

HB

9

<TARGET><BILL>HB 9</BILL><SUBJECT>HB
9</SUBJECT><COMM>HRES27</COMM></TARGET>

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

MEMORANDUM

TO: Representative Paul Seaton, Co-Chair
Representative Eric Feige, Co-Chair
House Resources Committee

FROM: Representative Mike Chenault
Speaker of the House

A handwritten signature in blue ink, appearing to read "Mike Chenault", written over the "FROM" line.

DATE: January 17, 2012

RE: Request for Hearing-House Bill 9

Please consider this request to schedule House Bill 9: In-State Gasline Development Corporation, before your committee at your earliest possible convenience. A committee substitute and additional back-up for the legislation will be sent to your respective committee aides.

Thank you for your consideration of my request.

Summary Sheet - Alaska Gasline Development Corp. Enabling Legislation **COMMITTEE SUBSTITUTE for HOUSE BILL 9 (U VERSION)**

The Committee Substitute (CS) for House Bill 9 (U version) combines several bills previously introduced; incorporates recommendations made by AGDC in the July 2011 Project Plan advancing its work on an instate gasline project; and broadens AGDC's authority to participate in gas development projects in Alaska

The CS incorporates existing bills:

- HB 203, AK Gasline development Corp/Gas Pipeline Fund, which establishes a fund to receive \$200 million appropriated in 2011 for work toward an open season, and directs fund management and investment.
- HB 215, Pipeline Project: Judicial review/ROW, which limits challenges to right-of-way leasing decisions similar to protections extended to TAPS.
- HB 189, Gasline Development Team/Corporation Members/Info, allowing AGDC to enter into confidentiality agreements.

The legislation also:

- Gives AGDC the ability to determine pipeline ownership and operating structure; to exercise eminent domain; to issue bonds; and to manage pipeline and related project assets. Broadens AGDC's authority to include planning, designing, financing, developing, constructing, owning and operating pipelines and related gas development infrastructure.
- Removes language limiting an instate line's scope to linking North Slope gas to tidewater, allowing flexibility in the event of a major gas find in other areas of the state.
- Recognizes AGDC as an Alaska Housing Finance Corporation subsidiary by replacing the Joint Instate Gasline Development Team with AHFC's Board of Directors.
- Maximizes state gas development efforts by bringing the Alaska Natural Gas Development Authority under common management with AGDC. Protects the state and AHFC from liability related to AGDC. Directs state agencies to support AGDC's efforts by providing permits and state resources such as water, sand and gravel, at no cost.
- Amends regulatory requirements for a state-sanctioned project by allowing AGDC to operate a pipeline as a contract carrier; and provides AGDC the option for Regulatory Commission of Alaska oversight.
- Exempts an instate gas pipeline from state and local taxes during construction.

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.



House Speaker Mike Chenault

R-Nikiski

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PRESS RELEASE

SPEAKER CONTINUES IN-STATE GASLINE DEVELOPMENT PUSH ***Chenault, Hawker incorporate AGDC recommendations into omnibus package*** ***Measure ensures energy security, opportunity and aligns existing state efforts***

Monday, January 24, 2012, Juneau, Alaska – House Speaker Mike Chenault, R-Nikiski, today presented comprehensive legislation advancing the Alaska Gasline Development Corp's (AGDC) development of an instate gas pipeline project.

The package combines several existing bills with recommendations by AGDC and additional tools to bring Alaskans closer to a natural gas pipeline project, ensuring the state's energy security and providing a catalyst for future economic growth.

Speaker Chenault said AGDC has done tremendous work developing a solid, aggressive project plan for an instate gas pipeline, and expects this legislation to allow AGDC to advance this work to the point of project sanctioning, at which time state policy makers will have an opportunity to determine the state's involvement in construction and operations. At the same time, the legislation also enables AGDC to stand as a strong partner on behalf of Alaskans in the event the major producers align in a project as proposed by Governor Parnell.

"While the optimal project for Alaskans would be a large diameter export pipeline, I am unwilling to wait indefinitely for the various stakeholders to align," Speaker Chenault said. "This legislation allows AGDC to keep developing key assets and meeting critical milestones that will be invaluable whether we ultimately build an instate line or partner in a large export project. Alaskans need reliable, reasonable energy now, but we also need the long-term economic benefits that commercialization of our North Slope and Cook Inlet resources will bring."

Rep. Mike Hawker, R-Anchorage, has worked with Speaker Chenault crafting the omnibus legislation. "We are closer than ever to seeing a project underway that will bring affordable Alaskan gas to Alaska's communities," Hawker said. "As we announced last fall, this legislation is an important part of our efforts to empower AGDC to get a project started and to be prepared to work with the major gas producers on an in-state line exporting LNG."

The omnibus legislation ensures a reasonable, efficient regulatory process; facilitates private-sector investment; aligns existing state gasline efforts to maximize resources; and provides AGDC the flexibility to respond to gas supply and demand developments.

The legislation will be introduced as a committee substitute for House Bill 9, which Speaker Chenault introduced in 2011. The bill currently is in the House Resources Committee. A hearing has been requested.

Attached are a summary sheet for the CS for HB 9 and AGDC's recommended statutory changes as presented in the July 2011 Project Plan.

#

CONTACT: Speaker Chenault – 465-3779
Rep. Hawker – 465-4949

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

COMMITTEE SUBSTITUTE FOR HOUSE BILL 9 (), U VERSION SPONSOR STATEMENT

Nearly two years ago, the Legislature passed HB 369 advancing an instate 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 instate gas for Alaskans, while keeping open all options for participating in an aligned project.

This legislation will refine a solid, early proposal into a plan that the Legislature can decide to sanction or not. This legislation does not sanction construction of an instate gas pipeline, but allows AGDC to advance to that 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 sanctioning by the Legislature. 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.

*as amended
u.c.*

27-LS0075\U.1
Bullock
1/25/12

AMENDMENT #1

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 6, lines 15 - 16:

2 Delete "for the purpose of planning, designing, financing, developing, constructing,
3 owning, and operating an in-state natural gas pipeline"

4 Insert "authorized to exercise the powers and take the actions described in
5 AS 18.56.087"

*that is
(Conceptual)
u.c.*

u.c.

27-LS0075\U.2
Bullock
1/25/12

AMENDMENT

#2

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

- 1 Page 11, line 15, following "must":
- 2 Insert "be"

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 6, lines 1 - 11:

2 Delete all material and insert:

3 "(g) Upon request by the Alaska Gasline Development Corporation, a
4 municipality or a state entity shall provide water, sand and gravel, a permit, or a lease
5 to the Alaska Gasline Development Corporation at the usual and customary rates. In
6 this subsection, "state entity" means a state department, authority, or other
7 administrative unit of the executive branch of state government, a public university, or
8 a state public corporation.

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

*replaced
by U.10*

not offered

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: CSHB 9(), Draft Version "U"

- 1 Page 1, line 11, following "project":
- 2 Insert "or connecting line"
- 3
- 4 Page 2, line 12, following "pipeline":
- 5 Insert "and a connecting line"
- 6
- 7 Page 2, line 14, following "pipeline":
- 8 Insert "or a connecting line"
- 9
- 10 Page 2, line 19, following "system":
- 11 Insert "or connecting line"
- 12
- 13 Page 2, line 21:
- 14 Delete "or"
- 15 Insert ","
- 16
- 17 Page 2, line 22, following "project":
- 18 Insert ", or connecting line"
- 19
- 20 Page 2, line 24, following "project":
- 21 Insert "or connecting line"
- 22
- 23 Page 2, following line 26:

1 Insert new a subsection to read:

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

15 Reletter the following sections accordingly.

16
17 Page 4, line 7, following "pipeline":

18 Insert "or connecting line"
19

20 Page 4, line 8, following "section,":

21 Insert "(1) "connecting line" has the meaning given in AS 38.34.099;
22 (2)"
23

24 Page 4, line 17, following "pipeline":

25 Insert ". or a connecting line"
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27 Page 5, line 25, following "project":

28 Insert "or connecting line"
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30 Page 5, line 31, following "pipeline":

31 Insert "or connecting line"

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Page 6, line 6, following "project":

Insert "or connecting line"

Page 6, line 16, following "pipeline":

Insert "and connecting lines"

Page 6, following line 16:

Insert a new paragraph to read:

"(2) "connecting line" means a pipeline to transport gas from the in-state natural gas pipeline project to an area of the state that is not directly served by the in-state natural gas pipeline project;"

Renumber the following paragraph accordingly.

Page 17, line 23, following "pipeline":

Insert "or a connecting line"

Page 18, following line 4:

Insert a new bill section to read:

**** Sec. 27.** AS 42.05.431 is amended by adding a new subsection to read:

- (i) In this section,
 - (1) "connecting line" has the meaning given in AS 38.34.099;
 - (2) "in-state natural gas pipeline" has the meaning given in AS 38.34.099."

Renumber the following bill sections accordingly

Page 18, line 6:

Delete "A natural gas pipeline"

Insert "An in-state natural gas pipeline or connecting line"

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Page 18, line 10, following "pipeline":

Insert "or connecting line"

Page 18, following line 14:

Insert a new subsection to read:

"(t) In this section,

(1) "connecting line" has the meaning given in AS 38.34.099;

(2) "in-state natural gas pipeline" has the meaning given in AS 38.34.099."

Page 18, line 16, following "Exemption.":

Insert "(a)"

Page 18, line 17:

Delete "natural gas pipeline"

Insert "in-state natural gas pipeline or connecting line"

Page 18, following line 19:

Insert a new subsection to read:

"(b) In this section,

(1) "connecting line" has the meaning given in AS 38.34.099;

(2) "in-state natural gas pipeline" has the meaning given in AS 38.34.099."

Page 18, line 21:

Delete "a natural gas pipeline"

Insert "an in-state natural gas pipeline or connecting line"

Page 18, line 26, following "project":

Insert "or connecting line"

1

2 Page 18, line 27, following "subsection,":

3 Insert "(1)"

4

5 Page 18, line 29, following "project":

6 ";

7 (2) "connecting line" has the meaning given in AS 38.34.099;

8 (3) "in-state natural gas pipeline" has the meaning given in

9 AS 38.34.099"

10

11 Renumber the following bill sections accordingly.

u.c.

AMENDMENT #3

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 4, lines 22 - 25:

2 Delete all material.

3 Insert "[JOINT IN-STATE GASLINE DEVELOPMENT TEAM]. The Alaska
4 Gasline Development Corporation [DEVELOPMENT TEAM] shall avoid duplicating
5 studies, plans, and designs that have already been produced or otherwise obtained by other
6 state entities."

u.c.

AMENDMENT #4

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 10, line 30, through page 11, line 7:

2 Delete all material.

3

4 Renumber the following bill sections accordingly.

5

6 Page 11, line 13, following "pipeline":

7 Insert "by the Alaska Gasline Development Corporation, a subsidiary created by the
8 Alaska Housing Finance Corporation under AS 18.56.086,"

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10 Page 11, line 15:

11 Delete "section"

12 Insert "subsection"

13

14 Page 11, line 23, following "a":

15 Insert "necessary"

16

17 Page 11, line 24, following "authorization":

18 Insert "for the development, construction, or initial operation of a natural gas pipeline
19 by the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing
20 Finance Corporation under AS 18.56.086"

U.C

AMENDMENT #5

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 6, lines 1 - 11:

2 Delete all material and insert:

3 "(g) Upon request by the Alaska Gasline Development Corporation, a
4 municipality or a state entity shall provide water, sand and gravel, other
5 nonhydrocarbon natural resources, and a permit or a lease to the Alaska Gasline
6 Development Corporation at the usual and customary rates. In this subsection, "state
7 entity" means a state department, authority, or other administrative unit of the
8 executive branch of state government, a public university, or a state public
9 corporation.

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

Replaces
U.C

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

COMMITTEE SUBSTITUTE FOR HOUSE BILL 9 (), version U SECTIONAL ANALYSIS

CS for House Bill 9 (): “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 for 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 regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project developed by the Alaska Gasline Development Authority; 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: Adds a new section to AS 18.56, Alaska Housing Finance Corporation. The new section adds powers to AGDC that are specific to AGDC’s purpose of planning and developing an in-state natural gas pipeline. Those added powers would include the power to: (1) determine the ownership and operating structure and enter into agreements relating to ownership and operation; (2) exercise eminent domain; (3) acquire property and rights necessary or convenient for owning or operating the pipeline; and (4) dispose of the pipeline project or other assets.

This bill section would also (a) add powers to enable AGDC to issue bonds without limitation to further its purposes; (b) add language to protect the State, the various subdivisions of the State, and AHFC from any liability for the actions of AGDC; and (c) establish an “in-state natural gas pipeline fund” where money can be appropriated and used for AGDC’s purposes.

Section 2: Adds a new paragraph to AS 36.30.850 (b), Application of this chapter. Exempts contracts by ANGDA from the provisions of AS 36.30, the procurement code. The AGDC is already exempt from the state procurement code.

Section 3: Amends AS 38.34.030 (a), Joint In-State Gasline Development Team. Replaces the Joint In-State Gasline Development Team with AGDC. The In-State Team is repealed in section 30.

Section 4: Amends AS 38.34.030 (b), Joint In-State Gasline Development Team. Replaces the Joint In-State Gasline Development Team with AGDC. The In-State Team is repealed in section 30.

Section 5: Amends AS 38.34.050(c), Cooperation and access to information. Replaces the reference to AHFC with a reference to AGDC. This section of law currently directs the Department of Natural Resources to grant a right-of-way lease under AS 38.35 for the gas pipeline transportation corridor. The amendment, besides transferring the right from AHFC to AGDC, would specify that the lease is to 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.

Section 6: Adds new subsections to AS 38.34.050, Cooperation and access to information. The new subsections would: (a) 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); and (b) direct state agencies to provide to AGDC water, sand, gravel, and other necessary natural resources and to enter into leasehold agreements and issue permits as necessary or appropriate for AGDC's pipeline, with the costs of the foregoing being borne by the applicable state agency.

Section 7: Repeals and re-enacts AS 38.34.099, Definitions. Broadens the definitions of the AGDC and the in-state natural gas pipeline to conform with changes found in sections 3, 4 and 5.

Section 8: Amends AS 38.35.100(d), Decision on application. Conforming language for conditional leases to note the changes found in Section 5.

Section 9: Amends AS 38.35.120(a), Covenants required to be included in lease. Conforming language for noncompetitive leases to note the changes found in Section 5.

