contact us as you move ahead. We stand ready to assist and facilitate in any way we are able.

Sincerely,

A handwritten signature in cursive script that reads "Larry DeVilbiss".

Mayor Larry DeVilbiss

Attachment: RESO 12-003

LD:cv

Sponsored by: Mayor DeVilbiss
Adopted: 01/17/12

**MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 12-003**

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY
ENCOURAGING THE GOVERNOR AND LEGISLATURE OF THE STATE OF ALASKA
TOWARD PROACTIVE NATURAL GAS DEVELOPMENT FOR THE BENEFIT OF ALL
ALASKANS.

WHEREAS, the Cook Inlet region has been blessed with
decades of cheap natural gas; and

WHEREAS, natural gas has heated homes at a fraction of the
cost of other energy sources; and

WHEREAS, this below global market value gas has spawned
industries such as urea fertilizer production for domestic use
and export, and one of the Nation's first liquefied natural gas
export plants; and

WHEREAS, Cook Inlet natural gas has powered electric power
production for decades; and

WHEREAS, we now know that the abundant, below market value,
developed gas in the Cook Inlet region is close to the end of
its ability to handle peak loads; and

WHEREAS, the Alaska State Legislature initiated an effort
to bring North Slope gas to the Railbelt; and

WHEREAS the Donlin Creek mine project is poised to invest
approximately one billion dollars into a gas line from the Cook
Inlet gas infrastructure to the Bethel region; and

WHEREAS, the Matanuska-Susitna Borough Port Commission passed a resolution supporting the Alaska Stand Alone Pipeline gas bullet line on Dec 15, 2008; and

WHEREAS, Port McKenzie with its rail extension permitted and under construction will attract high volumes of natural resources that could be further developed prior to export from our deep water port given a source of cheap energy; and

WHEREAS, the state of Alaska has invested heavily in the Alaska Gasline Inducement Act via the Trans Canada gas line project; and

WHEREAS, the North American market conditions have diminished the current viability of an Alaskan gas line through Canada; and

WHEREAS, the Governor announced in October 2011 his intentions to develop the Trans-Canada option of bringing gas to tidewater; and

WHEREAS, the higher volumes of the proposed Trans-Canada gas line brings to us the possibility of gas that is competitive on the world market; and

WHEREAS, Alaska Stand Alone Pipeline cost projections suggests a product that would cost as much or more than imported liquid natural gas.

NOW, THEREFORE, BE IT RESOLVED, the Mayor and Assembly of the Matanuska-Susitna Borough urge the Governor of the state of Alaska and the Alaska State Legislature to consider the following as the options and investment into our future energy needs are considered:

1. Combining the concepts of the Alaska Stand Alone Pipeline and the Alaska Gasline Inducement Act could generate enormous efficiencies and save in state development investment

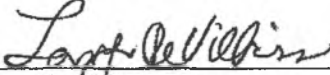
2. Delivering high volume, globally competitive gas to Cook Inlet that:

- a. serves over half the population of the state of Alaska with residential and commercial natural gas needs;
- b. plugs into existing infrastructure that serves both domestic and export needs for liquefied natural gas and fertilizer;
- c. makes viable on the world market numerous value added developments prior to export;
- d. eliminates the requirement to import liquefied natural gas;
- e. keeps Alaska competitive with world markets in everything derived from natural gas;
- f. eliminates the need for new liquefied natural gas facilities at other tidewater locations;
- g. combines international and local economics in a way that builds Alaska's economy rather than just exporting a natural resource;
- h. gets gas and economic power to the Yukon-Kuskokwim Delta area.

3. Notwithstanding new gas development in Cook Inlet, concentrating North Slope gas in the center of the State's population, and existing and future gas infrastructure expands

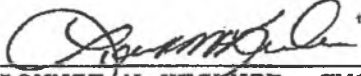
the local and international options and extends the life of that development for many decades if not hundreds of years.

ADOPTED by the Matanuska-Susitna Borough Assembly this 17 day of January, 2012.



LARRY DeVLBISS, Borough Mayor

ATTEST:



LONNIE McKECHNIE, CMC, Borough Clerk
(SEAL)

PASSED UNANIMOUSLY: Keogh, Woods, Arvin, Colligan, Salmon,
Colver, and Halter



LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

3/13/12

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

Memorandum

TO: Representative Mark Neuman
FROM: Patricia Young, Manager *BYOUNG*
DATE: September 9, 2010
RE: Rockies Express Pipeline Cost Analysis
LRS Report 11.024

You asked our agency to obtain detailed information on the actual costs of the Rockies Express Pipeline, which became fully operational in November 2009.

Stretching 1,679 miles from northwestern Colorado to eastern Ohio and with a carrying capacity of 1.8 billion cubic feet of gas per day, the Rockies Express Pipeline (REX) is one of the largest natural gas pipelines ever constructed in North America. Originally estimated at \$3 to \$4 billion, the finished project cost \$6.8 billion. The attached statistical report was provided by Allen Fore, director of community relations with Kinder Morgan Energy Partners, L.P.¹ Kinder Morgan considers all other information we requested to be proprietary, although a news article at the time of completion cited Mr. Fore as the source of the following information:

- 42-inch high pressure steel pipeline, 1 to 1½ inches thick, externally coated with fusion bond epoxy, has a life expectancy of 70-80 years;
- Covered by a minimum of five feet of ground. Much deeper, especially under rivers, for example, it goes as deep as 100 feet under the Wabash River; and
- Maximum pressure of 1,480 pounds per square inch.²

John Eagleton, Kinder Morgan's vice president of business development notes that dynamics such as terrain, delivery infrastructure, availability of workforce, the price of raw steel both nationally and internationally, and pipeline mill space can affect cost dramatically. For example, when the REX project began, steel prices were at \$1,000 to \$1,500 per ton but had risen to over \$3,300 per ton before the project was completed; additionally, because the project used most of the domestic mill capacity available, some pipe had to be manufactured in Germany.

Cost estimates for Alaska's Stand Alone Gas Pipeline project are based on the 753-mile, preferred route following the Trans Alaska Pipeline (TAPS) along the Dalton Highway corridor from Deadhorse to Livengood, and then continuing south along the Parks Highway to the Cook Inlet area. Certainly, the ability to use existing transportation corridors is among the significant differences between TAPS and the proposed bullet line; however, it may be illustrative to note that the final tally of \$8 billion for the 800-mile TAPS—when expressed in 2010 dollars—would be \$23.8 billion.³

We hope this information is helpful. If you have questions or need additional information, please let us know.

¹ Kinder Morgan Energy Partners, L.P., Sempra Energy, and ConocoPhillips jointly developed the REX.

² Howard Greninger, "Massive Pipeline Nearing Completion," *The Tribune-Star*, October 1, 2009.

³ We note, however, that changes in construction costs may not match the rate of general inflation. We account for inflation using the Anchorage Consumer Price Index (CPI), available on the Alaska Department of Labor and Workforce Development website at <http://laborstats.alaska.gov/>.



Rockies Express Pipeline

Rockies Express Pipeline (REX)

Statistics

The Basics

REX is one of the largest natural gas pipelines constructed in North America—and one of the most significant in the last 25 years.


- **Gas Delivery**
 - 1.8 billion cubic feet of gas (Bcf)

- **Cost**
 - Total project cost: \$6.8 billion

Pipeline/Infrastructure

- **Construction**
 - 1,679 miles of pipe
 - 8,865,120 feet of pipe
 - 110,814 sections of 42" pipe
 - 325 lbs per foot of steel pipe
 - 26,000 lbs (13 tons) per joint of 42" steel pipe
 - 1.4 million tons of steel pipe used on REX
 - 15 compressor stations (Seven compressor stations on REX-West , Eight compressor stations on REX-East)
 - 22 meter stations (9 meter stations on REX-West, 13 meter stations on REX-East)
 - 83 mainline valves (41 mainline valves on REX-West, 42 mainline valves on REX-East)

- **Right-of-way**
 - Approximately 21,850 acres of agricultural land temporarily affected during REX construction on REX-West and REX-East
 - » Approximately 10,800 acres of agricultural land temporarily affected during REX-West construction
 - 3,285 acres will be affected by operation

- 
- 90 acres associated with the aboveground facilities
 - » Approximately 11,050 acres of agricultural land temporarily affected during REX-East construction
 - 4,320 acres will be affected by operation
 - 81 acres associated with the aboveground facilities
 - 4,843 land tracts on all of REX
 - » 1,739 total land tracts on REX-West
 - » 3,104 land tracts on REX-East
 - 6,530 landowners on all of REX
 - » 2,707 landowners on REX-West
 - » 3,823 landowners on REX-East
 - 75 railroad crossings on all of REX
 - » 39 railroad crossing on REX-West
 - » 36 railroad crossing on REX-East
 - 1,455 road crossings on all of REX
 - » 775 road crossings on REX-West
 - » 680 road crossings on REX-East

➤ **Compression**

- 15 Stations
 - » 460,000 Horsepower Installed
 - » 12 Gas Turbine Driven Compressors
 - » 8 Electric Motor Driven Compressors
 - » 23 Reciprocating Gas Engine Driven Compressors
- Engineering
 - » 2 Engineering Companies utilized
 - » 300+ assigned workers
 - » 125,000 hours expended
- Construction
 - » 2 Construction Contractors utilized
 - » 7 crews
 - » 120+ employees per crew – peak
 - » 1,500,000+ man hours expended


- 
- Operations
 - » 4 full time local employees per site

➤ **Environmental/Regulatory**

- Identified 1,485 surface water body crossings
- Major Environmental Permits, Licenses, Authorizations, and Clearances
 - » Federal (FERC, USACE, Fish and Wildlife)
 - 13 Federal permits
 - » State (EPA, DNR, SHIPO)
 - 41 permits over 6 state project area
- Ecological and Cultural surveys
 - » Surveys completed on approximately 15,515 acres across 640 miles of ROW
 - 62 cultural sites eligible for listing in the National Registry for Historic Places (NHRP) were identified along the project route.
 - 47 of these were successfully mitigated with the remaining 15 successfully avoided.
- Negotiated a “Not likely to adversely affect” decision by implementing appropriate and revolutionary methods to protect the Indiana bat and its habitat.
- Negotiated an agreement with the USFWS to avoid “take” of migratory birds and/or their habitat.

➤ **Engineering**

- 28 HDD crossings on all of REX
- REX WEST- Horizontal Directional Drill Crossings
 - » Total of four HDDs ranging in length from 1680 ft. to 2842 ft.
- REX EAST- Horizontal Directional Drill Crossings
 - » 24 crossings installed by HDD on REX-EAST
 - » HDD crossings passed beneath 19 rivers, 3 archeological sites and several highways and railroads.
 - » 2 of the river crossings are installed under wild and scenic rivers: Big Darby Creek and Little Miami River.
 - » The longest crossing is the Walnut Creek HDD with a length of 3846 feet. The shortest has a length of 1528 feet.

- 
- » The total length of all the HDD is a little over 12 miles. Average crossing length is ½ mile.
 - » All HDD under rivers provide a minimum depth of cover under the river bottom of 35 feet and a maximum depth of cover of 300 feet.
 - » HDD are installed in soils varying from soft sand to hard limestone.

- Engineering Staffing

- » 152 engineers, designers and support personnel used on REX
- » More than 560,000 man hours
 - REX-West 80 engineers, designers and support personnel
 - REX-West Man-hours 310,000 +
 - REX-East 72 engineers, designers and support personnel.
 - REX-West Man-hours 250,000 +

- Alignment Drawings

- » More than 3800 alignment sheets, construction details, site specifics, permit drawing, etc. developed for REX
 - REX-West 1800+
 - REX-East 2000+

- Plats

- » Approximately 6,000 plats prepared for property of easement acquisition on all of REX
 - REX-West approximately 2,000 plats prepared
 - REX-East approximately 4,000 plats prepared
 -

- Murray Mining – Long Wall Coal Mining Subsidence

- » 46,700 of heavy wall pipe to accommodate potential additional stress related long wall mining activity.
- » Six experts in various fields of expertise such as pipe stress, coal reserves, long wall mining subsidence, pipeline design, pipeline construction, etc.



➤ **Economic Impact**

- Total number of jobs at peak of construction: Nearly 15,000 employees on all of REX (approx 5,000 on REX-West, 10,000 on REX-East)
 - » Inspection employees: 396
 - » Construction/welding employees: approx 4,000
 - » Survey employees: 114
 - » Technicians/Operators/Laborers/Managers/Misc.: 548
 - » Engineers: approx 450 (includes mainline and facilities)
- Total number of man-hours: More than 26 million man-hours on REX (to date)
 - » Total man-hours on REX-West: 7,865,601
 - » Total man-hours to date (as of October 2009) on REX-East: 19,038,476
- States impacted: 8 states.
 - » 5 states on REX-West (Wyoming, Colorado, Nebraska, Kansas, Missouri)
 - » 4 states on REX-East (Missouri, Illinois, Indiana, Ohio)
- Counties impacted: 63 counties.
 - » 28 counties on REX-West
 - » 35 counties on REX-East



➤ **Public Outreach/Support**

- Since the beginning of the REX project we have contacted at least 1,350 elected officials and more than 450 officials from nongovernmental organizations.
- REX arranged nearly 300 public meetings with county commissioners, farm bureaus, state legislative and regulatory committees, city councils, township boards, chambers of commerce, and service clubs to update them on the project and solicit feedback that officials have received from their constituents.
- 40 proclamations and letters of support from local elected officials and key stakeholders
- REX held 28 open houses to give the public an opportunity to learn about and to ask questions about the proposed REX project.
- Over the course of the REX project, the public Web site has averaged 150 page views per day. Since the REX project Web site went live in late 2005, the site has received more than 300,000 page views.
- REX stories in nearly 100 media outlets including print, TV, radio, and trade.
- Media hits with a combined circulation of more than 2 million in addition to several television and online placements that do not provide circulation numbers.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 14, 2012

SUBJECT: Taxable property of the natural gas pipeline in CSHB 9()
(Work Order No. 27-LS0075\U)

TO: Representative Mike Chenault
Speaker of the House of Representatives
Attn: Tom Wright

FROM: Emily Nauman
Legislative Counsel

You have asked three questions related to taxable property and the natural gas pipeline project created under HB 9.

1. What can state and local governments tax?

AS 43.56.210(5) outlines what property the state and municipal governments¹ can tax by defining "taxable property" as

(5) "taxable property"

(A) means real and tangible personal property used or committed by contract or other agreement for use within this state primarily in the exploration for, production of, or pipeline transportation of gas or unrefined oil (except for property used solely for the retail distribution or liquefaction of natural gas), or in the operation or maintenance of facilities used in the exploration for, production of, or pipeline transportation of gas or unrefined oil; "taxable property" includes

(i) machinery, appliances, supplies, and equipment;

(ii) drilling rigs, wells (whether producing or not), gathering lines and transmission lines, pumping stations, compressor stations, power plants, topping plants, and processing units;

(iii) roads, tank farms, tanker terminals, docks and other port facilities, and air strips;

(iv) aircraft and motor vehicles owned by a person whose principal business in the state is the exploration for, production of, or pipeline transportation of gas or unrefined oil and whose operation of the aircraft or motor vehicle directly relates to the conduct of that business;

(v) maintenance equipment and facilities, and maintenance camps and other related facilities; and

¹ AS 29.45.080, outlining what property a municipality can tax, refers to the "taxable property" definition listed in AS 43.56.210(5).

(vi) communications facilities owned by a person whose principal business in the state is the exploration for, production of, or pipeline transportation of gas or unrefined oil and whose operation of the communications facilities directly relates to the conduct of that business;
(B) does not include

- (i) permanent residences;
- (ii) office buildings requiring substantial local government services;
- (iii) oil and gas pipeline systems owned and operated by a public utility that is certificated under AS 42.05.221 and is regulated by the Regulatory Commission of Alaska;
- (iv) aircraft and motor vehicles, except aircraft and motor vehicles taxable under (A)(iv) of this paragraph; and
- (v) communications facilities, except communications facilities taxable under (A)(vi) of this paragraph;

Beyond the exceptions listed in AS 43.56.210(5)(B), additional property exempted from state taxation under AS 43.56.020 includes:

Before the construction commencement date, property that is committed by contract or other agreement for use in this state primarily for the production or pipeline transportation of gas or unrefined oil, or in the operation or maintenance of facilities for the production or pipeline transportation of gas or unrefined oil.

AS 29.45.030 lists additional exceptions to municipal taxes including "state property" to the extent that was not "property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity."

In addition, both AS 29.45.080(c) and AS 43.56.010 place a statutory cap on the value of oil and gas property subject to tax.² If you would like more information about this cap, or how it functions, please let me know.

² AS 29.45.080(c) states:

A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

Application of this cap and its relation to AS 42.56.010(c) was clarified in Bullock v. State, Dept. of Cmty. & Reg'l Affairs, 19 P.3d 1209 (Alaska 2001).

Representative Mike Chenault
February 14, 2012
Page 3

2. Is there anything currently in statute that prevents the taxation of the natural gas pipeline project created under HB 9 after the "commencement of commercial operations"?

No. In my research I was unable to find any statutory provision that would prevent the state or municipal taxation of a natural gas pipeline project created under HB 9 after the "commencement of commercial operations."

3. How could a natural gas pipeline project created under HB 9 be exempted from tax after the "commencement of commercial operations"?

A tax exemption could be included in statute for a natural gas pipeline either in AS 29.45, AS 43.56, or both.

If I may be of further assistance, please advise.

ELN:plm
12-093.plm



LAWS OF ALASKA

2010

Source
SCS CSHB 369(FIN)

Chapter No.

AN ACT

Relating to an in-state natural gas pipeline, the office of in-state gasline project coordinator, and the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a natural gas pipeline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; clarifying the purpose of the Alaska Natural Gas Development Authority; relating to definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; relating to an exemption from application of AS 38.35 for certain natural gas carriers; 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 369

AN ACT

1 Relating to an in-state natural gas pipeline, the office of in-state gasline project coordinator,
2 and the Joint In-State Gasline Development Team; requiring the development of an in-state
3 natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a
4 natural gas pipeline that is operational by December 31, 2015; directing the Joint In-State
5 Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009;
6 requiring expedited review and action by state agencies or entities relating to the in-state
7 natural gas pipeline project; clarifying the purpose of the Alaska Natural Gas Development
8 Authority; relating to definitions of certain terms that relate to a project that may be developed
9 by the Alaska Natural Gas Development Authority; relating to an exemption from application
10 of AS 38.35 for certain natural gas carriers; and providing for an effective date.

11

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

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

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

6 (2) Cook Inlet natural gas reserves are depleting at a rate that could cause
7 significant short-term shortages for residential and commercial gas users in Southcentral
8 Alaska by 2013;

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

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

15 (5) the Alaska Railroad Corporation is a public corporation charged with
16 promoting economic development in the state, enjoys unique authority, and may issue
17 revenue bonds to finance construction of a natural gas pipeline;

18 (6) the Alaska Natural Gas Development Authority is studying a pipeline spur,
19 aggregating in-state demand for natural gas, and facilitating delivery of natural gas and
20 natural gas liquids to Alaskans; and

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

27 (b) It is the purpose of sec. 4 of this Act

28 (1) to give general direction to the Joint In-State Gasline Development Team
29 to plan and develop construction of a high pressure in-state natural gas pipeline sufficient to
30 provide for the distribution of natural gas for residential and commercial purposes at locations
31 along the pipeline route;

1 (2) to give general direction to the Joint In-State Gasline Development Team
2 that, to the maximum extent practicable, the plan for development of an in-state natural gas
3 pipeline required under AS 38.34.040 is compatible but not competitive with the projects
4 described in AS 41.41 and AS 43.90; and

5 (3) to direct the executive director of the Alaska Housing Finance Corporation
6 to oversee all aspects of the project described in sec. 4 of this Act.

7 * Sec. 2. AS 18.56.086 is amended to read:

8 **Sec. 18.56.086. Creation of subsidiaries.** The corporation may create
9 subsidiary corporations for the purpose of financing or facilitating the financing of
10 school construction, facilities for the University of Alaska, facilities for ports and
11 harbors, prepayment of all or a portion of a governmental employer's share of
12 unfunded accrued actuarial liability of retirement systems, or other capital projects. **A**
13 **subsidiary corporation may also be created for the purpose of planning,**
14 **constructing, and financing in-state natural gas pipeline projects or for the**
15 **purpose of aiding in the planning, construction, and financing of in-state natural**
16 **gas pipeline projects.** A subsidiary corporation created under this section may be
17 incorporated under AS 10.20.146 - 10.20.166. The corporation may transfer assets of
18 the corporation to a subsidiary created under this section. A subsidiary created under
19 this section may borrow money and issue bonds as evidence of that borrowing, and
20 has all the powers of the corporation that the corporation grants to it. However, a
21 subsidiary created for the purpose of financing or facilitating the financing of
22 prepayment of a governmental employer's share of unfunded accrued actuarial liability
23 of retirement systems may borrow money and issue bonds only if the state bond rating
24 is the equivalent of AA- or better and subject to AS 37.15.903. **A subsidiary**
25 **corporation created for the purpose of planning, constructing, and financing in-**
26 **state natural gas pipeline projects or for the purpose of aiding in the planning,**
27 **construction, or financing of in-state natural gas pipeline projects is exempt from**
28 **AS 36.30, including AS 36.30.015(d) and (f).** Unless otherwise provided by the
29 corporation, the debts, liabilities, and obligations of a subsidiary corporation created
30 under this section are not the debts, liabilities, or obligations of the corporation.

31 * Sec. 3. AS 36.30.850(b) is amended by adding a new paragraph to read:

1 (48) a subsidiary of the Alaska Housing Finance Corporation created
2 under AS 18.56.086 for the purpose of planning, financing, or constructing in-state
3 natural gas pipeline projects or for the purpose of aiding in the planning, financing, or
4 constructing of in-state natural gas pipeline projects.

5 * **Sec. 4.** AS 38 is amended by adding new sections to read:

6 **Chapter 34. In-State Natural Gas Pipeline.**

7 **Sec. 38.34.010. In-state gasline project coordinator.** (a) The position of in-
8 state gasline project coordinator is created in the Office of the Governor. The Office of
9 the Governor shall provide administrative support for the position. The position shall
10 continue until one year after commencement of commercial operation of the in-state
11 natural gas pipeline.

12 (b) The governor shall appoint an individual to the position of in-state gasline
13 project coordinator. The coordinator is in the exempt service under AS 39.25.110. The
14 person serving as the in-state gasline project coordinator may be removed from the
15 position at the discretion of the governor, who shall appoint another person to the
16 position.

17 (c) The in-state gasline project coordinator shall collaborate with other state
18 agencies or entities to coordinate and facilitate the provisions of AS 38.34.020.

19 **Sec. 38.34.020. Expedited review and action by state agencies or entities.**

20 (a) A state agency or entity conducting a review or taking action relating to the in-state
21 natural gas pipeline project under this chapter shall expedite the review or action in a
22 manner consistent with the timely completion of the project.

23 (b) Notwithstanding any contrary provision of law, a state agency or entity
24 may not include in any project certificate, right-of-way, permit, or other authorization
25 a term or condition that is not required by law if the in-state gasline project
26 coordinator determines that the term or condition would prevent or impair, in any
27 significant respect, the expeditious construction and operation or expansion of the in-
28 state natural gas pipeline project.

29 (c) Unless required by law, a state agency or entity may not add to, amend, or
30 abrogate any certificate, right-of-way, permit, or other authorization if the in-state
31 gasline project coordinator determines that the action would prevent or impair, in any

1 significant respect, the expeditious construction, operation, or expansion of the in-state
2 natural gas pipeline project.

3 **Sec. 38.34.030. Joint In-State Gasline Development Team.** (a) The Joint In-
4 State Gasline Development Team is established in the Alaska Housing Finance
5 Corporation. The development team consists of five members as follows:

6 (1) the commissioner of transportation and public facilities, or the
7 commissioner's designee;

8 (2) the chair of the board of directors of the Alaska Railroad
9 Corporation;

10 (3) the chief executive officer of the Alaska Natural Gas Development
11 Authority;

12 (4) the in-state gasline project coordinator; and

13 (5) the executive director of the Alaska Housing Finance Corporation.

14 (b) The executive director of the Alaska Housing Finance Corporation is the
15 chair of the development team.

16 (c) The development team may hire staff, enter into contracts, and exercise
17 other powers necessary to carry out its functions. The development team shall
18 separately account for expenditures made to carry out its functions and submit to the
19 legislature a quarterly report of those expenditures. The development team shall also
20 submit to each member of the legislature monthly updates on the progress of the in-
21 state natural gas pipeline project.