Section 10: Amends AS 38.35.120(b), Covenants required to be included in lease. Conforming language for right-of-way leases to note the changes found in Section 5.

Section 11: Adds a new subsection to AS 38.35.140, Payment of rental and costs. A right-of-way lease to AGDC shall be granted without cost or reimbursement.

Section 12: Amends AS 38.35.200(a), Judicial review of decisions of commissioner on application. Adds language that is intended to limit the ability of those with objections to natural gas pipeline construction to stop necessary projects. Allows a competing applicant or a person with a direct financial interest affected by the lease of a right-of-way to raise an objection within 60 days of the application or 60 days after the effective date of this legislation. Allows an applicant standing to seek judicial review anytime in the process.

Section 13: Adds a new subsection to AS 38.35.200, Judicial review of decisions of commissioner on application. This subsection (c) 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. 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.

Section 14: 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. This provision complements the language found in Section 6.

Section 15: Amends AS 41.41.010(a), Establishment of the authority. Deletes certain provisions relating to ANGDA pertaining to the construction of a natural gas pipeline. The overall effect of the amendments in this and later bill sections would be to clarify that ANGDA may operate as a shipper of gas but not as a pipeline owner or developer. This clarifies the respective responsibilities of AGDC and ANGDA and conforms to general requirements of FERC and other potential pipeline regulatory agencies.

Section 16: Amends AS 41.41.010(d), Establishment of the authority. Conforming language to that found in Section 14, allowing ANGDA to focus more on marketing.

Section 17: Adds a new subsection to AS 41.41.010, Establishment of the authority. Gives the ANGDA the ability to pledge royalty gas owned by the state as long as the royalty gas is not already committed by contract to other purchasers of royalty gas.

Section 18: Repeals and re-enacts AS 41.41.020, Authority governing body. Establishes the board of directors of AHFC as the governing body of ANGDA.

Section 19: Amends AS 41.41.060, Compensation of board members; per diem and travel expenses. This section references statutes granting The Alaska Housing Finance Corporation board reimbursement for compensation, travel and per diem. This change also allows the Alaska Housing Finance Corporation board members to receive compensation, travel and per diem while on official business on behalf of ANGDA.

Section 20: Amends AS 41.41.070(d), Authority of staff. Exempts from the procurement code persons found by ANGDA to be necessary for the purpose of developing information, furnishing advice or conducting studies, investigations, hearings or other proceedings.

Section 21: Amends AS 41.41.090(b), Conflicts of interest. Deletes the reference to a “project” in conformance with the idea that ANGDA will not be a pipeline owner or operator, as discussed above in section 15.

Section 22: Amends AS 41.41.150(a), Public access to information. Exempts information contained or subject to a confidentiality agreement between ANGDA and the Alaska Gasline Development Corporation. This conforms to changes made in sections 6 and 14.

Section 23: Amends AS 41.41.200, Powers of the authority. Deletes references to a project. This conforms to the change discussed in section 15.

Section 24: Amends AS 41.41.990(2), Definitions. Amends the definition of the ANGDA Board of Directors to allow the Alaska Housing Finance Corporation Board of Directors to act as the board of ANGDA.

Section 25: Amends AS 42.05.431(c), Power of commission to fix rates. Exempts from review by the Regulatory Commission of Alaska any agreement or amendment to an agreement entered into by AGDC with a public utility. The exemption would continue for as long as any debt is outstanding for the AGDC pipeline.

Section 26: Amends AS 42.05.431(e), Power of commission to fix rates. Makes a conforming drafting change to reflect the change proposed in section 25.

Section 27: Adds a new subsection to AS 42.05.711, Exemptions. Exempts AGDC from oversight by the Regulatory Commission of Alaska until such a time that all debt has been paid on a project.

Section 28: Adds a new section to AS 42.06, Article 7, Pipeline Act. Exempts AGDC and any pipeline developed, owned, or operated, in whole or in part, by AGDC from the Pipeline Act, which, generally speaking, places pipelines and pipeline carriers in Alaska under the regulations of the Regulatory Commission of Alaska.

Section 29: Adds a new subsection to AS 43.56.020, Exemptions. 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.

Section 30: Repeals AS 38.34.030, Joint In-State Gasline Development Team; AS 38.34.040, Duties of the development team; AS 38.34.060: Conflicts of interest; AS 41.41.030, Term of office; AS 41.41.040, Removal and vacancies; and AS 41.41.080, Legal counsel. The provisions repealed in the AS 38.34 statutes are the Joint In-State Gasline Development Team, their duties, conflicts of interest provisions. The In-State Team has fulfilled its duties and the function they served is no longer necessary with the advent of AGDC.

The AS 41.41 statutes refer to the board members of ANGDA. These provisions are no longer necessary since the Alaska Housing Finance Corporation board is overseeing activities of ANGDA.

Section 31: Repeals Section 1 of Ballot Measure No. 3.

Section 32: Contains certain instructions to the revisor of statutes.

Section 33: Immediate effective date.

27-LS0075\U
Bullock
1/19/12

CS FOR HOUSE BILL NO. 9()

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

BY

**Offered:
Referred:**

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

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 the development or construction of an oil or gas pipeline on state**
7 **land; relating to the lease of a right-of-way by the Alaska Gasline Development**
8 **Corporation for a gas pipeline transportation corridor; relating to the cost of natural**
9 **resources, permits, and leases provided to the Alaska Gasline Development**
10 **Corporation; relating to the regulation by the Regulatory Commission of Alaska of an**
11 **in-state gas pipeline project developed by the Alaska Gasline Development Corporation;**
12 **relating to the Alaska Natural Gas Development Authority; relating to the procurement**

1 of certain services by the Alaska Natural Gas Development Authority; exempting
2 property of a project developed by the Alaska Gasline Development Corporation from
3 property taxes before the commencement of commercial operations; and providing for
4 an effective date."

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

6 * **Section 1.** 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. In addition, the Alaska Gasline
10 Development Corporation may

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

15 (2) exercise the power of eminent domain to acquire land under
16 AS 09.55.240 - 09.55.460;

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

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

27 (b) The Alaska Gasline Development Corporation may issue bonds and notes
28 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
29 The provisions of AS 18.56.110(a)-(f) and 18.56.115 - 18.56.190 apply to the Alaska

1 Gasline Development Corporation in the exercise of its powers under this subsection,
2 except that, in AS 18.56.110 - 18.56.190, as applicable under this subsection, the term
3 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
4 Gasline Development Corporation may issue bonds and notes and otherwise incur
5 indebtedness under this subsection without limit as to principal amount. The bonds,
6 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
7 create an obligation or liability of the corporation except to the extent that the
8 corporation agrees in writing to accept the obligation or liability.

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

26 (d) The in-state natural gas pipeline fund is established in the Alaska Gasline
27 Development Corporation and consists of money appropriated to it. Unless otherwise
28 provided by law, money appropriated to the fund lapses into the general fund on the
29 day this subsection is repealed. The Alaska Gasline Development Corporation shall
30 manage and invest the fund to yield competitive market rates. The Alaska Gasline
31 Development Corporation shall invest money in the fund in the same manner and on

1 the same conditions as permitted for investment by the commissioner of revenue of
2 funds belonging to the state or held in the treasury under AS 37.10.070 and as
3 provided for fiduciaries of state funds under AS 37.10.071. Interest and other income
4 received on money in the fund shall be separately accounted for and may be
5 appropriated to the fund. The Alaska Gasline Development Corporation may use
6 money appropriated to the fund for the planning, designing, financing, development,
7 construction, and operation of an in-state natural gas pipeline.

8 (e) In this section, "in-state natural gas pipeline" has the meaning given in
9 AS 38.34.099.

10 * **Sec. 2.** AS 36.30.850(b) is amended by adding a new paragraph to read:

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

13 * **Sec. 3.** AS 38.34.050(a) is amended to read:

14 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
15 GASLINE DEVELOPMENT TEAM] may have access to information of all state
16 agencies that is directly related to the planning, design, construction, or operation of
17 the in-state natural gas pipeline.

18 * **Sec. 4.** AS 38.34.050(b) is amended to read:

19 (b) All state agencies or entities shall cooperate with and, except for requests
20 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
21 requests for information from the Alaska Gasline Development Corporation
22 [JOINT IN-STATE GASLINE DEVELOPMENT TEAM. THE DEVELOPMENT
23 TEAM SHALL AVOID DUPLICATING STUDIES, PLANS, AND DESIGNS
24 THAT HAVE ALREADY BEEN PRODUCED OR OTHERWISE OBTAINED BY
25 OTHER STATE ENTITIES].

26 * **Sec. 5.** AS 38.34.050(c) is amended to read:

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

31 (1) [THE CORPORATION SUBMITS] a complete right-of-way lease

1 application under AS 38.35.050 is submitted;

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

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

9 * Sec. 6. AS 38.34.050 is amended by adding new subsections to read:

10 (e) The Alaska Gasline Development Corporation may enter into
11 confidentiality agreements necessary to acquire or provide information to carry out its
12 functions. Information acquired or provided by the Alaska Gasline Development
13 Corporation under a confidentiality agreement is not subject to disclosure under
14 AS 40.25.110. The Alaska Gasline Development Corporation may enter into
15 confidentiality agreements with a public agency, as defined in AS 40.25.220, to allow
16 release of information protected by a confidentiality agreement to that public agency.
17 The portions of the records and files of a public agency bound by a confidentiality
18 agreement that reflect, incorporate, or analyze information subject to a confidentiality
19 agreement under this subsection are not public records. Confidentiality agreements
20 entered into under this subsection are valid and binding against all parties in
21 accordance with the terms of the confidentiality agreement.

22 (f) Information relating to field studies conducted and other technical
23 information developed or obtained by the Alaska Gasline Development Corporation
24 that relates to the development, financing, construction, or operation of an in-state
25 natural gas pipeline project by the Alaska Gasline Development Corporation is
26 confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline
27 Development Corporation may waive the confidentiality of the information described
28 in this subsection, except for information acquired from another person that is subject
29 to a confidentiality agreement, if the waiver is in the best interest of the state and will
30 facilitate the development, financing, or construction of an in-state natural gas
31 pipeline.

1 (g) Each department, division, public agency, political subdivision, or other
2 instrumentality of the state shall, on request from the Alaska Gasline Development
3 Corporation, provide water, sand, gravel, and other necessary natural resources, enter
4 into leasehold agreements, and issue permits that are found by the Alaska Gasline
5 Development Corporation to be necessary or appropriate for any in-state natural gas
6 pipeline project that is owned, in whole or in part, by the Alaska Gasline Development
7 Corporation. Water, sand, gravel, other necessary natural resources, permits, and
8 leases must be provided to the Alaska Gasline Development Corporation with the cost
9 to be borne by the department, division, public agency, political subdivision, or other
10 instrumentality of the state. The cost borne by an entity under this subsection shall be
11 reported to the Alaska Gasline Development Corporation.

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

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

14 (1) "Alaska Gasline Development Corporation" means the corporation
15 created under AS 18.56.086 for the purpose of planning, designing, financing,
16 developing, constructing, owning, and operating an in-state natural gas pipeline;

17 (2) "in-state natural gas pipeline" means a pipeline for transporting
18 natural gas in the state.

19 * Sec. 8. 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 for covenants**
22 **that do not apply to a lease entered into under AS 38.34.050(c)**. The commissioner
23 may also require that the lessee agree to additional conditions that the commissioner
24 finds to be in the public interest. In place of the covenant established under
25 AS 38.35.120(a)(9), the commissioner shall require the lessee to agree that it will not
26 transfer, assign, pledge, or dispose of in any manner, directly or indirectly, its interest
27 in a conditional right-of-way lease or a pipeline subject to the conditional lease, unless
28 the commissioner, after considering the public interest and issuing written findings to
29 substantiate a decision to allow the transfer, authorizes the transfer. The commissioner
30 shall also require the lessee to agree not to allow the transfer of control of the lessee
31 without the approval of the commissioner; as used in this subsection, "transfer of

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

4 * Sec. 9. 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

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

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

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

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

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

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. 10. 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
22 AS 38.34.050(c), an [AN] oil or natural gas pipeline right-of-way lease granted under
23 this 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. 11. AS 38.35.140 is amended by adding a new subsection to read:

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

30 * Sec. 12. AS 38.35.200(a) is amended to read:

31 (a) A person that is a [AN APPLICANT OR] competing applicant or that [A

1 PERSON WHO] has a direct financial interest affected by the lease of a right-of-way
2 under this chapter that [WHO] raises an objection [OBJECTIONS] within 60 days
3 after [OF] the publication of notice under AS 38.35.070 and a person that is an
4 applicant are the only persons with standing to seek judicial review of a decision of
5 the commissioner under AS 38.35.100 or an action described in (c) of this section,
6 except that the limitations in (c) of this section do not apply to an applicant
7 appealing an action or decision described in (c) of this section.

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

9 (c) Except as provided for an applicant under (a) of this section,
10 notwithstanding any contrary provision of law, an action or decision of the
11 commissioner or other state officer or agency concerning the issuance or approval of a
12 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
13 development, construction, or initial operation of a natural gas pipeline that uses a
14 right-of-way subject to this chapter may not be subject to judicial review, except that a
15 claim alleging the invalidity of this section must be brought within 60 days after the
16 effective date of this Act, and a claim alleging that an action will deny rights under the
17 Constitution of the State of Alaska must be brought within 60 days following the date
18 of that action. A claim that is not filed within the limitations established in this
19 subsection is barred. A complaint under this subsection must be filed in superior court,
20 and the superior court has exclusive jurisdiction. Notwithstanding AS 22.10.020(c),
21 except in conjunction with a final judgment on a claim filed under this subsection, the
22 superior court may not grant injunctive relief, including a temporary restraining order,
23 preliminary injunction, permanent injunction, or stay against the issuance of a right-of-
24 way, permit, lease, certificate, license, or other authorization. In this subsection,
25 "natural gas pipeline" has the meaning given in AS 42.06.630.