22 **Sec. 38.34.040. Duties of the development team.** (a) The Joint In-State
23 Gasline Development Team shall produce a project plan for the development of an in-
24 state natural gas pipeline. The development team shall ensure that the project plan is
25 completed and delivered to the legislature by July 1, 2011. The project plan must
26 specify and document how an in-state natural gas pipeline can be designed, financed,
27 constructed, and made operational by December 31, 2015.

28 (b) The Joint In-State Gasline Development Team shall assume executive
29 authority over and managerial responsibility for all activities enumerated under sec.
30 19, ch. 14, SLA 2009, including work previously completed, work in process, and
31 work for which money has been encumbered but that is not completed on the effective

1 date of this subsection.

2 (c) The project plan must include specific plans to coordinate and facilitate
3 construction, ownership, operation, and management of a natural gas pipeline serving
4 Fairbanks, the Southcentral region of the state, and other communities whenever
5 practicable, connecting with or enhancing the existing gas pipeline system, and
6 reaching to tidewater in the Southcentral region of the state.

7 (d) The development team's work product must include an analysis of
8 alternative possible routes and the selection of a route that, consistent with the other
9 requirements of this section,

10 (1) is economically feasible;

11 (2) makes natural gas available to residents at the lowest possible cost;

12 (3) allows for connecting lines to serve industrial, residential, and
13 utility customers along the entire route, and in other regions of the state that can be
14 served at commercially feasible rates;

15 (4) uses state land and existing state highway and railroad rights-of-
16 way to the maximum extent feasible;

17 (5) uses existing highway and railroad bridges, gravel sources,
18 equipment yards, maintenance facilities, and other existing facilities and resources to
19 the maximum extent feasible.

20 (e) With the intent that any project-related assets acquired or developed be
21 available for transfer or sale to the entity best able to complete the project, the
22 development team shall

23 (1) prepare plans and designs necessary for construction of the in-state
24 natural gas pipeline project;

25 (2) coordinate with entities qualified to build, own, and operate the
26 natural gas pipeline;

27 (3) identify, apply for, and obtain rights-of-way and other permits for
28 the project route;

29 (4) work with other entities to promote gas supply and purchase
30 contracts required for the project to be commercially viable;

31 (5) prepare cost estimates for the project design, construction, and

1 operation to determine the project's economic feasibility and the projected cost of
2 natural gas to consumers;

3 (6) coordinate with and, to the fullest extent possible, use existing
4 work by other state agencies and entities before contracting for new reports and
5 research and analysis;

6 (7) determine regulatory authority over the pipeline project and
7 perform any necessary compliance requirements;

8 (8) identify and apply for, or support extension of, existing permits for
9 export of Alaska natural gas if that export improves project economics and will reduce
10 the price of natural gas to in-state consumers.

11 (f) Notwithstanding any other provision of law, any rights to a natural gas
12 pipeline corridor obtained by a state agency under eminent domain may be transferred
13 to a private entity.

14 (g) Notwithstanding any other provision of law, a state agency acquiring an
15 interest in land by eminent domain may grant a permit authorizing a private person to
16 construct, manage, and operate a gas pipeline over, under, along, across, or upon the
17 land.

18 (h) In preparing the project plan required in this section, the development team
19 may consider all aspects of the in-state natural gas pipeline project, including public,
20 private, or joint construction alternatives, marketing of natural gas, financing
21 alternatives for pipeline construction, procurement of natural gas from producers,
22 maximization of local hire, opportunities for promoting value-added industries, gas-to-
23 liquids manufacturing opportunities, production and delivery of liquefied natural gas
24 or propane to Yukon River, Interior, and coastal communities, alternatives for
25 transporting natural gas to other locations in the state, the acquisition of natural gas
26 commitments sufficient to ensure the long-term feasibility of the in-state natural gas
27 pipeline project, the development of a global natural gas trading hub in the state, and
28 facilitating the project developer's commitment, to the maximum extent permitted by
29 law, to

30 (1) hire qualified residents from throughout the state for management,
31 engineering, construction, operations, maintenance, and other positions on the

1 proposed project;

2 (2) contract with businesses located in the state;

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

4 and

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

8 (i) The Joint In-State Gasline Development Team shall take all action
9 necessary to complete its responsibilities under this section.

10 **Sec. 38.34.050. Cooperation and access to information.** (a) The Joint In-
11 State Gasline Development Team may have access to information of all state agencies
12 that is directly related to the planning, design, construction, or operation of the in-state
13 natural gas pipeline.

14 (b) All state agencies or entities shall cooperate with and, except for requests
15 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
16 requests for information from the Joint In-State Gasline Development Team. The
17 development team shall avoid duplicating studies, plans, and designs that have already
18 been produced or otherwise obtained by other state entities.

19 (c) Notwithstanding any contrary provision of law, the Department of Natural
20 Resources shall grant the Alaska Housing Finance Corporation a right-of-way lease
21 under AS 38.35 for the gas pipeline transportation corridor if

22 (1) the corporation submits a complete right-of-way lease application
23 under AS 38.35.050;

24 (2) the lease application is made the subject of notice and other
25 reasonable and appropriate publication requirements under AS 38.35.070; and

26 (3) the corporation agrees to be bound by the right-of-way lease
27 covenants set out in AS 38.35.120.

28 (d) Notwithstanding any contrary provision of law, a right-of-way lease
29 granted under (c) of this section is subject to AS 38.05, except that the best interest
30 findings requirements of AS 38.05 and the permit requirements of AS 38.05.850 do
31 not apply to a lease made under this section.

1 **Sec. 38.34.060. Conflicts of interest.** (a) If a member of the Joint In-State
2 Gasline Development Team acquires, owns, or controls an interest, direct or indirect,
3 in property, an organization, or a business that might be affected by the in-state natural
4 gas pipeline project or other matter under consideration by the development team, the
5 member shall immediately disclose the interest to the development team. The
6 disclosure is a matter of public record and shall be included in the minutes of the first
7 meeting of the development team held after the disclosure.

8 (b) The members of the development team are subject to AS 39.50 and
9 AS 39.52.

10 **Sec. 38.34.099. Definitions.** In this chapter,

11 (1) "in-state natural gas pipeline" means a pipeline for transporting
12 natural gas that runs from the North Slope to tidewater in the state;

13 (2) "North Slope" means that area of Alaska lying north of 68 degrees
14 North latitude.

15 * **Sec. 5.** AS 38.35.220(a) is amended to read:

16 (a) Natural gas carriers **that operate as public utilities** holding easements,
17 rights-of-way, or permits for pipelines on state public land on May 20, 1972, are
18 unaffected by this chapter within the scope of their existing operations, normal
19 expansions, and extensions thereof so long as their original or present purpose and
20 function remains unchanged. **This exemption does not apply to a natural gas**
21 **pipeline constructed outside of the**

22 **(1) Southcentral region of the state;**

23 **(2) Matanuska-Susitna Borough;**

24 **(3) Kenai Peninsula Borough;**

25 **(4) Municipality of Anchorage;**

26 **(5) Chugach Regional Educational Attendance Area; or**

27 **(6) Copper River Regional Educational Attendance Area.**

28 * **Sec. 6.** AS 39.25.110 is amended by adding a new paragraph to read:

29 (43) the in-state gasline project coordinator appointed under
30 AS 38.34.010.

31 * **Sec. 7.** AS 41.41.010(a) is amended to read:

1 (a) There is established the Alaska Natural Gas Development Authority, the
2 purpose of which is to provide one or more of the following services and functions in
3 order to bring natural gas from the North Slope or other regions of the state to
4 market, including

5 (1) the acquisition and conditioning of [NORTH SLOPE] natural gas;

6 (2) the design and construction of the pipeline system;

7 (3) the operation and maintenance of the pipeline system;

8 (4) the design, construction, and operation [,] of other facilities
9 necessary for delivering the gas to market, including markets in the state [AND TO
10 SOUTHCENTRAL ALASKA]; and

11 (5) the acquisition of natural gas market share sufficient to ensure the
12 long-term feasibility of [THE] pipeline system projects [PROJECT].

13 * Sec. 8. AS 41.41.010(d) is amended to read:

14 (d) The acquisition of natural gas from the North Slope and other regions of
15 the state, including the Alaska outer continental shelf, and its delivery to markets
16 in the state for use by markets in the state or to tidewater for shipment to market by
17 the authority are [IS AN] essential government functions [FUNCTION] of the state.

18 * Sec. 9. AS 41.41.990(3) is amended to read:

19 (3) "project" means the gas transmission pipeline, together with all
20 related property and facilities, to extend from [THE PRUDHOE BAY AREA ON] the
21 North Slope of Alaska or other regions of the state to a market in the state, or be
22 available to a market in the state, and [EITHER] to tidewater at a point on Prince
23 William Sound [AND THE SPUR LINE FROM GLENNALLEN TO THE
24 SOUTHCENTRAL GAS DISTRIBUTION GRID] or [TO TIDEWATER AT A
25 POINT ON] Cook Inlet, and includes planning, design, and construction of the
26 pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

27 * Sec. 10. AS 41.41.990 is amended by adding a new paragraph to read:

28 (4) "North Slope" means that part of the state that lies north of 68
29 degrees North latitude and includes the Brooks Range foothills.

30 * Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITIONAL PROVISIONS. (a) In discharging its obligations, the Joint In-State
2 Gasline Development Team shall

3 (1) seek letters of intent from buyers and sellers of natural gas to ship gas
4 using the facilities of the project and, from information obtained, define the project
5 parameters that would allow the project to be commercially viable;

6 (2) seek letters of interest from private pipeline construction and operating
7 companies to develop the project;

8 (3) prepare and submit to the governor and the presiding officer of each house
9 of the legislature, by December 15, 2010, any initial legislation necessary to advance the
10 project;

11 (4) prepare and submit a report to the governor, the speaker of the house of
12 representatives, and the president of the senate when each duty set out in (1) - (3) of this
13 subsection is complete.

14 (b) The parties having responsibility for contracts, permit and acquisition
15 applications, and studies in progress on the effective date of this Act initiated or entered into
16 by the Office of the Governor or a state agency or entity that relate to an in-state natural gas
17 pipeline shall transfer those obligations and initiatives to the Alaska Housing Finance
18 Corporation. Transfer of those obligations and initiatives may not be unreasonably delayed. If
19 the corporation forms a subsidiary under AS 18.56.086, as amended by sec. 2 of this Act, for
20 the purpose of planning, constructing, and financing in-state natural gas pipeline projects or
21 for aiding those projects, the corporation shall transfer the obligations and initiatives to its
22 subsidiary.

23 * Sec. 12. This Act takes effect immediately under AS 01.10.070(c).



**A RESOLUTION OF THE ALASKA PARTNERSHIP FOR ECONOMIC DEVELOPMENT
BOARD OF DIRECTORS SUPPORTING HOUSE BILL NUMBER 9;
"AN ACT REQUIRING THE JOINT IN-STATE STATE GASLINE DEVELOPMENT TEAM
TO REPORT TO THE LEGISLATURE RECOMMENDED CHANGES TO STATE LAW
THAT ARE REQUIRED TO ENABLE OR FACILITATE THE DESIGN, FINANCING, AND
CONSTRUCTION OF AN IN-STATE NATURAL GAS PIPELINE SO THAT THE IN-STATE
NATURAL GAS PIPELINE IS OPERATIONAL BEFORE 2016; AND PROVIDING FOR AN
EFFECTIVE DATE."**

Resolution # 12-12

Whereas; the Alaska Regional Development Organizations (ARDOR) was established by the Alaska Legislature in 1988; and

Whereas; the ARDOR's statutory mandate is to encourage the formation of regions development organizations to prepare and implement regional development strategies; and

Whereas; the ARDOR's represent a diverse network of public, private and economic development groups that drive local initiatives and advance economic diversification through partnerships with state and local governments; and

Whereas; the ARDOR's established the Alaska Partnership for Economic Development, (APED), in 2009, to advance economic development and address initiatives affecting development and to help develop a state-wide comprehensive strategic plan; and

Whereas; the ARDOR/APED programs have established partnerships with more than 300 local, regional, private, municipal and public organizations to pool resources, decrease duplication and foster new businesses; and

Whereas; the APED now comes in support of the following legislation being considered by the Alaska State Legislature:

NOW THEREFORE BE IT RESOLVED; the Alaska Partnership for Economic Development supports *House Bill Number 9;*

AN ACT REQUIRING THE JOINT IN-STATE STATE GASLINE DEVELOPMENT TEAM TO REPORT TO THE LEGISLATURE RECOMMENDED CHANGES TO STATE LAW THAT ARE REQUIRED TO ENABLE OR FACILITATE THE DESIGN, FINANCING, AND CONSTRUCTION OF AN IN-STATE NATURAL GAS PIPELINE SO THAT THE IN-STATE NATURAL GAS PIPELINE IS OPERATIONAL BEFORE 2016; AND PROVIDING FOR AN EFFECTIVE DATE."

BE IT FURTHER RESOLVED that a copy of this resolution be sent to the REPRESENTATIVE CHENAULT, the prime sponsor of HB9.

APPROVED THIS 24th DAY of FEBRUARY 2012.

President 2/24/2012

Date

Katherine S. Arnold

ATTEST:

Secretary

2/24/2012
Date

Andy Van

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

Summary of Changes

From CS for House Bill 9 (RES) to CS for House Bill 9 (FIN) \K

Changes to CS for HB 9 (RES)\L and reflected in the CS for House Bill 9 (FIN)\K are:

TITLE

Page 1, line 6, after "lease or", adds "an action or decision related to"

Page 1, line 8, after "Corporation", adds "or a successor in interest"

SECTION 1:

Page 2, line 8, through Page 3, line 5: Adds a new section of Legislative Findings and Intent.

Page 2, lines 11-15: Incorporates a Letter of Intent related to disclosure of operating agreements into the body of HB 9. Clarifies intent language so that executed operating agreements will be disclosed publically to the extent the disclosure will not divulge trade secrets or other proprietary business information.

Page 2, line 16, through Page 3, line 5: Adds findings and intent related to AGDC's mission; direction to provide gas and to ship gas at commercially reasonable rates; makes a determination of an AGDC project as being within the public convenience and necessity; declares development of an instate gas pipeline as in the best interests of the state; and finds that the state shall have a policy of making state royalty gas available for shipment in an AGDC pipeline.

SECTION 2: Renumbered from Section 1; no other changes.

SECTION 3: Renumbered from Section 2; no other changes.

SECTION 4: Renumbered from Section 3.

Page 6, lines 20-28: Sets parameters on the direction for state agencies to give AGDC access to information directly related to an instate natural gas pipeline. If an agency finds that information to be transferred to AGDC is confidential, the agency may require a confidentiality agreement and, if a third party's rights are affected, AGDC may have to secure the third party's consent.

This change is recommended by the Department of Law and is intended to set parameters around the information that is to be shared between state agencies and AGDC. Some information held by state agencies is confidential, and cannot be automatically shared with AGDC.

SECTION 5: Renumbered from Section 4; no other changes.

SECTION 6: Renumbered from Section 5.

Page 7, Line 10: Changes "at no cost or rental fee" to "at no appraisal or rental cost."

This change was recommended by the State Pipeline Coordinator's Office/Department of Natural Resources and better reflects existing terminology.

SECTION 7: Renumbered from Section 6.

Page 8, lines 15-16: adds after "rates," "except as provided in (c) of this section".

Conforms to the change in Section 6, clarifying that while nonhydrocarbon natural resources of the state are to be made available to AGDC at usual and customary rates, a state right-of-way lease will be granted at no appraisal or rental cost.

Page 8, lines 25-28: Adds new subsection (i).

Clarifies that a state Right-of-Way lease entered into by AGDC may be transferred to a successor under the same terms the lease is granted to AGDC.

SECTION 8: Renumbered from Section 7; no other changes.

SECTION 9: Renumbered from Section 8; no other changes.

SECTION 10: Renumbered from Section 9; no other changes.

SECTION 11: Renumbered from Section 10; no other changes.

SECTION 12: Renumbered from Section 11.

Page 13, line 18, after “notwithstanding (a),”: removed “and (b).”

Page 13, line 19: Replaced “cost to or reimbursement by” with “appraisal or rental costs to”.

Both changes were recommended by the State Pipeline Coordinator’s Office/Department of Natural Resources. SPCO operates on receipt authority, and AGDC will need to pay for services. The term “appraisal or rental costs” conforms to existing SPCO/DNR terminology.

SECTION 13: Renumbered from Section 12.

Page 14, line 13: Added “or authorization” after “decision.”

Page 14, line 14-15, after “under”: Replaced “authority delegated to” with “a program approved or delegated by.”

Both changes address technical concerns by Department of Environmental Conservation.

SECTION 14: Renumbered from Section 13; no other changes.

SECTION 15: Renumbered from Section 14, no other changes.

SECTION 16: Renumbered from Section 15; no other changes.

SECTION 17: Renumbered from Section 16

Page 17, lines 16-18: Inserted “A pledge made under this subsection shall be treated as a disposal of gas other than by sale or exchange for purposes of AS 38.05.183.”

Department of Natural Resources recommended this change to accommodate existing statutes related to royalty gas.

SECTION 18: Renumbered from Section 17; no other changes.

SECTION 19: Renumbered from Section 18; no other changes.

SECTION 20: Renumbered from Section 19; no other changes.

SECTION 21: Renumbered from Section 20; no other changes.

SECTION 22: Renumbered from Section 21; no other changes.

SECTION 23: Renumbered from Section 22; no other changes.

SECTION 24: Renumbered from Section 23; no other changes.

SECTION 25: Renumbered from Section 24; no other changes.

SECTION 26: Renumbered from Section 25; no other changes.

SECTION 27: Renumbered from Section 26; no other changes.

SECTION 28: Renumbered from Section 27; no other changes.

SECTION 29: Renumbered from Section 28; no other changes.

SECTION 30: Renumbered from Section 29; no other changes.

SECTION 31: Renumbered from Section 30; conforming changes for references to renumbered sections.

SECTION 32: Renumbered from Section 31; no other changes.

SECTION 33: Renumbered from Section 32; no other changes.

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

SPONSOR STATEMENT COMMITTEE SUBSTITUTE FOR HOUSE BILL 9 (RES)

"An act relating to the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation exempt from inspection as a public record; relating to the Joint In-State Development Team; relating to the judicial review of a right-of-way lease or the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way by the Alaska Gasline Development Corporation for a gas pipeline transportation corridor; relating to the cost of natural resources, permits, and leases provided to the Alaska Gasline Development Corporation; relating to the review of natural gas transportation contracts by the Regulatory Commission of Alaska; relating to the regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project developed by the Alaska Gasline Development Corporation; relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority; exempting property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations; and providing for an effective date."

Nearly two years ago, the Legislature passed HB 369 advancing an in-state natural gas pipeline. Since that time, the Alaska Gasline Development Corporation has made tremendous progress developing a project along a solid timeline. It is imperative to maintain that momentum in pursuit of in-state gas for Alaskans, while keeping open all options for participating in an aligned project.

Committee Substitute for House Bill 9 (RES) will refine a solid, early proposal into a plan. This legislation does not sanction construction of an in-state gas pipeline, but allows AGDC to advance to the stage. The bill will also provide AGDC the tools to build its capacity to be a strong, participating partner in an aligned gasline project.

Along with a comprehensive update on progress to date, this summer AGDC presented the Legislature with a series of recommendations enabling the next stage in project planning. Those recommendations are incorporated within this committee substitute.

It is my intention to provide AGDC the tools that will allow them to refine a plan to the point of whether or not to advance to the construction stage dependent upon the results of an open season that will be conducted next year. The state has invested hundreds of millions of dollars over the years in pursuit of our dream of gas, but we've consistently been held back by various roadblocks, internal and external, political and commercial. I want to clear those for this project.

This legislation is enabling and does no harm. It would facilitate gas development in the state of Alaska even if the project already on the table – AGIA – develops. It would also facilitate instate gas should we see the alignment of interests and projects the Governor is encouraging among commercial parties and others interested in both commercialization of North Slope gas and delivering Alaska's gas to Alaskans.

**INITIATIVE PETITION BILL LANGUAGE
by Petition Sponsors**

**Petition ID: 01GSLN
The All-Alaskan Gasline Initiative:
An Act establishing the Alaska Natural Gas Development
Authority,
to maximize revenues for Alaska and jobs and gas for Alaskans**

Posted 9/20/01

Proposed Bill:

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

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

FINDINGS AND INTENT. (a) The people find that

1. The Phillips-Marathon liquefaction facility at Nikiski has been supplying Cook Inlet natural gas to Japan and Southcentral Alaska at great profit and without interruption since 1969;
2. Cook Inlet gas supplies are dwindling rapidly with shortfalls anticipated as early as the winter of 2003;
3. Alaska's North Slope contains vast proven reserves of natural gas that have been known for at least 25 years but have never been developed;
4. these gas resources have never been offered for sale, because there has been no way to transport them to market;
5. multiple markets in North America and Asia have recently expressed an interest in receiving a proposal from Alaska for the purchase of Alaska gas;
6. if developed, these natural gas resources could represent substantial economic benefits to Alaskans in jobs, state revenue, and gas for Alaska citizens and businesses;
7. the major North slope leaseholders have competing gas reserves in other parts of the world vying for the same markets, creating a conflict of interest for them in advancing the sales of Alaska gas;
8. the North slope Producers agreed in 1991 to strand North Slope gas until at least 2005;
9. given the producer's conflicts of interest and their historic refusal to make North Slope natural gas available it may be necessary to take the gas back;
10. the permits necessary for an Alaskan gasline project have been pledged to the Alaska Natural Gas Development Authority, operating as a port authority, to facilitate the development of the project;
11. there is sufficient gas for an all-Alaskan gasline project;
12. the Alaska Natural Gas Development Authority offers substantial tax benefits that improve the economics of a gasline project;
13. state ownership of the pipeline and associated facilities has the potential to provide substantial revenues to the state and the Alaska Permanent Fund; and
14. Alaska's constitution requires that Alaska's resources are developed, utilized, and conserved for the maximum benefit of Alaska's people.
15. an all-Alaskan gasline maximizes jobs for Alaskans, revenues for the Alaskan treasury, and access

to gas for Alaskans.

(b) It is the intent of this Act to create the All-Alaskan Natural Gas Development Authority for the purpose of developing, constructing, managing, and operating a gas pipeline from the North Slope of Alaska and a spur line to the Southcentral Alaska natural gas distribution grid.

*Sec. 2. AS 41 is amended by adding a new chapter to read:

**Chapter 41. Alaskan Natural Gas Development Authority.
Article 1. Establishment of the Authority.**

Sec. 41.41.010. Establishment of the authority. (a) There is established the Alaska Natural Gas Development Authority, the purpose of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

1. the acquisition and conditioning of North Slope natural gas;
2. the design and construction of the pipeline system;
3. the operation and maintenance of the pipeline system;
4. the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
5. the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

(b) The authority is a public corporation and an instrumentality of the state within the Department of Revenue.

(c) The authority has a legal existence independent of and separate from the state.

(d) The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state.

(e) The authority may not be terminated as long as it has bonds, notes, or other obligations outstanding.

Sec. 41.41.020. Authority governing body. (a) The authority shall be governed by a board of directors consisting of seven members from the general public appointed by the Governor and confirmed by the legislature.

(b) The board shall annually elect a chair, and may elect other officers, from among its members.

Sec. 41.41.030. Term of office. (a) The members of the board shall be appointed for terms of three years, and they may be reappointed.

(b) The terms of the members shall be staggered.

Sec. 41.41.040. Removal and vacancies. (a) The governor may remove a member of the board from office. A removal must be in writing and must state the reason for the removal. A member who is removed may not participate in board business and may not be counted for purposes of establishing a quorum after the member receives written notice of removal. A member who is removed is not entitled to honoraria, per diem, or travel expenses authorized under AS 41.41.060 for work performed after the member receives the written notice of removal.

(b) The governor shall promptly fill a vacancy on the board by appointment. An appointee to a vacancy shall hold office for the balance of the term for which the appointee's predecessor on the board was appointed.

(c) A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Sec. 41.41.050. Quorum and voting. Four members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board. Action may be taken only upon the affirmative vote of a majority of the full membership of the board.

Sec. 41.41.060. Compensation of board members; per diem and travel expenses. Members of the board are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 41.41.070. Authority staff. (a) The board may employ and determine the salary of a chief executive officer.

(b) The chief executive officer may, with the approval of the board, select and employ additional staff as necessary.

(c) An employee of the authority, including the chief executive officer, may not be a member of the board. The chief executive officer and the other employees of the board are in the exempt service under AS 39.25.110.

(d) In addition to its employees, the authority may contract for and engage the services of bond counsel, consultants, experts, and financial advisors the corporation considers necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings.