26 (d) An appeal of a permitting decision by the Department of Environmental
27 Conservation under AS 46.03 or AS 46.14 that is made under authority delegated to
28 the Department of Environmental Conservation by the United States Environmental
29 Protection Agency is not

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

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

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

4 (1) records of vital statistics and adoption proceedings, which shall be
5 treated in the manner required by AS 18.50;

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

8 (3) medical and related public health records;

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

11 (5) to the extent the records are required to be kept confidential under
12 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
13 or retain federal assistance;

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

16 (A) could reasonably be expected to interfere with enforcement
17 proceedings;

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

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

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

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

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

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

31 (7) names, addresses, and other information identifying a person as a

1 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
2 advance college tuition savings program under AS 14.40.803 - 14.40.817;

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

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

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

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

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

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

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

25 (12) records that are

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

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

30 (13) information that is covered by a confidentiality agreement
31 between the Alaska Gasline Development Corporation created under

1 **AS 18.56.086 and the provider or recipient of the information.**

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

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

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

8 (2) THE DESIGN AND CONSTRUCTION OF THE PIPELINE
9 SYSTEM;

10 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
11 SYSTEM;

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

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

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

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

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

25 (f) To honor delivery commitments in a contract entered into by the authority,
26 the authority and the commissioner of natural resources may pledge, as necessary,
27 royalty gas owned by the state and not otherwise committed by contract to other
28 purchasers of royalty gas. The commissioner of natural resources shall determine the
29 amount of gas that may be pledged and the price for that gas.

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

31 **Sec. 41.41.020. Authority governing body.** The authority shall be governed

1 by the board of directors of the Alaska Housing Finance Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

25 (2) "board" means the board of directors of the Alaska Housing

26 Finance Corporation acting as the board of the Alaska Natural Gas Development

27 Authority;

28 * **Sec. 25.** AS 42.05.431(c) is amended to read:

29 (c) Notwithstanding (b) of this section,

30 (1) a wholesale agreement for the sale of power from a project licensed

31 by the Federal Energy Regulatory Commission on or before January 1, 1987, and

1 related contracts for the wheeling, storage, regeneration, or wholesale repurchase of
2 power purchased under the agreement, entered into between the Alaska Energy
3 Authority and one or more other public utilities or among the utilities after October 31,
4 1987, and before January 1, 1988, and amendments to the wholesale agreement or
5 related contract, and the wholesale agreement or related contract assigned by the
6 Alaska Energy Authority to a joint action agency formed under AS 42.45.310 that
7 purchases the project from the Alaska Energy Authority, are not subject to review or
8 approval by the commission until all long-term debt incurred for the project is retired,
9 or, for a wholesale agreement or related contract assigned to a joint action agency
10 formed under AS 42.45.310, until all long-term debt incurred to pay the purchase price
11 to the Alaska Energy Authority is retired; [AND

12 (2)] a wholesale agreement or related contract described in this
13 paragraph [(1) OF THIS SUBSECTION] may contain a covenant for the public
14 utility to establish, charge, and collect rates sufficient to meet its obligations under the
15 contract, and [;] the rate covenant is valid and enforceable;

16 (2) an agreement or an amendment to an agreement entered into
17 by the Alaska Gasline Development Corporation created under AS 18.56.086
18 with a public utility

19 (A) is not subject to review or approval by the commission
20 until all debt incurred by the Alaska Gasline Development Corporation
21 created under AS 18.56.086 or by any other entity that issues debt to
22 finance, refinance, or assist in the financing or refinancing of the in-state
23 natural gas pipeline is paid in full; and

24 (B) may contain a covenant for the public utility to
25 establish, charge, and collect rates sufficient to meet the public utility's
26 obligations under the contract, and the rate covenant is valid and
27 enforceable.

28 * Sec. 26. AS 42.05.431(e) is amended to read:

29 (e) Validated costs incurred by a utility in connection with the related
30 contracts described in (c) [(c)(1)] of this section must be allowed in the rates charged
31 by the utility. In this subsection, "validated costs" are the actual costs that a utility

1 uses, under the formula set out in related contracts described in (c) of this section, to
2 establish rates, charges for services and rights, and the payment of charges for services
3 and rights. This subsection does not grant the commission jurisdiction to alter or
4 amend the formula set out in those related contracts.

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

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

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

16 **Sec. 42.06.601. Exemption.** The Alaska Gasline Development Corporation
17 created under AS 18.56.086 and any natural gas pipeline developed, owned, or
18 operated, in whole or in part, by the Alaska Gasline Development Corporation is
19 exempt from this chapter.

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

1 * **Sec. 31.** Section 1, 2002 Ballot Measure No. 3, is repealed.

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

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

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

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

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

Summary Sheet - Alaska Gasline Development Corp. Enabling Legislation

COMMITTEE SUBSTITUTE for HOUSE BILL 9 (U VERSION)

The Committee Substitute (CS) for House Bill 9 (U version) combines several bills previously introduced; incorporates recommendations made by AGDC in the July 2011 Project Plan advancing its work on an instate gasline project; and broadens AGDC's authority to participate in gas development projects in Alaska

The CS incorporates existing bills:

- HB 203, AK Gasline development Corp/Gas Pipeline Fund, which establishes a fund to receive \$200 million appropriated in 2011 for work toward an open season, and directs fund management and investment.
- HB 215, Pipeline Project: Judicial review/ROW, which limits challenges to right-of-way leasing decisions similar to protections extended to TAPS.
- HB 189, Gasline Development Team/Corporation Members/Info, allowing AGDC to enter into confidentiality agreements.

The legislation also:

- Gives AGDC the ability to determine pipeline ownership and operating structure; to exercise eminent domain; to issue bonds; and to manage pipeline and related project assets. Broadens AGDC's authority to include planning, designing, financing, developing, constructing, owning and operating pipelines and related gas development infrastructure.
- Removes language limiting an instate line's scope to linking North Slope gas to tidewater, allowing flexibility in the event of a major gas find in other areas of the state.
- Recognizes AGDC as an Alaska Housing Finance Corporation subsidiary by replacing the Joint Instate Gasline Development Team with AHFC's Board of Directors.
- Maximizes state gas development efforts by bringing the Alaska Natural Gas Development Authority under common management with AGDC. Protects the state and AHFC from liability related to AGDC. Directs state agencies to support AGDC's efforts by providing permits and state resources such as water, sand and gravel, at no cost.
- Amends regulatory requirements for a state-sanctioned project by allowing AGDC to operate a pipeline as a contract carrier; and provides AGDC the option for Regulatory Commission of Alaska oversight.
- Exempts an instate gas pipeline from state and local taxes during construction.

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.

**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

(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

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

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

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).



**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;*

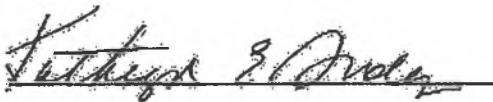
AN ACT REQUIRING THE JOINT IN-STATE STATE GASLINE DEVELOPMENT TEAM TO REPORT TO THE LEGISLATURE RECOMMENDED CHANGES TO STATE LAW THAT ARE REQUIRED TO ENABLE OR FACILITATE THE DESIGN, FINANCING, AND CONSTRUCTION OF AN IN-STATE NATURAL GAS PIPELINE SO THAT THE IN-STATE NATURAL GAS PIPELINE IS OPERATIONAL 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

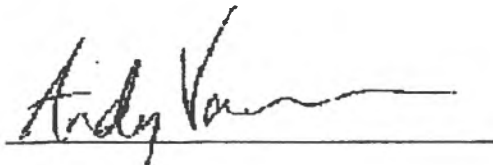
Date



ATTEST:

Secretary

2/24/2012
Date





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,

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 DeVILBISS, Borough Mayor

ATTEST:


LONNIE McKECHNIE, CMC, Borough Clerk

(SEAL)

PASSED UNANIMOUSLY: Keogh, Woods, Arvin, Colligan, Salmon,
Colver, and Halter



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

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 (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 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 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 (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:

Linda Hay

From: Sikora, Kirsten L (DOR) <kirsten.sikora@alaska.gov>
Date: Thursday, February 09, 2012 2:20 PM
To: Rep. Paul Seaton; Rep. Eric Feige
Cc: Louie Flora; Ross Soboleff; Scott Heyworth
Subject: HRES ROW Cost 021012
Attachments: HRES ROW Cost 021012.pdf

Attached is a memo from ANGDA regarding the Conditional Right of Way Cost of the Glennallen to Palmer Spurline.

Kirsten Sikora
Acting CEO

Alaska Natural Gas Development Authority

411 W. 4th Avenue, first floor | Anchorage, AK 99501
907-269-6501 | direct: 269-6523 | fax: 269-6531

STATE OF ALASKA

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

SEAN PARNELL, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA 99501

www.gas4alaska.info

TELEPHONE: (907) 269-6501

MEMORANDUM

To: Representative Paul Seaton
Representative Eric Feige
Co-chairs, House Resource Committee

From: Kirsten Sikora 
Acting CEO, ANGDA

Re: ANGDA Conditional Right of Way Cost

Date: February 9, 2012

At yesterday's House Resource Committee meeting, Representative Herron requested the value of the conditional right of way from Glennallen to Palmer.

ANGDA has expended approximately \$ 5,096,837 in public funds toward the Conditional Right of Way Lease for the Glennallen to Palmer Spurline. The total includes \$ 4,011,673 in contracts and ANGDA personnel, travel, and overhead costs.

These amounts were derived from a per mile percentage of the total funds expended on work conducted on the Spurline and the Beluga to Fairbanks (B2F) pipeline EIS process.

Please let me know if you need additional information.

cc: Scott Heyworth, Board Chairman

February 8, 2012

Co-chairs Fiege and Seaton, House Resource committee members, I appreciate the opportunity to come before you today.

My name is Kirsten Sikora and I am the acting CEO for ANGDA.

For the past 8.5 years, ANGDA has focused on its mission to bring the most affordable energy to Alaskan consumers. ANGDA has been flexible and transparent in all our undertakings. Over the years, ANGDA has participated in several projects that are noteworthy:

- **ANGDA has secured a conditional right of way** between Palmer and Glennallen.
- **ANGDA completed the required wetlands study, conceptual design study, and the route delineation to the Draft EIS stage** on a bidirectional pipeline between the Beluga Fields and Fairbanks
- **ANGDA secured status as a shipper in TransCanada's Alaska Pipeline Project**, which will provide the lowest gas pipeline TARIFF rates possible to Alaskan consumers. ANGDA's participation in the APP Open Season has effectively secured a **30% discount** over other entrants that may come into the project at a future date.
- **ANGDA worked with private sector companies, native corporations, and rural communities** on the North Slope

Propane Project. This project is an excellent example of how government and the private sector can work together to provide energy solutions and local economic impact. As part of our statewide view, ANGDA has provided delivery options and other logistical considerations to deliver this clean burning alternative fuel to those residents in Alaska that will not benefit from an instate gasline.

(The North Slope Propane Project is a consortium of national and local private sector entities partnering with rural Alaskan communities to integrate propane as a cost effective fuel alternative.)

In closing, ANGDA's body of work is good and valuable and can benefit the State of Alaska and its consumers. Governor Parnell has stated that projects will align. ANGDA's spurline right of way and our status in the Open Season will greatly complement AGIA.

Again, thank you for the opportunity to share just a snippet of what ANGDA has accomplished over the years. As a mother of three, I truly appreciate the opportunity to be part of this monumental decision for our future generations.

HOUSE RESOURCES AMENDMENTS TO HOUSE BILL 9 to U VERSION

Am. 1: U.1 Sponsor **Clean-up / definition to AGDC duties** **Passed 2-10**

Deletes a redundant definition of AGDC's duties, which are already described in AS 18.56.087. Instead, references the powers and abilities of AGDC as provided in AS 18.56.087

Am. 2: U.2 Sponsor **Clean-up / typo** **Passed 2-10**

Typographical error; left out a word.

Am. 3: U.8 Sponsor **Clean-up / Avoid duplication of efforts** **Passed 2-10**

Per committee concerns, sponsor acknowledged the strike in changing the name went too far, and believed it is appropriate to restore the instruction to avoid duplication.

Am. 4: U.9 Sponsor **Judicial Review clean-up and limits** **Passed 2-10**

Reforms Sections 12-13 related to judicial review. Removes Section 12, which is unnecessary. Makes the judicial review framework more specifically applicable only to an AGDC line.

Am. 5: U.10 Sponsor **State agency and resource support / Costs** **Passed 2-10**

Offers new text to Section 6, breaking (g) into 2 subs to better reflect that AGDC will bear the costs of state agency materials and actions, and that the costs will not be included in a rate base.

Am. 6 U.28 Feige/Sponsor **Setting AGDC "shalls" as two-part directive** **Passed 2-24**

In Section 1, Duties and abilities, adds two-part directive that AGDC shall progress a pipeline as presented in the July 2011 project plan; and once construction starts, will consider additional opportunities to expand natural gas availability to communities and industrial customers.

Am. 7 U.12 Sponsor/LAW Clarifies AGDC's ability to issue revenue bonds Passed 2-24

In Section 1, adds protection that in issuing revenue bonds, AGDC may not pledge the faith and credit of the state or political subdivision, other than AGDC's own.

Am. 8 U.21 Sponsor/LAW Eminent domain: "natural gas pipeline" definition Passed 2-24

Restraints AGDC ability to exercise eminent domain to acts necessary for an instate natural gas pipeline; adds definition for natural gas pipeline and makes conforming changes.

Am. 9 U.20 Sponsor Adds duty to report open season results Passed 2-24

Adds to Section 1 a duty for AGDC to report publicly, if precedent agreements are signed following an open season, for each PA, the shipper's name, amount of capacity subscribed, and contract length.

Am. 10 U.16 Sponsor/LAW Clarifying/confidential information Passed 2-24

In Section 6, amends sentence structure to clarify that AGDC can share confidential information with a state agency if there is a confidentiality agreement in place.

Am. 11 U.19 Sponsor Corrective/ANGDA's board to repealer Passed 2-24

In Section 30, Repealers, adds statute related to ANGDA board quorum and voting.

Am. 12 U.15 Sponsor/LAW Clarifying: right-of-way leases Section 5 Passed 2-24

In Section 5, changes sentence structure for clarity.

Am. 13 U.27 Sponsor/LAW Clarifying: right-of-way leases Section 8 Passed 2-24

In Section 8, changes sentence structure for clarity.

Am. 14 U.24 Sponsor/LAW Right-of-way lease amended/New Section 32 Passed 2-24

Adds new Section 32 to transition, via legislative intent language, right-of-way lease exemptions in Sections 5-10 to a right-of-way contract already in place between AGDC and DNR.

Am. 15 U.25 Sponsor Replaces RCA exemptions, Sections 25-28 Passed 2-24 w/changes

In three parts, exempts an AGDC-controlled line from regulation as a public utility; exempts an AGDC line from regulation as a common carrier; and provides that public utilities have the ability to request RCA pre-approval for contracts, within a time bound.