Sec. 41.41.080. Legal counsel. The attorney general

1. is the legal counsel for the authority;
2. shall advise the authority in legal matters; and
3. shall represent the authority in legal actions.

Sec. 41.41.090. Conflicts of interest. (a) Members of the board and the chief executive officer of the authority are subject to the provisions of AS 39.50.

(b) If a member of the board or an employee of the authority acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets of the authority are invested, the member shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the first board meeting following the disclosure.

Sec. 41.41.100. Budget. The revenue earned by operations of the authority must be identified as the source of the operating budget of the authority in the state's operating budget under AS 37.07 (Executive Budget Act).

Sec. 41.41.110. Audits. The Legislative Budget and Audit Committee may provide for an annual post audit and annual operational and performance evaluations of the authority's operations and

budget.

Sec. 41.41.120. Reports and publications. (a) By September 30 of each year, the board shall publish a report of the authority for distribution to the governor and the public. The board shall notify the legislature that the report is available.

(b) The report must include financial statements audited by independent outside auditors and a statement of the amount of money received by the authority from its operations during the period covered.

Sec. 41.41.130. Tax exemption. The security instruments issued by the authority, the transfer of the security instruments, and the income on the security instruments are exempt from all taxes and assessments in the state.

Sec. 41.41.140. Political activities. The resources of the authority may not be used to finance or influence political activities.

Sec 41.41.150. Public access to information. (a) Information in the possession of the authority is a public record, except that information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding.

(b) The restrictions of (a) of this section do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Article 2. Powers of the Authority.

Sec. 41.41.200. Powers of the authority. In furtherance of its corporate purposes, in addition to its other powers, the authority may

1. sue and be sued;
2. adopt a seal;
3. adopt, amend, and repeal bylaws and regulations;
4. make and execute contracts and other instruments;
5. in its own name acquire property, lease, rent, convey, or acquire real and personal property; a project site or part of a project site may be acquired by eminent domain;
6. acquire natural gas supplies;
7. issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
8. accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;
9. enter into contracts or agreements with a federal agency, agency or instrumentality of the state, municipality, or public or private individual or entity, with respect to the exercise of its powers;
10. charge fees or other forms of remuneration for the use of authority properties and facilities;
11. defend and indemnify a current or former member of the board or an employee or agent of the authority against the costs, expenses, judgments, and liabilities as a result of actions taken in good faith on behalf of the authority; and
12. purchase insurance to protect its assets, services, and employees against liabilities that may

arise from authority operations and activities.

Article 3. Revenue Bonds and Notes.

Sec. 41.41.300. Bonds and notes of the authority. (a) The authority, by resolution, may issue revenue bonds and bond anticipation notes in order to provide funds to carry out the purposes set out in AS 41.41.010(a).

(b) The principal and interest on the revenue bonds or notes authorized and issued under (a) of this section are payable from authority funds. Bond anticipation notes may be payable from the proceeds of the sale of bonds or from the proceeds of the sale of other bond anticipation notes or, in the event bond or bond anticipation note proceeds are not available, the notes may be paid from other funds or assets of the authority.

(c) Bonds or notes may be additionally secured by a pledge of a grant or contribution from the federal government, or a corporation, association, institution, or person, or a pledge of money, income, or revenues of the authority from any source.

(d) Bonds or bond anticipation notes of the authority may be issued in one or more series and shall be dated, bear interest at the rate or rates per year or within the maximum rate, be in the denomination, be in the form, either coupon or registered, carry the conversion or registration provisions, have the rank or priority, be executed in the manner and form, be payable at the times, from the sources, and in the medium of payment and place or places within or outside the state, be subject to authentication by a trustee or fiscal agent, and be subject to the terms of redemption with or without premium, as the resolution of the authority may provide. Bond anticipation notes shall mature at the time or times that are determined by the authority. Bonds shall mature at a time not exceeding a number of years from their date that is determined by the authority. Before the preparation of definitive bonds or bond anticipation notes, the authority may issue interim receipts or temporary bonds or bond anticipation notes, with or without coupons, exchangeable for bonds or bond anticipation notes when these definitive bonds or bond anticipation notes have been executed and are available for delivery.

(e) Bonds or bond anticipation notes may be sold in the manner and on the terms the authority determines.

(f) If an officer whose signature or a facsimile of whose signature appears on a bond, note, or coupon attached to them ceases to be an officer before the delivery of the bond, note, or coupon, the signature or facsimile is valid to the same extent as if the officer had remained in office until delivery.

Sec. 41.41.310. Covenants. In a resolution of the authority authorizing or relating to the issuance of bonds or bond anticipation notes, the authority has power by provisions in the resolution that will constitute covenants of the authority and contracts with the holders of the bonds or bond anticipation notes to

1. pledge to a payment or purpose all or a part of its revenues to which its right then exists or may thereafter come into existence, and the money derived from the revenues, and the proceeds of bonds or notes;
2. covenant as to the use and disposition of payments of principal or interest received by the authority on loans or other investments held by the authority;
3. covenant as to establishment of reserves or sinking funds and the making of provision for

- and the regulation and disposition of the reserves or sinking funds;
4. covenant with respect to or against limitations on a right to sell or otherwise dispose of property of any kind;
 5. covenant as to bonds and notes to be issued, and their limitations, terms, and conditions, and as to the custody, application, and disposition of the proceeds of the bonds and notes;
 6. covenant as to the issuance of additional bonds or notes, or as to limitations on the issuance of additional bonds or notes and the incurring of other debts;
 7. covenant as to the payment of the principal of or interest on the bonds or notes, as to the sources and methods of the payment, as to the rank or priority of the bonds or notes with respect to a lien or security, or as to the acceleration of the maturity of the bonds or notes;
 8. for the replacement of lost, stolen, destroyed, or mutilated bonds or notes;
 9. covenant as to the redemption of bonds or notes and privileges of their exchange for other bonds or notes of the authority;
 10. covenant to create or authorize the creation of special funds of money to be held in pledge or otherwise for operating expenses, payment or redemption of bonds or notes, reserves, or other purposes;
 11. establish the procedure, if any, by which the terms of a contract or covenant with or for the benefit of the holders of bonds or notes may be amended or abrogated, the amount of bonds or notes the holders of which must consent to amendment or abrogation, and the manner in which the consent may be given;
 12. covenant as to the custody of property or investments, their safekeeping and insurance, and the use and disposition of insurance money;
 13. agree with a corporate trustee that may be a trust company or bank having the powers of a trust company within or outside the state as to the pledging or assigning of revenue or funds to which or in which the authority has rights or an interest; the agreement may further provide for other rights and remedies exercisable by the trustee as may be proper for the protection of the holders of a bond or note of the authority and not otherwise in violation of law and may provide for the restriction of the rights of an individual holder of bonds or notes of the authority;
 14. appoint and provide for the duties and obligations of a paying agent or paying agents or other fiduciaries as the resolution may provide within or outside the state;
 15. limit the rights of the holders of a bond or note to enforce a pledge or covenant securing the bonds or notes;
 16. make covenants other than and in addition to the covenants expressly authorized in this section of like or different character, and to make covenants to do or refrain from doing acts and things as may be necessary or convenient and desirable in order to better secure bonds or notes or that, in the absolute discretion of the authority, will tend to make bonds or notes more marketable, notwithstanding that the covenants, acts, or things may not be enumerated in this section.

Sec. 41.41.320. Limitations of issuance of bonds. (a) The authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature.

(b) This section does not apply to the issuance by the authority of refunding bonds or to the issuance by the authority of bonds the proceeds of which are intended to be used to refinance the loans held by the authority.

Sec. 41.41.330. Independent financial advisor. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the authority may retain a financial advisor. A financial advisor retained under this section must be independent from the underwriter.

Sec. 41.41.340. Validity of pledge. (a) The pledge of assets or revenue of the authority to the payment of the principal or interest on an obligation of the authority is valid and binding from the time the pledge is made, and the assets or revenue become immediately subject to the lien of the pledge without physical delivery or further act. The lien of a pledge is valid and binding against all parties having claims in tort, contract, or otherwise against the authority, irrespective of whether those parties have notice of the lien of the pledge.

(b) This section does not prohibit the authority from selling assets subject to a pledge, except that a sale may be restricted by the trust agreement or resolution providing for the issuance of the obligations.

Sec. 41.41.350. Capital reserve funds. (a) For the purpose of securing one or more issues of its obligations, the authority may establish one or more special funds, called "capital reserve funds," and shall pay into those capital reserve funds (1) money appropriated and made available by the state for the purpose of those funds, (2) proceeds of the sale of its obligations, to the extent provided in the resolution or resolutions of the authority authorizing their issuance, and (3) other money that may be made available to the authority for the purpose of those funds from another source. All money held in a capital reserve fund, except as provided in this section, shall, subject to appropriation, be used as required solely for the payment of the principal of obligations or of the sinking fund payments with respect to those obligations; the purchase or redemption of obligations; the payment of interest on obligations; or the payment of a redemption premium required to be paid when those obligations are redeemed before maturity. However, money in a fund may not be withdrawn from that fund at any time in an amount that would reduce the amount of that fund to less than the capital reserve requirement set out in (b) of this section, except for the purpose of making, with respect to those obligations, payment, when due, of principal, interest, redemption premiums, and the sinking fund payments for the payment of which other money of the authority is not available. Income or interest earned by, or increment to, a capital reserve fund due to the investment of the fund or other amounts in it may be transferred by the authority to other funds or accounts of the authority to the extent that the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the authority decides to issue obligations secured by a capital reserve fund, the obligations may not be issued if the amount in the capital reserve fund is less than a percent, not exceeding 10 percent, of the principal amount of all of those obligations secured by that capital reserve fund then to be issued and then outstanding in accordance with their terms, as may be established by resolution of the authority, called the "capital reserve fund requirement," unless the authority, at the time of issuance of the obligations, deposits in the capital reserve fund from the proceeds of the obligations to be issued or from other sources an amount that, together with the amount then in the fund, will not be less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the funds are invested shall be valued at par or, if purchased at less than par, at amortized costs as the term is defined by resolution of the authority authorizing the issue of the obligations or by some other reasonable method established by the authority by resolution. Valuation on a particular date must include the amount of interest earned or accrued to that date.

(d) To assure the continued operation and solvency of the authority for the carrying out of its corporate purposes, provision is made in (a) of this section for the accumulation in capital reserve funds of an amount equal to their capital reserve fund requirement.

(e) The chair of the authority shall annually, not later than January 2, make and deliver to the

governor and chairs of the house and senate finance committees a certificate stating the sum, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate that sum, and all sums appropriated during the current fiscal year by the legislature for the restoration shall be deposited by the authority in the appropriate capital reserve fund.

(f) This section does not create a debt or liability of the state.

Sec. 41.41.360. Remedies. A holder of obligations or coupons attached to them issued under the provisions of this chapter, and a trustee under a trust agreement or resolution authorizing the issuance of the obligations, except as restricted by a trust agreement or resolution, either at law or in equity, may enforce all rights granted hereunder or under the trust agreement or resolution, or under another contract executed by the authority under this chapter, and may enforce and compel the performance of all duties required by this chapter or by the trust agreement or resolution to be performed by the authority or by an officer of it.

Sec. 41.41.370. Negotiable instruments. All obligations and interest coupons attached to them are negotiable instruments under the laws of this state, subject only to applicable provisions for registration.

Sec. 41.41.380. Obligations eligible for investment. Obligations issued under the provisions of this chapter are securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. These obligations may be deposited with a state or municipal officer of an agency or political subdivision of the state for a purpose for which the deposit of bonds, notes, or obligations of the state is authorized by law.

Sec. 41.41.390. Refunding bonds. (a) The authority may provide for the issuance of refunding bonds for the purpose of refunding an obligation then outstanding that has been issued under the provisions of this chapter, including the payment of redemption premium on them and interest accrued or to accrue to the date of redemption of the obligations. The issuance of the bonds, the maturities and other details of them, the rights of the holders of them, and the rights, duties, and obligations of the authority in respect of them are governed by the provisions of this chapter that relate to the issuance of obligations insofar as those provisions may be appropriate.

(b) Refunding bonds may be sold or exchanged for outstanding bonds issued under this chapter, and, if sold, the proceeds may be applied, subject to appropriation and in addition to another authorized purpose, to the purchase, redemption, or payment of the outstanding obligations. Pending the application of the proceeds of refunding bonds, with any other available funds, to the payment of the principal, accrued interest, and redemption premium on the obligations being refunded, and, if so provided or permitted in the resolution authorizing the issuance of the refunding bonds or in the trust agreement securing them, to the payment of any interest on the refunding bonds and expenses in connection with the refunding, the proceeds may be invested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States that mature or that will be subject to redemption, at the option of the holders of them, not later than the respective dates when the proceeds, together with the interest accruing on them, will be required for the purposes intended.

Sec. 41.41.400. Credit of state not pledged. (a) Obligations issued under the provisions of this chapter do not constitute a debt, liability, or obligation of the state or of a political subdivision of

the state or a pledge of the faith and credit of the state or of a political subdivision of the state but are payable solely from the revenue or assets of the authority. Each obligation issued under this chapter must contain on its face a statement that the authority is not obligated to pay it or the interest on it except from the revenue or assets of the authority and that neither the faith and credit nor the taxing power of the state or of a political subdivision of the state is pledged to the payment of the principal of or the interest on the obligation.

(b) Expenses incurred by the authority in carrying out the provisions of this chapter are payable from funds provided under this chapter, and liability may not be incurred by the authority in excess of these funds.

Sec. 41.41.410. Officers not liable. A member or other officer of the authority is not subject to personal liability or accountability by reason of having executed or issued an obligation.

Article 4. Property of the Authority.

Sec. 41.41.450. Property of the authority. The authority may acquire, by purchase, lease, or gift, upon terms that it considers proper, land, structures, real or personal property rights, rights-of-way, franchises, easements, and other interests in land it considers necessary or convenient for the financing of the project or a part of the project.

Article 5. Project Construction.

Sec. 41.41.500. Contract terms relating to use of Alaska resources. (a) The authority shall enter into one or more prehire project term agreements with labor organizations that (1) contain no-strike clauses; and (2) secure timely completion of the project and maximum employment opportunities for state residents.

(b) To maximize the economic benefits of the project to Alaskan businesses, the authority shall use Alaska contractors and suppliers to the maximum extent possible to take advantage of the Alaska experience in Arctic engineering and construction.

Article 6. General Provisions.

Sec. 41.41.900. Tax exemption. All obligations issued under this chapter are declared to be issued by a body corporate and public of the state and for an essential public and governmental purpose, and the obligations, and the interest and income on and from the obligations, and all fees, charges, funds, revenues, income, and other money pledged or available to pay or secure the payment of the obligations, or interest on the obligations, are exempt from state taxation except for transfer, inheritance, and estate taxes.

Sec. 41.41.990. Definitions. In this chapter,

1. "authority" means the Alaska Natural Gas Development Authority;
2. "board" means the board of directors of the Alaska Natural Gas Development Authority;
3. "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

*Sec. 3. AS 39.25.110(11) is amended by adding a new subparagraph to read:

(G) Alaska Natural Gas Development Authority;

*Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:

(57) the board of directors and chief executive officer of the Alaska Natural Gas Development Authority (AS 41.41.020).

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

DEVELOPMENT OF PROJECT PLAN. Not later than one year after the first meeting of the board of directors of the Alaska Natural Gas Development Authority, the board shall produce a development plan. The development plan must include

1. estimates of construction costs and timelines;
2. gas procurement prices;
3. use of the state's royalty gas;
4. estimates of revenue to the general fund and the Alaska permanent fund;
5. a revenue sharing plan with municipal governments;
6. a plan for delivery and pricing of natural gas to communities along the pipeline route and to Southcentral Alaska through a spur line;
7. a plan for delivery and pricing of LNG to Yukon River and coastal communities;
8. a payment schedule to companies providing permits or other valuable assets;
9. a marketing plan to approach potential buyers;
10. a plan to maximize Alaskan hire, including project labor agreements; and
11. a plan to ensure meeting the highest environmental and safety standards, including a citizens advisory council.
12. The goal of the authority is to have the Alaskan gas line in full production by 2007.

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

INITIAL APPOINTMENTS OF MEMBERS OF ALASKA NATURAL GAS DEVELOPMENT AUTHORITY BOARD OF DIRECTORS. Of the members first appointed under AS 41.41.020(a), enacted by sec. 2 of this Act,

1. three members shall be appointed to three-year terms;
2. two members shall be appointed to two-year terms; and
3. two members shall be appointed to one-year terms.

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

SECTIONAL ANALYSIS Committee Substitute for House Bill 9 (RES)

"An act relating to the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation; establishing and relating to the in-state natural gas pipeline fund; making certain information provided to or by the Alaska Gasline Development Corporation exempt from inspection as a public record; relating to the Joint In-State Development Team; relating to the judicial review of a right-of-way lease or the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way by the Alaska Gasline Development Corporation for a gas pipeline transportation corridor; relating to the cost of natural resources, permits, and leases provided to the Alaska Gasline Development Corporation; relating to the review of natural gas transportation contracts by the Regulatory Commission of Alaska; relating to the regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project developed by the Alaska Gasline Development Corporation; relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority; exempting property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations; and providing for an effective date."

Section 1 relates to Alaska Gasline Development Corporation's (AGDC) duties and abilities as a subsidiary under the Alaska Housing Finance Authority (AHFC).

AGDC shall:

- Advance an instate gas pipeline project as described in the July 2011 project plan, with modifications as necessary.
- Once construction on that line starts, analyze additional pipelines to connect other regions of the state, broadening the reach of gas beyond a main line.
- Manage and invest a newly created pipeline fund to yield competitive market rates
- Following an open season, once precedent agreements are signed, make public for each shipper the name, capacity contracted for, and length of contract

AGDC may:

- Decide how a pipeline will be owned and operated, including joint ownership/operatorship
- Use eminent domain to acquire land required for a pipeline
- Acquire property and interests in pipelines as needed
- Transfer or dispose of a pipeline project that is an AGDC asset
- Issue revenue bonds limited to AGDC's backing

Adds a new section to AS 18.56, Alaska Housing Finance Corporation

Section 2 exempts ANGDA from the state procurement code when contracting for professional services; conforming to Section 19. (AGDC is already exempt)

Adds a new paragraph to AS 36.30.850, Public Contracts, State Procurement Code, Application of this chapter

Section 3 provides AGDC access to information of state agencies related to a gas pipeline. As the Joint In-State Gasline Development Team (JIGDT) created in HB 369 in 2010 is repealed in section 28, HB 9, this section also changes "JIGDT" to "AGDC." (Section 28 repeals JIGDT)

Amends AS 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,

Section 4 directs state agencies to cooperate with and give priority AGDC requests, and calls on AGDC to avoid duplicating other state-supported work. As JIGDT is repealed in section 28, HB 9, this section also changes "JIGDT" to "AGDC." (Section 28 repeals JIGDT)

Amends AS 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information

Section 5 requires DNR to grant a state right-of-way lease to AGDC at no cost or rental fee, and exempts those leases from the common carriage covenants in the state Right of Way Leasing Act. Exemption from the covenants has the effect of allowing an AGDC line to operate as a contract carrier.

Amends AS 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information

Section 6 allows AGDC to enter into confidentiality agreements, including with state agencies, and deems confidential information related to field studies and technical data. Calls on municipalities and agencies to provide non-hydrocarbon natural resources, such as water, sand and gravel, at usual and customary rates. Requires AGDC to bear those costs but does not allow those costs in a rate base.

Adds new subsections to AS 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information

Section 7 revises definitions of "AGDC," "in-state natural gas pipeline," and "natural gas pipeline."

Repeals and reenacts 38.34.099, Public Land, Instate Natural Gas Pipeline, Definitions

Section 8 conforms to Section 5, right-of-way leasing.

Amends AS 38.35.100, Public Land, Right-of-Way Leasing Act, Decision on application

Section 9 conforms to Section 5, right-of-way leasing.

Amends AS 38.35.120, Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease

Section 10 conforms to Section 5, right-of-way leasing.

Amends AS 38.35.120, Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease

Section 11 conforms to Section 5, right-of-way leasing at no cost.

Adds new subsection to AS 38.35.120, Public Land, Right-of-Way Leasing Act, Payment of rental and costs

Section 12 limits judicial review of state lease, permit or other authorization decisions to superior court and prohibits the court from granting injunctive relief. Claims must be brought within 60 days of an action for which relief is sought.

Adds new subsections to AS 38.35.200, Public Land, Right-of-Way Leasing Act, Judicial review of decisions of commissioners on application

Section 13 exempts information covered by an AGDC confidentiality agreement from the state Public Records Act. (This section exempts from public records disclosure the information allowed under Section 6 to be kept confidential)

Amends AS 40.25.120, Public Records and Recorders, Public Record Disclosures, Public records; exemptions; certified copies

Section 14 amends ANGDA's purpose, enabling ANGDA to act as a gas marketer instead of transporter, and eliminating proscriptive language regarding gas supply and gas market locations.

Amends AS 41.41.010, Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority

Section 15 broadens ANGDA's purpose as a natural gas marketer.

Amends AS 41.41.010, Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority

Section 16 adds to ANGDA's statutory abilities by allowing ANGDA with the DNR commissioner to pledge state royalty gas for contracts entered into by ANGDA.

Adds new subsection to AS 41.41.010, Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority

Section 17 states that ANGDA, as an AHFC subsidiary, shall be governed by the AHFC board of directors.

Repeals and reenacts AS 41.41.020, Public Resources, Alaska Natural Gas Development Authority, Authority governing body

Section 18 amends ANGDA statutes related to board compensation, to conform to Section 17.

Amends AS 41.41.060, Public Resources, Alaska Natural Gas Development Authority, Compensation of board members; per diem and travel expenses

Section 19 amends ANGDA statutes to include legal counsel in the services ANGDA may contract for, and exempts procurement of contracted services from the state procurement code.

Amends AS 41.41.070, Public Resources, Alaska Natural Gas Development Authority, Authority staff

Section 20 amends ANGDA board member and employee conflict of interest disclosures, removing involvement with a “project” from the circumstances requiring disclosure. (Conforms to Section 14 redefining ANGDA’s role)

Amends AS 41.41.090, Public Resources, Alaska Natural Gas Development Authority, Conflicts of interest

Section 21 amends ANGDA’s statutory authority to include as confidential and exempt from the public records act information within a confidentiality agreement between ANGDA and AGDC.

Amends AS 41.41.150, Public Resources, Alaska Natural Gas Development Authority, Public access to information

Section 22 amends ANGDA’s statutory authority, removing the authority to exercise eminent domain. (Conforms to Section 14 redefining ANGDA’s role)

Amends AS 41.41.200, Public Resources, Alaska Natural Gas Development Authority, Powers of the authority

Section 23 conforms to Section 17 by defining “board” in ANGDA’s statutes as the AHFC board.

Amends AS 41.41.990, Public Resources, Alaska Natural Gasline Development Authority, Definitions

Section 24 requires public utilities to submit contracts with AGDC to the RCA; gives the RCA 180 days to approve or disprove the contracts. Requires AGDC or an entity controlled by AGDC to submit non-utility contracts, under seal, to the RCA; provides the RCA 30 days to approve non-utility contracts if the tariffs are no higher than the weighted average of tariffs in public utility contracts.

Adds new section to AS 42.05, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act

Section 25 exempts an AGDC-controlled project from Regulatory Commission of Alaska regulation under 42.05, Public Utilities Act.

Adds new subsection to AS 42.05.711, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act, Exemptions

Section 26 exempts a pipeline in which AGDC has an interest from Regulatory Commission of Alaska regulation under 42.06, the Pipeline Act.

Adds new section to AS 42.06, Public Utilities and Carriers and Energy Programs, Pipeline Act, Article 7, General Provisions

Section 27 exempts an AGDC project from state and local property taxes during construction.

Adds new subsection to AS 43.56.020, Revenue and Taxation, Oil and Gas Exploration, Production and Pipeline Transportation Property Tax, Exemptions

Section 28 repeals seven statutes.

Repeals AS 38.34.030, Public Land, In-State Natural Gas Pipeline, Joint In-State Gasline Development Team; 38.34.040, Duties of the Development Team; and 38.34.060, Conflicts of interest. Repeals AS 41.41.030, Public Resources, Alaska Natural Gas Development Authority, Term of office; 41.41.040, Removal and vacancies; 41.41.050, Quorum and voting; and 41.41.080, Legal counsel.

Section 29 repeals Section 1 of the ²⁰⁰³2002 Ballot Measure No. 3, the findings of which are no longer applicable or necessary with ANGDA's revised authority.

Section 30 is transition language expressing the legislative intent that existing right-of-way leases between AGDC and DNR are to be amended to reflect the exemption from common carriage covenants contained in Section 5 of HB 9. (The Alaska Constitution bars the Legislature from passing laws that apply retroactively to contracts in place)

Section 31 is revisor's instructions.