Con. Am 1. to U.25 Wilson Requires RCA hearings and investigations Passed 2-24

Requires RCA to hold hearings and investigations on submitted public utility pre-approval applications.

Con. Am. 2 to U.25 Seaton Adds that the RCA will certify rate of return Passed 2-24

Adds that the RCA will certify rate-of-return for pipeline owners as within a generally accepted range.

Summary of Changes by House Resources Committee

From HB 9 \ U to CS for House Bill 9 (RES) \ S

Changes to HB 9 \ U and reflected in the CS for House Bill 9(RES)\S are:

TITLE

Page 1, lines 10-11, adds “relating to the review of natural gas transportation projects by the Regulatory Commission of Alaska;”

SECTION 1:

Page 2, Lines 10-16, adds the duty by AGDC to advance an instate natural gas pipeline as presented in the project plan, with modifications as necessary.

Page 2, lines 22-23, clarifies eminent domain ability

Page 2, lines 23-26, adds language restricting eminent domain to as necessary for an instate gas pipeline, and not to exceed the power of eminent domain granted to the state.

Page 3, lines 8-20, adds that, upon commencement of construction of an instate line, AGDC shall analyze additional pipelines and, if such lines are deemed commercially reasonable, pursue those lines.

Page 4, lines 18-22, adds AGDC may not pledge the credit of the state in issuing revenue bonds.

Page 5, lines 5-13, adds a duty to report some terms of precedent agreements

Page 5, lines 14-25, adds that absent RCA regulation, AGDC shall submit contracts signed for capacity to the RCA for a review of the rate of return to owners of an instate gas pipeline; allows AGDC to renegotiate terms if necessary; and limits the RCA’s review to 180 days.

Page 5, line 26, adds “natural gas pipeline” to terms to be defined

SECTION 2: No changes

SECTION 3: No changes

SECTION 4:

Page 6, lines 9-10, changes “Joint In-State Gasline Development Team” to “Alaska Gasline Development Corporation” as the entity state agencies shall cooperate with.

Page 6, lines 9-12, Restores language requiring AGDC to avoid duplicating other state-supported work.

SECTION 5:

Page 6, lines 22-26, sentence structure in (3) is re-ordered

SECTION 6:

Page 7, line 3, changes to “confidential information” from “information protected by a confidentiality agreement to that public agency.”

Page 7, lines 19-31, replaces (g) with (g) and (h), directing municipalities and state entities to provide, at usual and customary cost, water, sand and gravel, and other non-hydrocarbon natural resources to AGDC. States that AGDC will bear the costs and those costs may not be included in a rate base.

SECTION 7:

Page 8, lines 4-5, replaces AGDC’s purpose with the statutory reference of duties and responsibilities

Page 8, line 6, adds “natural gas” to definition of an instate natural gas pipeline.

Page 8, lines 8-12, adds a definition for “natural gas pipeline”

SECTION 8:

Page 8, lines 15-17, reflect a change to sentence structure to ensure covenants may not be included in a lease entered into by AGDC.

SECTION 9: No change

SECTION 10: No change

SECTION 11: No change

SECTION 12: Removes former Section 12 related to judicial review as unnecessary; the new Section 12 replaces the former Section 13.

Page 12, lines 29-31, clarifies that this applies to a natural gas pipeline by AGDC

Page 13, lines 11-14, clarifies that judicial review limitations apply to an AGDC pipeline

Page 13, line 15, conforming change to the statutory reference for a natural gas pipeline definition

SECTION 13: Renumbered from Section 14, no other changes

SECTION 14: Renumbered from Section 15, no other changes

SECTION 15: Renumbered from Section 16, no other changes

SECTION 16: Renumbered from Section 17, no other changes

SECTION 17: Renumbered from Section 16, no other changes

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: Replaces old Section 25

Page 18, lines 18-25: Requires RCA review of transportation contracts to determine whether the return on equity is within a reasonable range, and to report its finding to AGDC.

SECTION 25:

Page 18, line 26, through page 19, line 15: Requires public utilities to submit contracts for pre-approval to the RCA; sets timelines; requires that the RCA shall hold hearings and investigations and approve or disprove the contracts.

SECTION 26: Replaces former Section 27

Page 19, lines 16-27, exempts an AGDC-controlled project from RCA regulation under 42.05, Public Utilities Act, until all debt or refinancing is paid in full; allows AGDC to opt for some regulation.

SECTION 27: Replaces former Section 28

Page 19, line 28, through page 20, line 3, exempts an AGDC line from RCA regulation under 42.06, Pipeline Act

SECTION 28: Renumbered from Section 29, no other changes

SECTION 29:

Page 20, line 14, adds 41.41.050 to list of repealed statutes

SECTION 30: Renumbered from Section 31, no other changes

SECTION 31:

Page 20, lines 17-29, adds legislative intent that a contract between DNR and AGDC be amended to reflect the covenant exemptions in this bill

SECTION 32: No change

SECTION 33: No change

AMENDMENT

7

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 3, following line 25:

2 Insert a new subsection to read:

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

8

9 Reletter the following subsections accordingly.

AMENDMENT

8

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 2, lines 15 - 16:

2 Delete "to acquire land under AS 09.55.240 - 09.55.460"

3 Insert "or file a declaration of taking under AS 09.55.240 - 09.55.460 to acquire land
4 or an interest in land that is necessary for an in-state natural gas pipeline; the exercise of
5 powers by the Alaska Gasline Development Corporation under this paragraph may not exceed
6 the permissible exercise of the powers by the state"

7

8 Page 4, line 8:

9 Delete "has the meaning"

10 Insert "and "natural gas pipeline" have the meanings"

11

12 Page 6, line 17, following "a":

13 Insert "natural gas"

14

15 Page 6, line 18, following "state":

16 Insert ";

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

22

23 Page 11, line 25:

- 1 Delete "AS 42.06.630"
- 2 Insert "AS 38.34.099"

AMENDMENT 9

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 4, following line 7:

2 Insert a new subsection to read:

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

12

13 Reletter the following subsection accordingly.

AMENDMENT 10

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

- 1 Page 5, line 16:
- 2 Delete "information protected by a confidentiality agreement to that public agency"
- 3 Insert "confidential information"

AMENDMENT 11

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

- 1 Page 18, line 30, following "41.41.040,"
- 2 Insert "41.41.050,"

AMENDMENT 12

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 5, line 4:

2 Delete "except for the covenants in AS 38.35.120(a)(1), (2), (5), and (7),"

3

4 Page 5, line 6, following "AS 38.35.120":

5 Insert ", except for the covenants in AS 38.35.120(a)(1), (2), (5), and (7)"

AMENDMENT 13

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 6, lines 21 - 22:

2 Delete "for covenants that do not apply to a lease entered into under
3 AS 38.34.050(c)"

4 Insert "that, for a lease entered into under AS 38.34.050(c), the covenants in
5 AS 38.35.120(a)(1), (2), (5), and (7) may not be included"

AMENDMENT 14

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 19, following line 1:

2 Insert a new bill section to read:

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

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

15

16 Renumber the following bill sections accordingly.

AMENDMENT 15

OFFERED IN THE HOUSE

TO: CSHB 9(), Draft Version "U"

1 Page 16, line 28, through page 18, line 19:

2 Delete all material and insert:

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

4 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A public
5 utility negotiating a contract with the Alaska Gasline Development Corporation
6 created under AS 18.56.086, or with any entity controlled by the Alaska Gasline
7 Development Corporation, may submit the contract to the commission before the
8 contract takes effect. *shall?*

9 (b) A public utility negotiating to purchase natural gas to be shipped on any
10 pipeline owned by either the Alaska Gasline Development Corporation or an entity
11 controlled by the Alaska Gasline Development Corporation may submit the contract to
12 the commission before the contract takes effect.

13 (c) A public utility negotiating a natural gas storage contract related to (a) or
14 (b) of this section may submit the contract to the commission before the contract takes
15 effect.

16 (d) The commission *shall concept #1* may conduct an investigation and hearing to determine
17 whether a contract submitted under (a), (b), or (c) of this section is just and reasonable.
18 The commission shall either approve the contract as presented, or, if the commission
19 finds that the contract is unjust, unreasonable, or unduly discriminatory or preferential,
20 the commission shall disapprove the contract. If the commission does not act within
21 180 days after the submission of the contract, the contract shall be considered
22 approved and shall be implemented. A contract that is approved or considered
23 approved under this subsection is not 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) The Alaska Gasline Development Corporation created under
3 AS 18.56.086, a joint venture, partnership, or other entity controlled by the Alaska
4 Gasline Development Corporation, or a natural gas pipeline owned or financed by the
5 Alaska Gasline Development Corporation is exempt from this chapter until all debt
6 incurred to finance or refinance the cost of developing and constructing the natural gas
7 pipeline is paid in full. However, the Alaska Gasline Development Corporation or a
8 joint venture, partnership, or other entity that includes the Alaska Gasline
9 Development Corporation may elect to be subject to regulation under this chapter to
10 the extent and in the manner the Alaska Gasline Development Corporation elects and
11 determines is appropriate.

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

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

20 Renumber the following bill sections accordingly.

Conceptual amendment to Amendment ^{#1} ~~U.25~~ ^{#15}

Add a new section after Section 27, Page 2, Line 19:

The RCA shall review the rate of return on equity to pipeline owners. The rate of return on equity must be within the range of rates of return on equity commonly accepted for natural gas transportation pipelines of a similar nature in the United States. If the commission does not act within 180 days after the submission of an application by equity owners, the rate of return on equity shall be considered approved and shall be implemented. An application that is approved or considered approved under this section is not subject to further review by the commission.

Anyone opposing this

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

TO: CSHB 9(), Draft Version "U"

1 Page 2, line 9:

2 Delete "In addition"

3 Insert "The Alaska Gasline Development Corporation shall, to the fullest extent
4 possible, advance an in-state natural gas pipeline as described in the July 1, 2011, project plan
5 prepared under AS 38.34.040 by the Alaska Gasline Development Corporation and the Joint
6 In-State Gasline Development Team, with modifications determined by the Alaska Gasline
7 Development Corporation to be necessary to construct and operate an in-state natural gas
8 pipeline in a safe and economic manner. In addition to the powers granted to it by the
9 corporation"

10

11 Page 2, following line 26:

12 Insert a new subsection to read:

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

Concept #1

additional

an additional natural gas pipeline
Concept #2

- 1 Development Corporation or the Alaska Natural Gas Development Authority."
- 2
- 3 Reletter the following subsections accordingly.

Lege

Alaska Natural Gas Development Authority

Statutory Mission as described in AS 41.41.

- the design, construction, and operation of a pipeline or other facilities necessary for delivering the gas to market, including markets in the state;
- the acquisition of natural gas market share sufficient to ensure the long-term feasibility of pipeline system projects.
- the acquisition of natural gas from the North Slope and other regions of the state and its delivery to markets in the state for use by markets in the state or to tidewater for shipment to market by the authority are essential government functions of the state.

ANGDA Accomplishments

- **Kept the interests of consumers at the forefront of all of ANGDA's activities.**
- **Secured a conditional Right of Way between Glennallen and Palmer.**
- **Completed work for a bi-directional pipeline along the Richardson Highway connecting Beluga to Fairbanks. Permitting could be completed within one year.**
- **ANGDA's Right of Way work is valued at \$12,522,943 in 2011 dollars.**
- **Through it's participation in the Alaska Pipeline Project's Open Season, ANGDA secured an estimated 30% discount on delivery of North Slope gas to Railbelt Electric consumers.**
- **Worked with national and local private sector companies to develop an Alaskan propane project to deliver propane to communities that a gas pipeline will never reach.**

Louie Flora

From: Sikora, Kirsten L (DOR) <kirsten.sikora@alaska.gov>
Sent: Tuesday, February 07, 2012 4:19 PM
To: Rep. Paul Seaton; Rep. Eric Feige
Cc: Rep. Mike Chenault; Rep. Mike Hawker; Dfauske@ahfc.state.ak.us;
rob_soboloff@legis.state.ak.us; Louie Flora
Subject: ANGDA Rights of way
Attachments: Executed ROW Lease 072006.pdf

Good afternoon,

At yesterday's House Resource Committee meeting it was stated that no Rights of Way existed for a pipeline following the Richardson Highway. I need to clarify that statement.

Attached is the conditional Right of Way (ROW) from Glennallen to Palmer granted to ANGDA in 2006. That right of way is still in effect and could be used to begin construction of a pipeline. The work performed by ANGDA on the Beluga to Fairbanks pipeline (B2F) utilized the Glennallen to Palmer ROW and set B2F's alignment within the TAPS ROW from Glennallen to Delta Junction.

ANGDA commissioned a ROW valuation in Fall 2011 and can report that the ROW from Palmer to Delta Junction is valued at \$12,522,943 in 2011 dollars.

Please let me know if you need additional information.

Sincerely,

Kirsten Sikora
Acting CEO

Alaska Natural Gas Development Authority

411 W. 4th Avenue, first floor | Anchorage, AK 99501
907-269-6501 | direct: 269-6523 | fax: 269-6531

**CONDITIONAL RIGHT OF WAY LEASE
FOR THE
GLENNALLEN TO PALMER PIPELINE
BY AND BETWEEN
THE STATE OF ALASKA
AND
THE ALASKA NATURAL GAS DEVELOPMENT
AUTHORITY**

ADL 229297

July 2006

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CONDITIONAL RIGHT-OF-WAY LEASE

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY
FOR THE
GLENNALLEN TO PALMER PIPELINE

ADL 229297

This CONDITIONAL RIGHT-OF-WAY LEASE is entered into and made effective this 20th day of July, 2006, by the STATE OF ALASKA, acting through the Commissioner of the Department of Natural Resources, (hereinafter COMMISSIONER), State Pipeline Coordinator's Office, 411 West 4th Avenue, Anchorage, Alaska 99501 and by the ALASKA NATURAL GAS DEVELOPMENT AUTHORITY, (hereinafter CONDITIONAL LESSEE) whose address is 411 West 4th Avenue, Anchorage, Alaska 99501.

Note: Terms having special meaning are capitalized and are defined in Section 9 of this CONDITIONAL LEASE.