Section 32 sets an immediate effective date.

Alaska State Legislature

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Representative Mike Chenault
Speaker of the House

Amendment K.15 to CSHB 9 (FIN). Draft Version "K"

The amendment K.15 replaces three sections in HB 9 relating to Regulatory Commission of Alaska (RCA) oversight of an Alaska Gasline Development Corporation (AGDC) line, with a new chapter of law creating a regulatory framework for an instate natural gas pipeline authorized to operate as a contract carrier.

In House Bill 9, the amendment:

Title, page 2, line 1, following "Corporation:"

Changes the title of HB 9 to specifically state the bill relates to regulation of an in-state natural gas pipeline "that is expressly authorized to provide transportation as a contract carrier."

Page 4, line 5:

In Section 2, adds a fifth ability to allow AGDC to provide contract carriage. The new regulatory section applies to a pipeline authorized by law to provide contract carriage. This change explicitly authorizes AGDC to do so, making an AGDC pipeline subject to the new RCA chapter.

Page 7, line 17:

In Section 6 related to state Right-of-Way Leasing Act covenant exemptions, removes the exemption from covenant (7).

Covenant 7: "it will construct and operate the pipeline in accordance with applicable state laws and lawful regulations and orders of the Regulatory Commission of Alaska;". The exemption was necessary only if the pipeline would be exempt from RCA oversight; as the amendment provides RCA oversight, this exemption is no longer necessary.

Page 9, lines 13-14:

Conforming. In Section 9 related to state Right-of-Way Leasing Act covenant exemptions, removes the exemption from covenant (7).

Page 19, line 17, through page 21, line 19:

Removes three sections (25, 26 and 27) related to RCA oversight.

Replaces with new sections 25, 26, 27, 28 and 29

Section 25: Amends AS 42.04.080(a), Regulatory Commission of Alaska, Decision-making procedures, to add 42.08, the new regulatory chapter, to the list of other regulatory chapters exempt from this provision; provides that the RCA chair may appoint a panel for hearings.

Section 26: Adds a new section to 42.05 (Alaska Public Utilities Regulatory Act): Section 42.05.433, Review of certain contracts by the commission. Provides a link between 42.08 and existing Public Utility regulation. While an AGDC line itself would be regulated under 42.08 and therefore exempt from regulation under 42.05, public utilities may have associated contracts for other than transportation capacity that the RCA would regulate under 42.05. An RCA-approved contract with a utility and AGDC can include a covenant that the utility can pass on costs in rates charged to consumers. Utilities which are not shippers but have related contracts to purchase or store gas shipped on the pipeline, must submit those contracts to the RCA. In all cases, the RCA will review the contracts to determine, within 180 days, whether they are just and reasonable.

Section 27: Adds a new subsection to 42.05.711 (Alaska Public Utilities Regulatory Act, Exemptions). This subsection exempts an instate natural gas pipeline subject to 42.08 from regulation under 42.05, Public Utilities Act.

Section 28: Adds a new section to 42.06, Article 7 (Pipeline Act, General Provisions). This subsection exempts an instate natural gas pipeline subject to 42.08 from regulation under 42.06, Pipeline Act.

Section 29: Adds a new chapter to AS 42 (Public Utilities and Carriers and Energy Programs)

New Chapter 42.08: In-state Pipeline Contract Carrier

Section 42.08.010 Application of chapter; exemption. States that this chapter applies to an instate natural gas pipeline authorized by law to operate as a contract carrier. Exempts an instate natural gas pipeline subject exclusively to federal jurisdiction.

Section 42.08.020 Qualification of the Alaska Gasline Development Corporation; findings. Determines that AGDC is financially and managerially fit, willing and able to provide service under 42.08. States that an instate natural gas pipeline is required by public convenience and necessity. Directs the RCA to determine whether an entity applying under 42.08 is technically fit, willing and able.

Section 42.08.220 General powers and duties. Provides enabling direction for the RCA under 42.08. Requires permits for construction, interconnections, expansions and abandonment. Enables the RCA to intervene in disputes that are between the carrier

and a public utility, and that are unable to be resolved by contractual dispute resolution methods, and that threaten the public safety and welfare. Directs the RCA to not require rates or tariff regulations, and not to conduct further review of contracts approved under 42.08.

Section 42.08.230 Commission decision-making procedures. Directs the RCA to follow its standard decision-making procedures, and to expeditiously adjudicate matters.

Section 42.08.240 Publication of reports, orders, decisions and regulations. Standard RCA direction for publishing reports, orders, decisions and regulations.

Section 42.08.250 Application of Administrative Procedure Act. Standard RCA exemption from Administrative Procedure Act adjudication procedures; the RCA's adjudication procedures would apply.

Section 42.08.260 Annual report. Requires the RCA to include in its annual report activities related to 42.08.

Section 42.08.300 Review of certain contracts by the commission. AGDC or its successors will submit all precedent agreements to the RCA; precedent agreements with other than a public utility may be kept under seal. The RCA will have 180 days to approve or disprove precedent agreements as just and reasonable, based on whether contracts were negotiated at arm's length and whether there was unlawful activity or unfair dealing. Approved contracts are not subject to further review. A contract is arm's length if it is made between two unaffiliated parties; or, if parties are affiliated, they have followed the standards of conduct for transmission providers adopted by the Federal Energy Regulatory Commission.

Section 42.08.310 Contract carriage certificate. The owner of an instate natural gas pipeline must have a certificate of public convenience and necessity (CPCN) to construct a pipeline and to transport gas. The RCA has 180 days to issue a CPCN once application is made, providing that the applicant is found fit, willing and able to perform the services proposed. The RCA may attach conditions to and amend, suspend or revoke a CPCN. Operating authority may not be transferred without RCA approval.

Section 42.08.320 Tariffs, contracts, filing, and public inspection. Requires an instate natural gas pipeline carrier to file all rules, regulations, terms and conditions pertaining to service, and all contracts with shippers. Requires changes in tariff rates/rules and service conditions to be filed with the RCA.

Section 42.08.330 Expansion, dispute resolution. Contracts may provide for expansion, unless an expansion would violate the terms of the Alaska Gasline Inducement Act. Requires contracts to include procedures for resolving disputes.

Section 42.08.340 Regulatory cost charge. Implements standard RCA assessment of a user fee on regulated entities; includes a cap and directs administration of the user fee.

Section 42.08.350: Nothing to alter the calculation of taxes and royalty. Nothing in 42.08 will change the calculation of production taxes or of royalties due the state.

Section 42.08.400 Public records. RCA records are available to the public, except when classified by the RCA as privileged; precedent agreements will be kept confidential.

Section 42.08.410 Investigations. Allows the RCA to investigate matters in 42.08.

Section 42.08.510 Designation of service agents. Requires an instate natural gas pipeline carrier to file a named, permanent resident as its agent (standard RCA provision)

Section 42.08.520 Effect of regulations. Regulations adopted by the RCA under 42.08 have the effect of law (standard RCA provision).

Section 42.08.530 Judicial review and enforcement. RCA final orders are subject to the judicial review provisions in Section 13, HB 9.

Section 42.08.540 Joinder of actions. Appeals may be joined under applicable court rules (standard RCA provision).

Section 42.08.900 Definitions. Defines terms standard to the RCA (commission, commissioner, record) and includes terms within HB 9 (instate natural gas pipeline, instate natural gas pipeline carrier).

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

The sponsors and Alaska Gasline Development Corporation have developed these responses to questions from House Finance Committee members.

- 1. House Bill 9 places Alaska Housing Finance Corporation's board as the board of both the Alaska Gasline Development Corporation and Alaska Natural Gas Development Corporation. Explain whether this creates a conflict of interest.**

From Ken Vassar, General Counsel to Alaska Gasline Development Corporation:

"Regarding ANGDA: AS 41.41.010 establishes ANGDA as a public corporation of the state with a legal existence independent of and separate from the state. This is similar to the language that creates AHFC. As a separate corporation, its liabilities are its own. The same analysis will apply to its liabilities; i.e., a board of directors in common with the AHFC board of directors will not, in and of itself, cause ANGDA's liabilities to become AHFC's liabilities. AGDC has the added benefit of being incorporated under AS 10.20, but that just adds another layer of protection. I would reach the same opinion regarding ANGDA.

Furthermore, while AHFC, AGDC and ANGDA would share a common board of directors, all agencies would maintain separate and independent management organizations.

- 2. What is the potential liability to the State or to Alaska Housing Finance Corporation for actions taken by the Alaska Gasline Development Corporation?**

Please see attached memo from Alaska Gasline Development Corporation, "AHFC Liability Opinion."

- 3. Does the Alaska Gasline Development Corporation get unlimited powers to exercise eminent domain?**

Alaska Statute AS 09.55.240 provides that the right of eminent domain may be exercised for pipelines. House Bill 9 specifically grants the ability to exercise that right to the Alaska Gasline Development Corporation, as a state entity operating under statutory direction.

House Bill 9 limits the Alaska Gasline Development Corporation's ability to exercise eminent domain to a degree commensurate with the Alaska Gasline Development Corporation's statutory responsibilities; specifically, "to acquire land or an interest in land that is necessary for an in-state natural gas pipeline." There is a precedent for this in the legislature's granting to KABATA (Knik Arm Bridge and Toll Authority) similar authority.

Under House Bill 9, the Alaska Gasline Development Corporation's ability to exercise eminent domain would be governed by the provisions currently in statutes A.S. 09.55.240-09.55.460.

From Joe Dubler, CFO/AGDC: "We will negotiate in good faith with all impacted landowners and address their concerns and issues one at a time. We fully expect to reach a successful negotiation with each one. Should our efforts reach an impasse, we will utilize condemnation with its many statutory safeguards for the landowner, to keep the project progressing."

- 4. When would the Alaska Gasline Development Corporation analyze potential connecting lines to other Alaska communities, and when would the Alaska Gasline Development Corporation have an analysis of the economics behind those lines?**

House Bill 9 calls on AGDC to pursue an instate natural gas pipeline serving the population centers of Fairbanks and Southcentral, as described in the project plan issued July 2011. Once construction begins on that mainline project, House Bill 9 requires the Alaska Gasline Development Corporation to analyze additional opportunities to connect other communities in other regions of the state with natural gas.

The sponsors believe that the analysis of additional opportunities will be most effective and will result in meaningful, accurately assessed projects only once a main line is well underway. The sponsors also acknowledge that natural gas by pipe may not necessarily be the most effective means to extend the benefits of gas to some communities and regions. The sponsors fully expect the Alaska Gasline Development Corporation and other state agencies/interests, including communities, to work together in identifying ways to maximize Alaskans use of gas where doing so results in lower energy costs and commercially viable pipeline projects. Where gas by pipe is not the optimal choice, the Alaska Gasline Development Corporation would step back as a pipeline corporation and allow other agencies/interests to proceed with the best solutions.

From Joe Dubler, CFO/AGDC: "Future connections will be analyzed in accordance with the directions contained in Section 2 of the bill. The cost of such connections will be determined by many variables including composition of the gas in the line, location of the community, and the volume of gas desired at the community."

5. Explain why HB 9 is needed, especially in light of the passage of HB 369 in 2010. Explain how the Alaska Gasline Development Corporation has spent its funds, including the \$200 million appropriated in 2011.

House Bill 369, which passed the House unanimously and the Senate by a majority in 2010, assembled a team to plan the development of a project that would allow for an instate gasline to be operational by 2015. Specifically, the bill called for a project plan specifying how a pipeline could be designed, financed, constructed and made operational.

House Bill 369 did not require that a pipeline be built. In fact, as a next step, House Bill 9 included direction to the Alaska Gasline Development Corporation to determine whether additional legislative action would be required to allow Alaska Gasline Development Corporation to progress a project, and if so, to identify those actions. House Bill 9 is the result of that statutory direction to the Alaska Gasline Development Corporation within HB 369.

In the Alaska Gasline Development Corporation's July 2011 Project Plan, the Alaska Gasline Development Corporation identified a number of legislative actions required to proceed with a project (See attached "HB9 Alaska Gasline Development Corporation Legislative Recommendations"). These recommendations included:

- Ensure that confidential agreements are not subject to Public Records Act disclosure
- Create a fund for AGDC.
- Limit judicial review of state leasing, permitting and authorizing decisions
- Allow a contract carrier pipeline through the Right-of-Way Leasing Act
- Provide the authority for AGDC to decide rate-making methods and settle tariff disputes via contractual agreements.
- Stabilize property taxes
- Waive lease/rental payments for state land leased to AGDC

Although the Legislature appropriated \$200 million to allow the Alaska Gasline Development Corporation to continue its work toward an open season (scheduled for mid-2013), the money has not been available to the Alaska Gasline Development Corporation as there is no 'fund' through which the Alaska Gasline Development Corporation can access the appropriation. House Bill 9 creates this fund and provides direction for fund management.