Section 1. CONDITIONAL RIGHT-OF-WAY LEASE

Pursuant to AS 38.35 and the regulations promulgated thereunder, the COMMISSIONER has determined that the proposed CONDITIONAL RIGHT-OF-WAY LEASE by the applicant, the CONDITIONAL LESSEE, is in the public interest provided that the terms and conditions of the CONDITIONAL RIGHT-OF-WAY LEASE are met. The requisite determinations required by the aforesaid statutes and regulations are contained in the administrative record of ADL 229297.

If the terms and conditions set forth in the Commissioner's Final Decision and this CONDITIONAL RIGHT-OF-WAY LEASE are met within the specified time limits and prior to TERMINATION or revocation of this CONDITIONAL RIGHT-OF-WAY LEASE, the COMMISSIONER will initiate the public hearing process pursuant to AS 38.35.080 in order to determine whether conversion of the CONDITIONAL RIGHT-OF-WAY LEASE into a RIGHT-OF-WAY LEASE would be consistent with the public interest, requirements of AS 38.35.100, and the requirements of AS 38.35.120 and applicable regulations including, but not limited to, 11 ACC. 80.005. Pursuant to AS 38.35.100(d), each lease requirement and condition of the covenants established in AS 38.35.120 are attached as Exhibit B and those requirements and conditions are incorporated into this CONDITIONAL LEASE. The application for a CONDITIONAL RIGHT-OF-WAY LEASE is granted, subject to the conditions listed in Section 2.

Section 2. Requirements to Convert Conditional Right-of-Way Lease to an Unconditional RIGHT-OF-WAY LEASE

The CONDITIONAL LESSEE shall comply with the following conditions. Upon compliance with these conditions the Commissioner will initiate a public hearing process pursuant to AS 38.35.080 to determine if the requirements of AS 38.35 have been met so as to warrant the conversion of the CONDITIONAL RIGHT-OF-WAY LEASE to an unconditional RIGHT-OF-WAY LEASE.

A. The CONDITIONAL LESSEE shall provide PIPELINE alignment location and related facility site locations plotted on available large scale maps, where feasible, or on large scale (1 inch =1,000 feet or greater) aerial photographs for review and approval of the COMMISSIONER for the purpose of locating and describing the RIGHT-OF-WAY on STATE LAND. In addition, where required by the COMMISSIONER the CONDITIONAL LESSEE shall field stake specific portions of the PIPELINE alignment or RELATED FACILITY site locations to the satisfaction of the COMMISSIONER. This information shall be submitted by the COMMISSIONER to the owners or agents of other authorized oil or GAS transportation pipeline(s), or other existing or proposed facilities pursuant to AS 38.05.945 and AS 35.05.035(e) for the purpose of identifying what portions of the PIPELINE or RELATED FACILITIES are proximate to existing or proposed facilities. Those portions identified by such owners as being proximate to the PIPELINE and RELATED FACILITIES shall be reviewed and approved by the COMMISSIONER.

B. The CONDITIONAL LESSEE shall submit evidence to the Commissioner of the Lessee's financial ability, to complete the design and construction of the proposed Glennallen to Palmer Pipeline. Such evidence shall, at a minimum, include documentation of the commitment of shippers to utilize the capacity of the PIPELINE for shipment of GAS in the PIPELINE, such as executed letters of intent for GAS purchase; documentation of the availability of GAS to committed shippers, such as letters of intent for GAS sales, and written preliminary lender commitments for CONSTRUCTION financing. In addition, the Lessee shall provide such financial plans, a summary of project economics, and any other financial information as may be required by the COMMISSIONER.

C. The CONDITIONAL LESSEE shall submit the following technical information relating to the Glennallen to Palmer pipeline project:

(1) Project Development Schedule

a. The CONDITIONAL LESSEE shall submit a Project Development Schedule to the COMMISSIONER for review. The Project Development Schedule shall address, at a minimum, the following:

1. sequence and approximate timing of all PRECONSTRUCTION

- activities;
2. submission of all PRECONSTRUCTION permit applications;
 3. submission of all other permit applications;
 4. environmental constraints on PRECONSTRUCTION scheduling; and,
 5. submission of the items in Section 2, paragraphs A, and B.

b. The Project Development Schedule, required by Section 2.C.(1)a., shall be submitted with the scope and content mutually agreed to by the COMMISSIONER and the CONDITIONAL LESSEE annually prior to September 1st for the purpose of preparing the State's budget for the subsequent fiscal year (July 1-June 30).

(2) Project Plans and Programs

a. The CONDITIONAL LESSEE shall submit the following Project Plans and Programs to the COMMISSIONER for review and approval (such plans and programs may be combined and/or cross-referenced where appropriate):

1. Air Quality
2. Blasting
3. Clearing
4. Corrosion Control
5. Cultural Resource Preservation
6. Environmental Briefing
7. Erosion and Sedimentation Control
8. Fire Control
9. Human/Carnivore Interaction
10. Liquid WASTE Management
11. Material Exploration and Extraction
12. Oil and HAZARDOUS SUBSTANCES Control, Cleanup and Disposal
13. Overburden and Excess Material Disposal
14. Pesticides, Herbicides and Chemicals
15. PIPELINE Contingency
16. Quality Assurance/Quality Control
17. RESTORATION
18. River Training Structures
19. Seismic
20. Solid WASTE Management
21. Stream, River and Floodplain Crossings
22. Surveillance and Maintenance
23. Visual Resources
24. Water Quality Monitoring
25. Wetlands Construction

b. The COMMISSIONER will review for approval the scope, content and

schedule of the Project Plans and Programs required in Section 2.C.(2).a.

c. The Project Plans and Programs listed in Section 2.C.(2).a. may be updated at intervals mutually agreed upon by the CONDITIONAL LESSEE and the COMMISSIONER.

d. The Project Plans and Programs or specific Project Performance Standards listed in Section 2.C.(2).a. that may affect FACILITIES that are proximate to the proposed Glennallen to Palmer Pipeline alignment, such as the TRANS-ALASKA PIPELINE SYSTEM, other authorized oil or GAS transportation pipeline(s), PUBLIC ROADS/HIGHWAYS, or the FACILITIES of other third party owners with valid existing rights on STATE LAND, shall be coordinated by the CONDITIONAL LESSEE with the respective owners. Evidence of coordination with such owners shall accompany the submission of applicable Project Performance Standards and the Project Plans and Programs.

(3) **CONCEPTUAL DESIGN.** Prior to being granted a RIGHT-OF-WAY LEASE, the CONDITIONAL LESSEE shall provide a CONCEPTUAL DESIGN for the PIPELINE and RELATED FACILITIES for review and written approval of the COMMISSIONER. The COMMISSIONER and the CONDITIONAL LESSEE shall mutually agree upon the scope, content and schedule for submission of the CONCEPTUAL DESIGN.

(4) **CONDITIONAL RIGHT-OF-WAY LEASE Amendments Required for Project Definition**

a. **RELATED FACILITIES.** The addition of RELATED FACILITIES, the locations of which are not identified yet, including but not limited to access ROADS, communication sites and spoil and WASTE disposal sites, or any substantial re-locations of any RELATED FACILITIES shall require an authorization under AS 38.05. Substantial re-alignments of the PIPELINE shall require amendment to this CONDITIONAL RIGHT-OF-WAY LEASE.

(5) **Specific Agreements for Protection of the Public Interest**

a. **PUBLIC ROADS/HIGHWAYS.** The CONDITIONAL LESSEE shall agree to reimburse the STATE for damages to PUBLIC ROADS/HIGHWAYS or airports due to construction and/or overweight loads utilized by the CONDITIONAL LESSEE during PRECONSTRUCTION activities of the PIPELINE SYSTEM.

Section 3. Nature of Interest

A. This CONDITIONAL RIGHT-OF-WAY LEASE conveys no interest in land, property or resources of the STATE, or any preference or priority rights to a particular

right-of-way or alignment. The issuance of a CONDITIONAL LEASE does not prevent the COMMISSIONER from issuing other conditional or final leases for the same Right-of-Way. No CONSTRUCTION activities are authorized by this CONDITIONAL LEASE. Upon receiving an application for any other conditional right-of-way lease or authorization that would vest a property right, for the same right-of-way, the Department of Natural Resources shall consult with the CONDITIONAL LESSEE and offer an opportunity to comment.

B. Any future administrative decision made by the State of Alaska that affects the title to the property described by this CONDITIONAL RIGHT-OF-WAY LEASE is subject to administrative and legal appeal made pursuant to State statutes.

C. This CONDITIONAL RIGHT-OF-WAY LEASE applies to the proposed Right-of-Way on STATE LAND for a PIPELINE as located and described in Exhibit A of the CONDITIONAL RIGHT-OF-WAY LEASE the purpose of which is for the PRECONSTRUCTION of one (1) 24 inch diameter NATURAL GAS transportation PIPELINE and RELATED FACILITIES. The width of the proposed construction RIGHT-OF-WAY shall not exceed 300 feet, 150 feet on either side of the proposed centerline and shall accommodate such other RELATED FACILITIES outside the boundaries of the proposed RIGHT-OF-WAY as may be authorized by amendment to this CONDITIONAL RIGHT-OF-WAY LEASE.

D. PRECONSTRUCTION activities may be authorized under this CONDITIONAL RIGHT-OF-WAY LEASE. Prior to initiating any field activity on STATE LAND pursuant to this CONDITIONAL RIGHT-OF-WAY LEASE, the CONDITIONAL LESSEE must possess a valid permit issued by the COMMISSIONER. Each PRECONSTRUCTION permit shall authorize only PRECONSTRUCTION field activities specific to that permit. A PRECONSTRUCTION permit may contain such site-specific terms and conditions as the COMMISSIONER finds necessary to implement the provisions of this CONDITIONAL RIGHT-OF-WAY LEASE, and the CONDITIONAL LESSEE shall comply in all respects with the provisions of the PRECONSTRUCTION permit shall be accompanied by the following:

1. a description of the proposed activity and its location, including access routes;
2. scaled maps or drawings depicting the exact location of the proposed activities, proximate to existing facilities of third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, drainages, trails, or other access routes, and other pertinent information sufficient for identification of potential conflicts with existing land uses and state and private property interests;
3. proposed measures for prevention of significant adverse environmental impact;
4. proposed RESTORATION procedures for areas of surface disturbance;

5. proposed measures for protecting subsistence resources and their uses in the vicinity of the proposed activity;
6. a separate analysis of the effects of the proposed activity and written evidence of coordination with any third party owners with valid existing rights on STATE LAND, including the TRANS-ALASKA PIPELINE SYSTEM, or other authorized oil or GAS transportation PIPELINE whose FACILITIES are proximate to such PRECONSTRUCTION activities.

Section 4. Duration of CONDITIONAL LEASE.

A. This CONDITIONAL RIGHT-OF-WAY LEASE and all rights associated with this CONDITIONAL RIGHT-OF-WAY LEASE or with the COMMISSIONER's finding pursuant to AS 38.35.100(b) shall expire on July 19, 20 16, unless

1. prior to that date the CONDITIONAL RIGHT-OF-WAY LEASE is relinquished, abandoned or otherwise terminated pursuant to its provisions or any applicable laws or regulations; or

2. prior to TERMINATION, the COMMISSIONER determines that all conditions for conversion to an unconditional RIGHT-OF-WAY LEASE have been met, including a written finding that the CONDITIONAL LESSEE is then fit, willing and able to perform the transportation or other acts proposed in a manner that will be required by the present and future public interest, in a manner consistent with the conditions set out herein and with the applicable laws which are then in effect, and an unconditional RIGHT-OF-WAY LEASE is issued.

B. This CONDITIONAL RIGHT-OF-WAY LEASE may be revoked by order of the COMMISSIONER, without compensation, at any time the COMMISSIONER determines that the applicant or CONDITIONAL LESSEE will not be fit, willing and able to perform during the ten (10) year term of this lease or whenever another applicant or conditional lessee is determined to be fit, willing, and able to perform under an application or lease of all or part of the right-of-way.

C. Upon expiration, relinquishment, abandonment, or other TERMINATION, the provisions of this CONDITIONAL RIGHT-OF-WAY LEASE, intended for the benefit of the STATE and the public, shall continue in effect and shall be binding on the CONDITIONAL LESSEE, or the CONDITIONAL LESSEE's successors and assigns, until the CONDITIONAL LESSEE has fully performed its respective obligations and liabilities accruing before or on account of the expiration, relinquishment, abandonment, or other TERMINATION of the CONDITIONAL RIGHT-OF-WAY LEASE.

D. Prior to expiration, relinquishment, abandonment, or other TERMINATION of the CONDITIONAL RIGHT-OF-WAY LEASE, the CONDITIONAL LESSEE shall remove all temporary and permanent improvements from STATE LAND and shall RESTORE such land, unless otherwise approved by the COMMISSIONER, within a time period specified by the COMMISSIONER.

Section 5. Transfer, Assignment or other Disposition

A. The CONDITIONAL LESSEE will not transfer, assign, pledge, or dispose of in any manner, directly or indirectly, or by transfer of control of the CONDITIONAL LESSEE, its interest in this CONDITIONAL RIGHT-OF-WAY LEASE, or any rights under this CONDITIONAL RIGHT-OF-WAY LEASE or any rights to the PIPELINE SYSTEM subject to this CONDITIONAL RIGHT-OF-WAY LEASE to any person, except to the extent that the COMMISSIONER authorizes the transfer in a written finding, after considering whether or not the transfer is in the public interest.. The CONDITIONAL LESSEE shall not allow the transfer of control of or redistribution of interests in the CONDITIONAL RIGHT-OF-WAY LEASE without the approval of the COMMISSIONER; as used in this Subsection "transfer of control of the CONDITIONAL RIGHT-OF-WAY LEASE means 30 percent or more, in aggregate, of ownership interest in the CONDITIONAL RIGHT-OF-WAY LEASE in one or more transactions, to one or more persons, by one or more persons. The COMMISSIONER shall not unreasonably withhold consent to the transfer, assignment or disposal. An unapproved transfer does not relieve the CONDITIONAL LESSEE of an obligation assumed under the CONDITIONAL RIGHT-OF-WAY LEASE, is ineffective to transfer interests in and obligations under the CONDITIONAL RIGHT-OF-WAY LEASE, and constitutes a default under the CONDITIONAL RIGHT-OF-WAY LEASE.

B. With respect to any request for transfer under Section 5.A., the COMMISSIONER shall consider whether the proposed transferee will be fit, willing and able to perform the transportation of NATURAL GAS proposed under the terms and conditions established in the CONDITIONAL RIGHT-OF-WAY LEASE and whether the transfer is in the public interest. The COMMISSIONER may impose additional terms and conditions on the transferee that the COMMISSIONER considers in the public interest.

C. A transfer, pursuant to Section 5.A., in whole or in part, of the CONDITIONAL LESSEE's right, title and interest in the RIGHT-OF-WAY and this CONDITIONAL RIGHT-OF-WAY LEASE shall constitute a release of the CONDITIONAL LESSEE's liabilities and obligations (accrued, contingent or otherwise) to the STATE under this CONDITIONAL RIGHT-OF-WAY LEASE only to the extent and limit that the transferee unconditionally assumes with permission of the COMMISSIONER the performance and observance of each such liability and obligation, and provides bonding and insurance to assure such performance and observance of such liabilities and obligation.

Section 6. Indemnification and Liability

A. Indemnity

1. The CONDITIONAL LESSEE assumes all responsibility, risk, and liability for its PRECONSTRUCTION activities and use of or contact with the lands of the CONDITIONAL RIGHT-OF-WAY LEASE. The CONDITIONAL LESSEE shall defend, indemnify, and hold harmless the STATE, its agents and employees, from and against any and all demands, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery or otherwise), fines, judgments, suits, claims, actions, proceedings, losses, costs (including reasonable attorneys' fees and costs), expenses, charges, forfeitures, liens, liabilities, settlements, penalties, and damages of any kind or nature whatsoever, including, but not limited to those alleging personal injury, wrongful death, nuisance property damage, environmental contamination (including any disposal, release, spill or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials, but subject to the limitations on CONDITIONAL LESSEE's liabilities expressly provided under Section 6 of this CONDITIONAL RIGHT-OF-WAY LEASE), and environmental noncompliance (including the CONDITIONAL LESSEE's failure to provide all information, make all submissions, and take all steps required by the authority under the environmental laws or any other law concerning any spill, discharge, or contamination), arising out of, in connection with, directly or indirectly from, or otherwise incident to, LESSEE's PIPELINE ACTIVITIES or use of or contact with the LEASEHOLD, except to the extent the sole legal cause of the injury or damage is the negligence or willful misconduct of the STATE or anyone acting on the STATE's behalf.

2. The CONDITIONAL LESSEE shall immediately accept the tender by the STATE of any such cause of action, lawsuit, or other proceeding described in Subsection (a) of this section that is brought against the STATE. Any reasonable attorneys' fees or costs incurred by the STATE prior to such tender of defense shall be the complete and sole responsibility, without limitations, of the CONDITIONAL LESSEE. If the STATE tenders such cause of action, lawsuit, or other proceeding later than twenty (20) days after service on the STATE, and the CONDITIONAL LESSEE informs the STATE that the delay in tendering will require the CONDITIONAL LESSEE to incur additional costs in order to respond in a competent and timely manner, and the STATE is unable to obtain an extension of time sufficient to provide the CONDITIONAL LESSEE with at least one-half (1/2) of the number of days which the STATE originally had to respond, then the STATE shall reimburse the CONDITIONAL LESSEE for documented, reasonable costs incurred by the CONDITIONAL LESSEE that are directly related to the delay in tendering.

3. The obligations of the CONDITIONAL LESSEE to indemnify the STATE under the terms of this CONDITIONAL RIGHT-OF-WAY LEASE shall survive the transfer, assignment, or other disposition of an interest in this CONDITIONAL LEASE as well as the expiration, forfeiture, relinquishment, abandonment or other TERMINATION of this CONDITIONAL RIGHT-OF-WAY LEASE.

Section 7. Insurance

A. Without limiting the CONDITIONAL LESSEE's indemnification, the CONDITIONAL LESSEE hereby agrees to provide and maintain in force throughout the term of this CONDITIONAL RIGHT-OF-WAY LEASE liability and property damage insurance from a company licensed to do business in the state or furnish other security or undertaking upon the terms and conditions the COMMISSIONER considers necessary if the COMMISSIONER finds that the net assets of the CONDITIONAL LESSEE are insufficient to protect the public from damage for which the CONDITIONAL LESSEE may be liable arising out of the PRECONSTRUCTION of the PIPELINE, such as: comprehensive general liability including premises, operations, independent contractors, products and completed operations liability including contractual liability covering the CONDITIONAL LESSEE's indemnification obligation under Section 6 of the CONDITIONAL RIGHT-OF-WAY LEASE, broad form property damage, pollution liability, explosion, collapse and underground (XCU), and fire legal liability endorsements, owned and non-owned (leased or hired) automobile, aircraft and watercraft liability, and architect and engineer professional errors and omissions. Coverage shall, to the reasonable satisfaction of the COMMISSIONER insure the CONDITIONAL LESSEE's liabilities for accidental occurrences imposed on it by operation of the requirement for indemnification of the STATE contained in this CONDITIONAL RIGHT-OF-WAY LEASE. Coverage shall be obtained from a carrier with a rating acceptable to the COMMISSIONER and shall be on an "occurrence" basis. The STATE shall be added to the above-described policies as an additional insured with respect to such Liabilities. Initially, coverage shall be in the minimal amount of one million dollars (\$1,000,000) per occurrence and the Lessee shall provide proof of insurance meeting this requirement, acceptable to the COMMISSIONER, prior to the issuance of the first PRECONSTRUCTION permit.

B. In addition, the CONDITIONAL LESSEE shall provide and maintain, for all employees of the CONDITIONAL LESSEE engaged in work under this CONDITIONAL RIGHT-OF-WAY LEASE, Workers' Compensation Insurance as required by AS 23.30. The CONDITIONAL LESSEE shall be responsible for Workers' Compensation Insurance for any contractor or subcontractor who directly or indirectly provides services under this CONDITIONAL RIGHT-OF-WAY LEASE. This coverage must include employer's liability protection not less than one million dollars (\$1,000,000) per occurrence. The insurer shall agree to waive all rights of subrogation against the STATE, its officers, agents, and employees for losses arising from the leased premises.

C. Certificates of insurance must be furnished to the COMMISSIONER. The required insurance is subject to annual review and adjustment by the COMMISSIONER, who may require reasonable increases based on increased risk.

D. The CONDITIONAL LESSEE's insurance coverage shall be primary insurance as respects the STATE, its officers, agents and employees. Any insurance or self

insurance maintained by the STATE shall be in excess of the CONDITIONAL LESSEE's insurance and shall not contribute with it.

Section 8. Incorporation by Reference of Terms and Conditions; Changes in Conditions

If there is a significant change in the conditions which necessitates additional terms to protect the public interest, the COMMISSIONER may require the CONDITIONAL LESSEE to agree to additional terms that the COMMISSIONER finds to be in the public interest prior to conversion to a RIGHT-OF-WAY LEASE.

Section 9. Definition of Terms

Terms having special meaning in this CONDITIONAL RIGHT-OF-WAY LEASE document are incorporated into and made part of the CONDITIONAL RIGHT-OF-WAY LEASE are capitalized and are defined in this Section "Definitions".

1. **COMMISSIONER** means the Commissioner of the Department of Natural Resources, State of Alaska or the Commissioner's appointed designee(s).
2. **CONCEPTUAL DESIGN** means design documents that are not yet suitable for bid solicitation, including contract plans and specifications; proposed CONSTRUCTION modes; operational requirements necessary to justify designs; design analysis including summary calculations for a particular design feature; all functional and engineering criteria; summaries of engineering tests conducted and their results; and other considerations pertinent to design
3. **CONSTRUCTION** means all field activities by the CONDITIONAL LESSEE or its contractors located on or in the general vicinity of the PIPELINE RIGHT-OF-WAY which involve more than *de minimis* physical disturbance of the existing natural land features or conditions. CONSTRUCTION includes pre-construction activities and is not limited to mean only the actual construction of the PIPELINE SYSTEM, but also includes other disturbances such as materials movements and stockpiling, development of borrow pit areas, and the establishment of work-camps and communications facilities. CONSTRUCTION excludes such field activities as engineering surveys, soil tests, and biological studies.
4. **CONDITIONAL RIGHT-OF-WAY LEASE** and/or **CONDITIONAL LEASE** means the instrument conditionally granting a RIGHT-OF-WAY for PIPELINE purposes pursuant to AS 38.35 to the CONDITIONAL LESSEE, but granting no rights, including preference or priority.
5. **CONDITIONAL LESSEE** means the Alaska Natural Gas Development Authority or its respective successors or assigns as authorized pursuant to Section 5 of the CONDITIONAL RIGHT-OF-WAY LEASE.

6. **CONTRACTOR** means any contractor or subcontractor at any tier, and the employees, representatives, and agents of such a contractor.

7. **EFFECTIVE DATE** of the lease means the day the lease is executed as set forth on page one of the RIGHT-OF-WAY LEASE.

8. **HAZARDOUS SUBSTANCES or material** means hazardous substances as defined by STATE statute or regulation, as may be amended from time to time, of the Alaska Department of Environmental Conservation (AS 46.03.826(5)), the Environmental Protection Agency (42 USC 9601(14)), or as specified in writing by the COMMISSIONER in consultation with the Alaska Department of Environmental Conservation during the review of the CONDITIONAL LESSEE's oil and HAZARDOUS SUBSTANCES control, cleanup and disposal plan.

9. **HIGHWAY** means the Glenn Highway, the Parks Highway, Trunk Road or other primary or secondary road systems under the jurisdiction of the Alaska Department of Transportation and Public Facilities (ADOT&PF).

10. **LEASEHOLD** means the STATE lands subject to the RIGHT-OF-WAY LEASE as those lands are identified in the RIGHT-OF-WAY LEASE and any amendments, modifications and subsequent renewals.

11. **NATURAL GAS** and/or **GAS** has the same meaning as given in AS 38.35.230(5) and is a gaseous mixture, principally of methane and other paraffinic hydrocarbons suitably conditioned to an acceptable specification for transportation by the PIPELINE.

12. **PIPELINE** means all the facilities including the total system of pipe (whether owned or operated under a contract, agreement, or lease), located in or on the RIGHT-OF-WAY, used by a carrier for transportation of NATURAL GAS, or products for delivery, for storage, or for further transportation, and including all pipe, pump or compressor stations, station equipment, tanks, valves, bridges, terminal and terminal facilities, operations control centers, and fire protection system, cathodic protection system, communication system, and all other facilities used or necessary for an integral line of pipe, taken as a whole, to effectuate transportation, including an extension or enlargement of the line.

13. **PIPELINE ACTIVITIES** means activities involving and related to construction, operation, maintenance, and TERMINATION of the PIPELINE SYSTEM or any part of the PIPELINE SYSTEM.

14. **PIPELINE SYSTEM** means all facilities on STATE LAND that are constructed or used by the CONDITIONAL LESSEE pursuant to a certificate of public convenience and necessity issued pursuant to the Natural Gas Act in connection with the CONSTRUCTION, operation, maintenance or TERMINATION of the PIPELINE.

PIPELINE SYSTEM includes the PIPELINE and RELATED FACILITIES, temporary facilities, temporary use areas and material sites used by the LESSEE for the CONSTRUCTION, operation, maintenance, or TERMINATION of the PIPELINE. PIPELINE SYSTEM does not include facilities such as urban administrative offices, which are only indirectly involved in the transportation of NATURAL GAS; nor does it include facilities used by others in the production, gathering or conditioning of NATURAL GAS.

15. **PRECONSTRUCTION** means all field activities by the CONDITIONAL LESSEE or its contractors located on or in the general vicinity of the PIPELINE RIGHT-OF-WAY which involve *de minimis* physical disturbance of the existing natural land features or conditions. PRECONSTRUCTION includes such field activities as engineering surveys, soil tests, and biological studies.

16. **RELATED FACILITIES** means those structures, devices, improvements and sites other than the pipe, located in or on the RIGHT-OF-WAY, the substantially continuous use of which is necessary for the operation and maintenance of the PIPELINE. RELATED FACILITIES includes, if applicable: supporting structures; compressor stations; valves and other control devices; bridges, culverts and low-water crossings; monitoring and communication devices; retaining walls, berms, dikes, ditches, cuts and fills, including hydraulic and erosion control structures; structures and areas for storing supplies and equipment; cathodic protection devices; and other facilities of a similar nature together with related yards, fences and buildings as the COMMISSIONER, after consultation with the CONDITIONAL LESSEE, shall determine to be RELATED FACILITIES. RELATED FACILITIES does not include structures, devices, improvements, sites, facilities, or areas, the use of which is temporary in nature, such as those used only for CONSTRUCTION purposes. Examples of structures, devices, improvements, sites, facilities or areas that are not RELATED FACILITIES include: temporary camps; temporary landing strips; temporary bridges; temporary access ROADS; temporary communication sites; temporary storage sites; and temporary disposal sites.

17. **RESTORATION** means the return of a disturbed site upon completion of use to a physical and biological condition consistent with applicable State and Federal law, regulations and policies at the time and to the extent acceptable to the COMMISSIONER. RESTORATION includes, where appropriate, erosion and sedimentation control, REVEGETATION, reestablishment of native species and visual amelioration.

18. **REVEGETATION** means the establishment of plant cover on disturbed lands in a manner consistent with applicable State and Federal law and regulations, including Federal Energy Regulatory Commission (FERC) regulations and policies, if applicable. REVEGETATION may include: seedbed preparation, seeding, planting, fertilizing, mulching, and watering.

19. **RIGHT-OF-WAY** means the lands included within the PIPELINE corridor as may be amended from time to time pursuant to the terms of the CONDITIONAL RIGHT-OF-WAY LEASE.

20. **RIGHT-OF-WAY LEASE** means (1) an instrument granting a LEASEHOLD interest in the Right-of-Way for the Glennallen to Palmer Pipeline to the CONDITIONAL LESSEE for the purpose of PRECONSTRUCTION, construction, operation, and TERMINATION of the PIPELINE pursuant to AS 38.35, ADL 229297.

21. **ROAD** means roads or ice roads other than State or public highways that are constructed or used by the CONDITIONAL LESSEE in connection with the construction, operation, maintenance, and TERMINATION of the PIPELINE SYSTEM.

22. **STATE** means the State of Alaska.

23. **STATE LAND** means (1) those lands and interests therein defined as "state land" in AS 38.35.230(9), and (2) any lands and interests therein included in a Federal Right-of-Way Grant to which the State, subsequent to the effective date of the LEASE, obtains an interest sufficient to permit the State to lease such lands and interests under State law, provided that at that time such lands and interests therein are no longer subject to the Federal Right-of-Way Grant, as may be amended or extended from time to time.