In addition to the \$200 million appropriated in 2011, the Alaska Gasline Development Corporation anticipates it will need another \$200 million in order to properly prepare a project up to the point of project sanction and the start of construction. This early funding for the Alaska Gasline Development Corporation is likely to total about \$400 million, and is expected to carry the Alaska Gasline Development Corporation through the 5-year process of developing a sound project in accordance with recommendations by Independent Project Analysis.

The Independent Project Analysis guidelines have been adopted by the Alaska Gasline Development Corporation. A basic premise, which Independent Project Analysis has proven in its comprehensive analysis of megaprojects worldwide, is that spending more money up-front on solid project planning is more likely to generate a successful project in terms of budget and timing.

The \$440 million covers engineering, design and permitting; the open season and resolution of open season conditions; refinements to engineering and design and to cost estimates; and, ultimately, work to the point of starting construction.

Please see the attached "AGDC Funding Profile" for detail on the Alaska Gasline Development Corporation's spending and anticipated use of future funds.

Alaska Gasline Development Corporation
ASAP - Funding Outline thru FEL 3

Total Projected Costs: \$ 400,000,000.0 (+/- 30%)

Funding Needed at Start of Activity	Supplemental FY2010 3/31/2010	FY2011 7/1/2010	Total FEL 1	Supplemental FY2011 4/1/2011	FY2012 7/1/2011	Governor's Budget FY2013	In-State Pipeline Fund	Total FEL 2	Future Appropriation	Total FEL 3	Totals FEL 1- FEL 3
FEL 1											
DEC pre-AGDC	6,827,612		6,827,612								6,827,612
AGDC Report		15,640,000	15,640,600								15,640,600
FEL 2											
Commercial Operations				820,000	2,910,000	3,800,000	1,795,000	9,325,000			9,325,000
Pipeline Environmental & Permitting				1,177,000	4,176,000	2,600,000	7,578,000	15,531,000			15,531,000
Pipeline Engineering				2,130,000	7,559,000	3,400,000	29,169,000	42,258,000			42,258,000
Facilities Environmental & Permitting				642,000	2,277,000	1,200,000	2,800,000	6,919,000			6,919,000
Facilities Engineering				292,000	1,038,000	4,770,000	105,327,000	111,447,000			111,447,000
AGDC Support Activities				1,139,000	4,040,000	5,230,000	44,111,000	54,520,000			54,520,000
FEL 3											
Commercial Operations							1,200,000		3,300,000	4,500,000	4,500,000
Pipeline Environmental & Permitting									11,488,000	11,488,000	11,488,000
Pipeline Engineering							2,100,000		22,407,000	24,507,000	24,507,000
Facilities Environmental & Permitting											
Facilities Engineering							3,600,000		68,527,788	72,127,788	72,127,788
AGDC Support Activities							2,300,000		22,609,000	24,909,000	24,909,000
	6,827,612	15,640,000	22,468,212	6,200,000	22,000,000	21,000,000	200,000,000	240,000,000	128,331,788	137,531,788	400,000,000

Note: All projections are at a +/- 30% confidence level.



March 18, 2012

Joe Dubler
Vice President/Chief Financial Officer
Alaska Gasline Development Corporation
3301 C Street, Suite 100
Anchorage, Alaska 99503

Dear Mr. Dubler:

You have asked whether the fact that the Alaska Gasline Development Corporation ("AGDC") and the Alaska Housing Finance Corporation ("AHFC") share a common board of directors could expose AHFC to liability for the actions or obligations of AGDC. The answer to your question is that having a common board will not, in and of itself, create liability for AHFC.

AHFC is a public corporation of the State of Alaska and has a legal existence independent of and separate from the State of Alaska (AS 18.56.020). One purpose for creating public corporations of the State is to insulate the State from the potential liabilities of the public corporations. This is frequently the primary purpose that private persons create private corporations.

AHFC has the power to create subsidiary corporations under AS 18.56.086 to accomplish various goals. AHFC has acted under this power to create four subsidiaries to date: the Northern Tobacco Securitization Corporation, the Alaska Housing Capital Corporation, AGDC, and the Alaska Corporation for Affordable Housing.

While it is not required to do so, AHFC, acting under the powers granted in AS 18.56.086 may incorporate its subsidiaries as nonprofit corporations pursuant to the procedures established in AS 10.20.146 – 10.20.166. AHFC has exercised this option with respect to AGDC.

One reason that AHFC opted to incorporate AGDC as a nonprofit corporation was to insulate AHFC from any liability arising from the activities that AGDC might conduct. AHFC is the sole member (and, therefore, the sole owner) of AGDC. As the sole member of a nonprofit corporation, the following language of AS 10.20.051(b) applies: "The directors, officers, employees, and members of the corporation are not, as such, liable on its obligations." As a general matter, absent fraud, bad faith, or the use of the subsidiary as an agent or instrumentality of the parent, a parent corporation will not be held liable for the acts of its subsidiary corporation.

There has been no fraud or bad faith in AHFC's creation of AGDC. The question that the common board of directors goes to is whether a court might decide to "pierce the corporate veil" because AGDC is really just the alter ego of AHFC. Courts do not lightly pierce the corporate veil. In considering whether to do so, the courts apply a case-by-case analysis and take into consideration various factors.

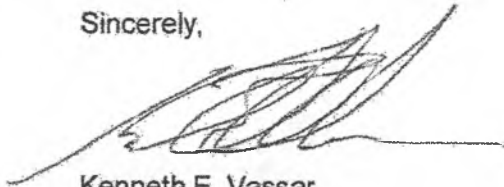
It is true that sole ownership of AGDC by AHFC and a common board of directors would be considered. However, those two factors alone would not be sufficient to lead a court to pierce the corporate veil, and both AHFC and AGDC have been careful to avoid creating any other factors that might justify such a piercing. AGDC clearly has a business purpose that is different from AHFC's. The directors and executives of AGDC act independently in the interest of AGDC and do not take their orders from AHFC. AGDC observes all the legal formalities inherent in being an incorporated entity. AGDC is a separate financial unit, and AHFC does not finance AGDC or pay the salaries of AGDC's employees. AHFC does not use AGDC's property as its own, nor does AHFC describe AGDC as a department or division of AHFC in any of AHFC's statements.

In my opinion, AHFC would not be considered liable for any actions taken by AGDC.

While I am confident of the correctness of the opinion stated above without the need for any further statutory protection for AHFC or for the State of Alaska in general, I do note that the current version of HB 9 contains language that would certainly remove all doubt. Section 2 of the current version of HB 9 contains an amendment to the Alaska Statutes that would add a new section 18.56.087. Subsection (d) of the new section would provide that "No debt, obligation, or liability of the Alaska Gasline Development Corporation shall become a debt, obligation, or liability of the state or any part or subdivision of the state or of the corporation [referring to AHFC] or a subsidiary corporation of the corporation other than the Alaska Gasline Development Corporation, except as provided in this subsection." The subsection goes on to reinforce this statement and, most notably, prohibits any person from bringing suit against the state or AHFC in the courts of the state to enforce any obligation of AGDC.

Again, my opinion is that AHFC would not be considered liable for actions taken by AGDC simply because of its common board of directors. The adoption of the language contained in the current version of HB 9 would reinforce and strengthen that opinion.

Sincerely,



Kenneth E. Vassar
General Counsel
Alaska Gasline Development Corporation

2.3.5 Recommended Legislative Actions

Currently pending state legislation addressing AGDC and ASAP will contribute greatly to the success of the project. AGDC recommends passage of these measures.

- **House Bill 189:** This bill provides that, to the extent AGDC enters into confidentiality agreements, information provided pursuant to such agreements is not subject to the Public Records Act. Further, it adjusts board participation to include the Alaska Railroad Chairman's designee and elimination of ANGDA participation. The bill passed the House, and was referred to Senate Resources. It has not been heard.
- **House Bill 203:** This legislation creates a fund for AGDC. The bill passed the House, and was referred to Senate Finance. It has not been heard.
- **House Bill 215:** This legislation limits the judicial review of a right-of-way lease or the development or construction of an oil or gas pipeline on state land. The bill passed the House and was referred to both Senate Judiciary and Finance. It has not been heard. This legislation is modeled after the Trans-Alaska Pipeline legislation that was adopted by Congress in 1973. Similar legislation was passed by the Alaska State Legislature in 1973 (Senate Bill 3) related to the Trans-Alaska Pipeline.

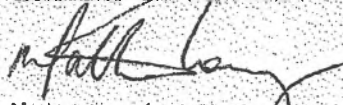
In addition, AGDC believes that several other legislative measures are important to address issues identified during its investigation and studies of the past year. AGDC recommends the following:

- ***Address the issue of contract vs. common carrier:*** Shippers will be reluctant to bid firm transportation as long as ASAP is required to operate as a common carrier for intrastate transport of gas. A common carrier operation by definition will not have 100% capacity covered through firm transportation agreements. The Alaska Legislature should amend the Alaska Pipeline Act to conform to the changes proposed in House Bill 215 or otherwise exempt ASAP from the common carrier provisions of the act. ASAP has virtually no chance of attracting adequate shipping commitments as a common carrier.
- ***Empower AGDC with ratemaking authority over its projects:*** For AGDC projects, AGDC needs to have the sole right to determine the ratemaking methodology and settle tariff disputes for intrastate gas shipments (including Gas Conditioning Facility tariffs) over the life of the initial firm transportation commitments or during the period of AGDC financing, whichever is longer.
- ***Stabilize property taxes:*** AGDC recommends that the State of Alaska fix the methodology and assessed mill rates for the first 20 years of the ASAP Project.
- ***Request waiver of rental on state land:*** The Alaska Legislature should consider whether it should pass a law waiving rental from AGDC for rights-of-way on state land or state agency land unless and until ASAP is transferred to a builder/owner/operator. Such legislation would preclude the Legislature from having to appropriate money to AGDC that is then transferred to another state entity.

With regard to the first two recommendations, AGDC staff will work with counsel to have proposed language ready by September 15, 2011.

From: Matt Lorenz - Copper River Record To: Glennallen LIO (19078225591)

14:00:03/20/12-09:12:13


Matthew A. Lorenz

March 20, 2012

Thank you Mr. Chairman, and members of the House Finance Committee, for the opportunity to offer my testimony on HB 9. I urge the AK House Finance Committee to table or vote no on HB9.

Before explaining my opposition to HB9 however, I would first like to assure the House Finance Committee, through the Chairman, that

1. I support the development of Alaska's North Slope Natural Gas (NSNG) resources.
2. I gladly accept the fact that due to my rural location, living in Kenny Lake, I will certainly never personally utilize NSNG to heat my home no matter which pipeline is built or how soon. The NG grid will likely never reach my home or business.
3. Because my home and business are off the commercial power grid, I will certainly not benefit from electricity produced by burning NSNG.
4. Aside from a brief construction boom and associated development, I do not believe either in-state pipeline project offers rural residents, such as myself, hope of significant long-term jobs and/or economic development close to home.

In short, my opposition to HB9 and the ASAP project is neither based on a fear of development nor a selfish desire for affordable energy and/or economic development in the region where I live. I oppose HB9 because I expect the State of Alaska to promote the development of NSNG reserves for the greatest benefit to the greatest number of Alaskans. I expect the State of Alaska to directly provide NSNG to as many Alaskans and as much of Alaska as economically possible. I expect the State of Alaska to export as much NSNG to market as possible.

HB9 clearly limits the capacity for Alaska to benefit from NSNG by endorsing a small diameter pipe and a pipeline terminus that cannot service the largest LNG tankers.

HB9 excludes many Alaskans from possible use of NSNG by endorsing a pipeline with very few if any economically feasible off-take points and/or spur-lines.

In 2002, 1 and over 60% of voting Alaskans, voted for Ballot Measure 3. HB 9 directly contradicts the will of Alaskan voters.

I will not repeat the numerous other objections to HB9 that you have already heard except to say that I urge you to take a closer look at what some people consider serious dangers associated with HB9.

Thank you for your time and consideration.

Sincerely,
Matthew Lorenz
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HB 9