24. **State Pipeline Coordinator** means that officer operating under written delegation of authority from the Commissioner with the authority and responsibility of administering a portion or all of the provisions of the RIGHT-OF-WAY LEASE.

25. **TERMINATION** means all activities connected with the expiration, cancellation, or completion of use of the RIGHT-OF-WAY.

26. **TRANS-ALASKA PIPELINE SYSTEM (TAPS)** means that pipeline system referred to in and authorized by the Trans-Alaska Pipeline Authorization Act, Title II, P.L. 93-153, 87 Stat. 584.

27. **WASTE** means all discarded matter other than CONSTRUCTION spoils. It includes, but is not limited to, human waste, trash, garbage, refuse, oil drums, petroleum products, ashes and equipment.

Section 10. Authority to Enter Agreement

The CONDITIONAL LESSEE represents and warrants to the State that it is duly authorized and empowered under the applicable laws of the State of Alaska to enter into and perform this CONDITIONAL RIGHT-OF-WAY LEASE in accordance with the provisions of this CONDITIONAL RIGHT-OF-WAY LEASE.

Section 11. Partial Invalidity


If any part of this CONDITIONAL RIGHT-OF-WAY LEASE is held invalid or unenforceable, the remainder of this CONDITIONAL RIGHT-OF-WAY LEASE shall not be affected and shall be valid and enforced to the fullest extent permitted by law.

Section 12. Acceptance of LEASE

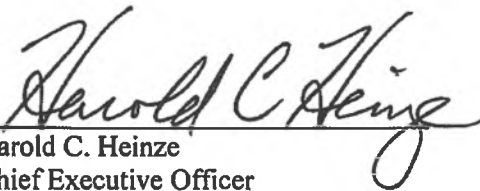
The CONDITIONAL LESSEE's execution of this CONDITIONAL RIGHT-OF-WAY LEASE signifies acceptance of the terms and conditions contained herein. Such acceptance constitutes an agreement between the CONDITIONAL LESSEE and the State that the CONDITIONAL LESSEE, together with the CONDITIONAL LESSEE's respective agents, employees, contractors and subcontractors (at any tier), shall comply with all terms and conditions contained in the CONDITIONAL RIGHT-OF-WAY LEASE and all applicable laws and regulations.

IN WITNESS WHEREOF, the parties hereto have duly executed this CONDITIONAL RIGHT-OF-WAY LEASE as of the first written date.

STATE OF ALASKA

By:  Date: 7/20/06
Michael L. Menge
COMMISSIONER
Department of Natural Resources

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

By:  Date: 7/18/06
Harold C. Heinze
Chief Executive Officer
Alaska Natural Gas Development Authority

State of Alaska)
)ss
Third Judicial District)

The foregoing instrument was acknowledged before me this 20th day of July, 20 06, by MICHAEL L. MENGE, COMMISSIONER of the STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES.



Janet K. Pritchard
Notary Public in and for the State of Alaska
My Commission Expires: 12/11/2008

State of Alaska)
)ss
Third Judicial District)

The foregoing instrument was acknowledged before me this 18th day of July, 20 06, by HAROLD C. HEINZE, Chief Executive Officer of the ALASKA NATURAL GAS DEVELOPMENT AUTHORITY.



Janet K. Pritchard
Notary Public in and for the State of Alaska
My Commission Expires: 12/11/2008

EXHIBIT A
ADL 229297

Township 4 North, Range 4 West, C.R.M. Sections 12, 13, 14, 15, 22, 21, 20, 29, 30;
Township 4 North, Range 5 West, C.R.M. Sections 25, 26, 27, 28, 29, 30;
Township 4 North, Range 6 West, C.R.M. Sections 25, 26, 27, 34, 33, 32;
Township 3 North, Range 6 West, C.R.M. Sections 5, 6;
Township 3 North, Range 7 West, C.R.M. Sections 1, 2, 11, 10, 9, 16, 17, 18;
Township 3 North, Range 8 West, C.R.M. Sections 13, 14, 15, 22, 21, 28, 29, 30, 32, 31;
Township 3 North, Range 9 West, C.R.M. Sections 32, 31;
Township 3 North, Range 10 West, C.R.M. Sections 36, 35, 34, 33;
Township 2 North, Range 8 West, C.R.M. Section 6;
Township 2 North, Range 9 West, C.R.M. Sections 1, 2, 3, 4, 5;
Township 2 North, Range 10 West, C.R.M. Sections 3, 4, 5, 8, 7, 18;
Township 2 North, Range 11 West, C.R.M. Sections 12, 13;

Township 21 North, Range 10 East, S.M. Sections 24, 25, 26, 27, 22, 15, 16, 9, 8, 5, 6;
Township 21 North, Range 9 East, S.M. Sections 1;
Township 22 North, Range 9 East, S.M. Sections 36, 35, 26, 27, 28, 29, 30, 20, 19;
Township 22 North, Range 8 East, S.M. Sections 24, 13, 14, 15, 22, 21, 27, 28, 33, 32;
Township 21 North, Range 8 East, S.M. Sections 5, 6;
Township 21 North, Range 7 East, S.M. Sections 1, 12, 11, 14, 15, 22, 27, 28, 33, 32, 31;
Township 20 North, Range 7 East, S.M. Sections 5, 6;
Township 20 North, Range 6 East, S.M. Sections 1, 12, 11, 10, 9, 8, 17, 18;
Township 20 North, Range 5 East, S.M. Sections 13, 14, 15, 22, 21, 28, 29, 30, 31;
Township 20 North, Range 4 East, S.M. Section 36;
Township 19 North, Range 4 East, S.M. Sections 1, 2, 11, 10, 9, 8, 7;
Township 19 North, Range 3 East, S.M. Sections 13, 14, 15;
Township 19 North, Range 2 East, S.M. Section 36, 34, 25;
Township 18 North, Range 2 East, S.M. Sections 4, 5;
Township 17 North, Range 1 East, SM. Sections 15, 22.

EXHIBIT B

ADL 229297

Pursuant to AS 38.35.100(d) the requirements and conditions of the covenants established under AS 38.35.120 shall be included in a conditional lease. The following requirements of AS 38.35.120 are therefore incorporated into the CONDITIONAL LEASE. These requirements and conditions must be met before the CONDITIONAL RIGHT-OF-WAY LEASE may be converted into an unconditional RIGHT-OF-WAY LEASE.

Sec. 38.35.120. Covenants required to be included in lease.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) it will not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-way lease, or any rights under the lease or any pipeline subject to the lease to any person other than another owner of the pipeline (including subsidiaries, parents, and affiliates of the owners), except to the extent that

the commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing, and able to perform the transportation or other acts proposed in a manner that will reasonably protect the lives, property, and general welfare of the people of Alaska), authorizes; the commissioner shall not unreasonably withhold consent to the transfer, assignment, or disposal;

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

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

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

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

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

(b) For a right-of-way lease granted under this chapter for an oil or natural gas pipeline valued at \$1,000,000 or more to be valid and of legal effect, it must contain the terms required to be inserted under the provisions of AS 38.35.110 - 38.35.140. An oil or natural gas pipeline right-of-way lease granted under this chapter that does not contain the required terms is null and void and without legal effect and does not vest any interest in state land or any authority in the carrier granted the lease.

(c) The commissioner may insert in any right-of-way lease other reasonable provisions and conditions required by the public interest.

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

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

(2) protect state and private property interests;

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

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

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

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

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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.

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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 in-state 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 2002 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.

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				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
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	11,800.0

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.

REPRESENTATIVE PAUL SEATON

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ALASKA STATE LEGISLATURE
House District 35

Letter of Intent: HB 9
Offered by: Representative Seaton
Date: February 27th, 2012

It is the Intent of the Legislature that a pipeline operating agreement negotiated by the Alaska Gasline Development Corporation and shippers under the authority of HB 9 will to the greatest extent possible not be held as confidential except to protect trade secrets or direct competitive advantage.

*adopted
u.c.*

adopted

27-LS0075\S.1
Bullock
2/27/12

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 9(RES), Draft Version "S"

- 1 Page 1, line 10:
- 2 Delete "**projects**"
- 3 Insert "**contracts**"
- 4
- 5 Page 5, lines 14 - 25:
- 6 Delete all material.
- 7
- 8 Reletter the following subsection accordingly.
- 9
- 10 Page 18, lines 18 - 25:
- 11 Delete all material.
- 12
- 13 Renumber the following bill sections accordingly.
- 14
- 15 Page 18, line 30:
- 16 Delete "may"
- 17 Insert "shall"
- 18
- 19 Page 19, line 3:
- 20 Delete "may"
- 21 Insert "shall"
- 22
- 23 Page 19, line 6:

1 Delete "may"

2 Insert "shall"

3

4 Page 19, line 8, following "shall":

5 Insert "review and may"

6

7 Page 19, following line 15:

8 Insert new subsections to read:

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

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

1 subject to further review by the commission."

2

3 Page 19, line 18:

4 Delete "AS 42.05.141(e)"

5 Insert "AS 42.05.433"

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 9(RES), Draft Version "S"

- 1 Page 18, line 23:
- 2 Delete "the rate of return for"
- 3 Insert "rates of return accepted by the Federal Energy Regulatory Commission for rate
- 4 making purposes for interstate"

 LABLED

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 25, 2012

SUBJECT: Conceptual amendment No. 2 to Amendment 15 relating to rate of return review by the Regulatory Commission of Alaska; broad limitation on appeals.
(CSHB 9(RES); Work Order No. 27-LS0075\5)

TO: Representative Paul Seaton,
Co-chair of the House Resources Committee
Attn: Louie Flora

FROM: Emily Nauman
Legislative Counsel

----- and -----

Donald M. Bullock Jr.
Legislative Counsel

Conceptual Amendment

You requested a conceptual amendment to U.25 that was offered for CSHB 9(), draft version U, as follows:

The RCA shall review the rate of return on equity to pipeline owners. The rate of return on equity must be within the range of rates of return on equity commonly accepted for natural gas transportation pipelines of a similar nature in the United States. If the commission does not act within 180 days after the submission of an application by equity owners, the rate of return on equity shall be considered approved and shall be implemented. An application that is approved or considered approved under this section is not subject to further review by the commission.

We listened to the committee discussion about the conceptual amendment in order to try to understand the intent of the amendment. The committee concluded that if the contract rates for transportation of the natural gas provided an unreasonably high rate of return to the owners, the Alaska Gasline Development Corporation (AGDC) or other owners of the pipeline should renegotiate the transportation contracts to provide a lower rate of return. An unreasonably high rate of return results in a high transportation cost - and thus produces a lower gross value at the point of production. This is because the gross value at the point of production is calculated by subtracting out transportation costs. Please

Representative Paul Seaton
February 25, 2012
Page 2

keep in mind that gross value at the point of production is a factor both in the production tax and in determining the value of the state's royalty.

Generally, if transportation rates for gas are regulated by the Regulatory Commission of Alaska (RCA) under AS 42.05 or AS 42.06, RCA can be expected to consider the rates of return to the owners when determining just, fair, and reasonable rates. However, if the gas pipeline is not regulated by RCA the charges for transporting gas are determined by contract.

To best integrate the intent of the conceptual amendment, the enclosed committee substitute is revised in two places.

First, a new subsection (h) is added to AS 18.56.087 in sec. 1 of the draft. The new subsection requires AGDC to submit gas transportation contracts to RCA in the event that RCA is not already regulating the tariff for the pipeline. If RCA notifies AGDC that the contracts result in an unreasonably high rate of return to the owners, AGDC may renegotiate the contracts. If RCA does not notify AGDC within 180 days after receiving the contracts that the rates of return are too high, AGDC may assume the rates are reasonable.

Second, a new subsection is added to AS 42.05.141 in sec. 24 of the bill that requires RCA to review the rates of return under contracts submitted to RCA by AGDC.

Constitutional Issue

Finally, be aware that the amendment to AS 38.35.200(c) in sec. 12 substantially limits judicial review. This raises a due process issue and other issues relating to appeals of administrative decisions and access to the court.

ELN:DMB:med
12-070.med

Enclosure

CS FOR HOUSE BILL NO. 9(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

**Offered:
Referred:**

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

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 the development or construction of an oil or gas pipeline on state
7 land; relating to the lease of a right-of-way by the Alaska Gasline Development
8 Corporation for a gas pipeline transportation corridor; relating to the cost of natural
9 resources, permits, and leases provided to the Alaska Gasline Development
10 Corporation; relating to the review of natural gas transportation projects by the
11 Regulatory Commission of Alaska; relating to the regulation by the Regulatory
12 Commission of Alaska of an in-state gas pipeline project developed by the Alaska

1 **Gasline Development Corporation; relating to the Alaska Natural Gas Development**
2 **Authority; relating to the procurement of certain services by the Alaska Natural Gas**
3 **Development Authority; exempting property of a project developed by the Alaska**
4 **Gasline Development Corporation from property taxes before the commencement of**
5 **commercial operations; and providing for an effective date."**

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

7 * **Section 1.** AS 18.56 is amended by adding a new section to read:

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

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

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

27 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
28 property, an interest in property, a right-of-way, a franchise, an easement, other
29 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; and

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.

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

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

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

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

23 (f) The in-state natural gas pipeline fund is established in the Alaska Gasline
24 Development Corporation and consists of money appropriated to it. Unless otherwise
25 provided by law, money appropriated to the fund lapses into the general fund on the
26 day this subsection is repealed. The Alaska Gasline Development Corporation shall
27 manage and invest the fund to yield competitive market rates. The Alaska Gasline
28 Development Corporation shall invest money in the fund in the same manner and on
29 the same conditions as permitted for investment by the commissioner of revenue of
30 funds belonging to the state or held in the treasury under AS 37.10.070 and as
31 provided for fiduciaries of state funds under AS 37.10.071. Interest and other income

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

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

14 (h) If an in-state natural gas pipeline developed by the Alaska Gasline
15 Development Corporation under this section is not subject to regulation by the
16 Regulatory Commission of Alaska, the Alaska Gasline Development Corporation shall
17 submit contracts for the transportation of natural gas to the Regulatory Commission of
18 Alaska for a review of the rate of return to the owner of the in-state natural gas
19 pipeline. If the Regulatory Commission of Alaska makes a finding that the rate of
20 return to an owner of an in-state natural gas pipeline is unreasonably high, the Alaska
21 Gasline Development Corporation may renegotiate the transportation contract to
22 ensure a reasonable rate of return. If the Regulatory Commission of Alaska does not
23 make a finding that a rate of return is unreasonably high within 180 days after
24 receiving the transportation contract, the Alaska Gasline Development Corporation
25 may presume the rate of return is reasonable.

26 (i) In this section, "in-state natural gas pipeline" and "natural gas pipeline"
27 have the meanings given in AS 38.34.099.

28 * **Sec. 2.** AS 36.30.850(b) is amended by adding a new paragraph to read:

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

31 * **Sec. 3.** AS 38.34.050(a) is amended to read:

1 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
2 GASLINE DEVELOPMENT TEAM] may have access to information of all state
3 agencies that is directly related to the planning, design, construction, or operation of
4 the in-state natural gas pipeline.

5 * Sec. 4. AS 38.34.050(b) is amended to read:

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

13 * Sec. 5. AS 38.34.050(c) is amended to read:

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

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

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

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

27 * Sec. 6. AS 38.34.050 is amended by adding new subsections to read:

28 (e) The Alaska Gasline Development Corporation may enter into
29 confidentiality agreements necessary to acquire or provide information to carry out its
30 functions. Information acquired or provided by the Alaska Gasline Development
31 Corporation under a confidentiality agreement is not subject to disclosure under

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

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

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

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

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

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

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

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

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

13 * **Sec. 8.** AS 38.35.100(d) is amended to read:

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

29 * **Sec. 9.** AS 38.35.120(a) is amended to read:

30 (a) **Except as provided in AS 38.34.050(c), a** [A] noncompetitive lease of
31 state land for a right-of-way for an oil or natural gas pipeline valued at \$1,000,000 or

1 more may be granted only upon the condition that the lessee expressly covenants in
2 the lease, in consideration of the rights acquired by it under the lease, that

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

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

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

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

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

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

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

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

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

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

- 1 (8) it will, at its own expense, during the term of the lease,
2 (A) maintain the leasehold and pipeline in good repair;
3 (B) promptly repair or remedy any damage to the leasehold;
4 (C) promptly compensate for any damage to or destruction of
5 property for which the lessee is liable resulting from damage to or destruction
6 of the leasehold or pipeline;
- 7 (9) it will not transfer, assign, or dispose of in any manner, directly or
8 indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-
9 way lease, or any rights under the lease or any pipeline subject to the lease to any
10 person other than another owner of the pipeline (including subsidiaries, parents, and
11 affiliates of the owners), except to the extent that the commissioner, after
12 consideration of the protection of the public interest (including whether the proposed
13 transferee is fit, willing, and able to perform the transportation or other acts proposed
14 in a manner that will reasonably protect the lives, property, and general welfare of the
15 people of Alaska), authorizes; the commissioner shall not unreasonably withhold
16 consent to the transfer, assignment, or disposal;
- 17 (10) it will file with the commissioner a written appointment of a
18 named permanent resident of the state to be its registered agent in the state and to
19 receive service of notices, regulations, decisions, and orders of the commissioner; if it
20 fails to appoint an agent for service, service may be made by posting a copy in the
21 office of the commissioner, filing a copy in the office of the lieutenant governor, and
22 mailing a copy to the lessee's last known address;
- 23 (11) the applicable law of this state will be used in resolving questions
24 of interpretation of the lease;
- 25 (12) the granting of the right-of-way lease is subject to the express
26 condition that the exercise of the rights and privileges granted under the lease will not
27 unduly interfere with the management, administration, or disposal by the state of the
28 land affected by the lease, and that the lessee agrees and consents to the occupancy
29 and use by the state, its grantees, permittees, or other lessees of any part of the right-
30 of-way not actually occupied or required by the pipeline for the full and safe
31 utilization of the pipeline, for necessary operations incident to land management,

1 administration, or disposal;

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

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

11 * **Sec. 10.** AS 38.35.120(b) is amended to read:

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

20 * **Sec. 11.** AS 38.35.140 is amended by adding a new subsection to read:

21 (c) Notwithstanding (a) and (b) of this section, a right-of-way lease shall be
22 granted without cost to or reimbursement by the Alaska Gasline Development
23 Corporation created under AS 18.56.086.

24 * **Sec. 12.** AS 38.35.200 is amended by adding new subsections to read:

25 (c) Except as provided for an applicant under (a) of this section,
26 notwithstanding any contrary provision of law, an action or decision of the
27 commissioner or other state officer or agency concerning the issuance or approval of a
28 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
29 development, construction, or initial operation of a natural gas pipeline by the Alaska
30 Gasline Development Corporation, a subsidiary created by the Alaska Housing
31 Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this

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

16 (d) An appeal of a permitting decision by the Department of Environmental
17 Conservation under AS 46.03 or AS 46.14 that is made under authority delegated to
18 the Department of Environmental Conservation by the United States Environmental
19 Protection Agency is not

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

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

22 * **Sec. 13.** AS 40.25.120(a) is amended to read:

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

25 (1) records of vital statistics and adoption proceedings, which shall be
26 treated in the manner required by AS 18.50;

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

29 (3) medical and related public health records;

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

1 (5) to the extent the records are required to be kept confidential under
2 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
3 or retain federal assistance;

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

6 (A) could reasonably be expected to interfere with enforcement
7 proceedings;

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

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

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

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

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

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

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

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

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

30 (10) records or information pertaining to a plan, program, or
31 procedures for establishing, maintaining, or restoring security in the state, or to a

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detailed description or evaluation of systems, facilities, or infrastructure in the state, but only to the extent that the production of the records or information

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

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

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

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

(12) records that are

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

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

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

* **Sec. 14.** AS 41.41.010(a) is amended to read:

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

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

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

(3) THE OPERATION AND MAINTENANCE OF THE PIPELINE

1 SYSTEM;

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

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

7 * **Sec. 15.** AS 41.41.010(d) is amended to read:

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

14 * **Sec. 16.** AS 41.41.010 is amended by adding a new subsection to read:

15 (f) To honor delivery commitments in a contract entered into by the authority,
16 the authority and the commissioner of natural resources may pledge, as necessary,
17 royalty gas owned by the state and not otherwise committed by contract to other
18 purchasers of royalty gas. The commissioner of natural resources shall determine the
19 amount of gas that may be pledged and the price for that gas.

20 * **Sec. 17.** AS 41.41.020 is repealed and reenacted to read:

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

23 * **Sec. 18.** AS 41.41.060 is amended to read:

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

29 * **Sec. 19.** AS 41.41.070(d) is amended to read:

30 (d) In addition to its employees, the authority may contract for and engage the
31 services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors, and

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

5 * **Sec. 20.** AS 41.41.090(b) is amended to read:

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

11 * **Sec. 21.** AS 41.41.150(a) is amended to read:

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

19 * **Sec. 22.** AS 41.41.200 is amended to read:

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

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

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(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.

* **Sec. 23.** AS 41.41.990(2) is amended to read:

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

* **Sec. 24.** AS 42.05.141 is amended by adding a new subsection to read:

(e) Upon receipt of a transportation contract submitted by the Alaska Gasline Development Corporation under AS 18.56.087(h), the commission shall, within 180 days after receiving the transportation contract, make a finding as to whether the rate of return to an owner of an in-state natural gas pipeline is unreasonably high when compared to the rate of return for natural gas pipelines of similar transportation capacity and distance in the contiguous 48 states of the United States. The commission shall report its finding to the Alaska Gasline Development Corporation.

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

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

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

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

(d) The commission shall conduct an investigation and hearing to determine whether a contract submitted under (a), (b), or (c) of this section is just and reasonable. The commission shall either approve the contract as presented, or, if the commission finds that the contract is unjust, unreasonable, or unduly discriminatory or preferential, the commission shall disapprove the contract. If the commission does not act within 180 days after the submission of the contract, the contract shall be considered approved and shall be implemented. A contract that is approved or considered approved under this subsection is not subject to further review by the commission.

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

(s) Except for the review of a contract for the transportation of natural gas under AS 42.05.141(e), the Alaska Gasline Development Corporation created under AS 18.56.086, a joint venture, partnership, or other entity controlled by the Alaska Gasline Development Corporation, or a natural gas pipeline owned or financed by the Alaska Gasline Development Corporation is exempt from this chapter until all debt incurred to finance or refinance the cost of developing and constructing the natural gas pipeline is paid in full. However, the Alaska Gasline Development Corporation or a joint venture, partnership, or other entity that includes the Alaska Gasline Development Corporation may elect to be subject to regulation under this chapter to the extent and in the manner the Alaska Gasline Development Corporation elects and determines is appropriate.

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

Sec. 42.06.601. Exemption. The Alaska Gasline Development Corporation created under AS 18.56.086, an entity controlled by the Alaska Gasline Development Corporation, or a natural gas pipeline owned, operated, financed, or controlled, in

1 whole or in part, by the Alaska Gasline Development Corporation is not subject to this
2 chapter except to the extent and in the manner the Alaska Gasline Development
3 Corporation elects and determines is appropriate.

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

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

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

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

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

19 **TRANSITION AND LEGISLATIVE INTENT.** It is the intent of the legislature that a
20 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 5 of this Act,
21 AS 38.35.100(d), as amended by sec. 8 of this Act, AS 38.35.120(a), as amended by sec. 9 of
22 this Act, and AS 38.35.120(b), as amended by sec. 10 of this Act, that is entered into between
23 the commissioner of natural resources and the Alaska Gasline Development Corporation, a
24 subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086, before the
25 effective dates of secs. 5 and 8 - 10 of this Act be amended as soon as practicable after the
26 effective dates of secs. 5 and 8 - 10 of this Act to conform to the requirements of
27 AS 38.34.050(c), as amended by sec. 5 of this Act, AS 38.35.100(d), as amended by sec. 8 of
28 this Act, AS 38.35.120(a), as amended by sec. 9 of this Act, and AS 38.35.120(b), as amended
29 by sec. 10 of this Act.

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

- 1 REVISOR'S INSTRUCTIONS. The revisor of statutes shall change the catch lines of
2 (1) AS 38.34.050 from "Cooperation and access to information" to
3 "Cooperation; information sharing; permits, use of state resources, and leases"; and
4 (2) AS 38.35.200 from "Judicial review of decisions of commissioner on
5 application" to "Judicial review."
6 * **Sec. 33.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CS HB009
 Fiscal Note Number _____
 () Publish Date _____

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							
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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 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

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CS HB009

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.

AGDC has been asked to respond to the presentation given by Pedro Van Meurs to the Alaska Legislature on December 6, 2011. Specifically, the Committee has expressed an interest in the feasibility of the ASAP project given Mr. Van Meurs' findings as presented.

First, it is important to remember that neither AGDC nor Mr. van Meurs will determine the feasibility of any project. That is a question that can only be answered by the presence or lack of customers willing to participate in the project at the proposed tariffs. It is for this reason that AGDC has emphasized the importance of a successful open season in the decision to sanction this project. Without customers, there is no reason to build a pipeline.

That said, there are some specific issues that preclude AGDC from performing the type of detailed analysis that would be required to compare the findings listed in the report to the data studied and analyzed by AGDC in preparation of its report:

The assumptions used by Mr. van Meurs are not apparent from the conclusions he states. Without assumptions, an analysis is impossible.

Mr. van Meurs appears to have considered only the potential projects designed to monetize ANS gas. The impetus for ASAP was not one for export, but rather to meet in-state gas needs of Alaskans. The export component was considered by AGDC as a means for increasing throughput and thereby lowering the overall tariff. Again, since AGDC cannot determine what users will materialize, this was an assumption AGDC made. That assumption was validated by the presence of an anchor tenant in AGDC's Expression of Interest held in May, 2011.

The report does not indicate any specific economics on the ASAP project, and in fact appears to focus on export to Asia—something considered as a supplemental business to the main purpose of ASAP.

The report indicates the construction of a large greenfield LNG facility (new construction), while the AGDC report assumed existing facilities would continue to be utilized.

Mr. van Meurs indicated that a much smaller pipeline to Valdez or Kenai (presumably the ASAP line) would need to be heavily subsidized. Again, the market will dictate what if any subsidy might be required for the ASAP project.

Mr. van Meurs indicated that an LNG export scenario would likely require a lower "Government Take" than currently provided by ACES. This is a policy decision that only the Legislature and Governor can make.

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Governor Sean Parnell
STATE OF ALASKA

February 21, 2012

Mr. Scott Heyworth
Board Chairman
Alaska Natural Gas Development Authority
411 West Fourth Avenue, First Floor
Anchorage, AK 99501

Dear Mr. Heyworth and ANGDA Board Members,

Thank you for your January 13, 2012 letter regarding the Alaska Natural Gas Development Authority (ANGDA). As you know, significant and positive activities are underway that may yet calibrate into alignment on an Alaska liquefied natural gas (LNG) project.

Our goal is to get natural gas to Alaskans and markets beyond. Where the State has multiple natural gas efforts underway, including ANGDA, I have aggressively sought consolidation and focus of the State's efforts. We simply do not need the State going in many uncoordinated directions. With the recent introduction of House Bill 9, more discussion of consolidation of the State's efforts will occur in the Legislature. HB 9, among other things, would move ANGDA's function and governance into the Alaska Gasline Development Corporation. HB 9 appears to further the discussion of focusing the State's efforts toward commercializing Alaska's gas in Alaska's interests.

In considering the cost-benefits of HB 9, it is imperative that we be made aware of any and all ANGDA obligations, contractual or otherwise. In response to how ANGDA can support these efforts most effectively, ANGDA should not obligate itself nor proceed to more tightly entangle itself in any pending negotiations or commitments – whether toward development or distribution of propane for the North Slope, ANGDA board vacancies or appointments, or other contractual or substantive actions during this interim period.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell
Governor

From: Rep. Paul Seaton
Subject: FW: FYI conflict pkt
Attachments: conflict pkt.pdf

From: Scott Heyworth [<mailto:heyworth@aci.net>]
Sent: Sunday, February 12, 2012 5:03 PM
To: Rep. Eric Feige; Rep. Paul Seaton
Cc: Scott Heyworth
Subject: FYI conflict pkt

— Original Message —

From: Sikora, Kirsten L (DOR)
To: Tony Izzo ; Stark, Jeff P (LAW) ; Scott Heyworth ;
Sent: Friday, February 10, 2012 12:01 PM
Subject: FYI conflict pkt

These are the documents from the original conflict of interest concern raised by AGDC over ANGDA about 18 months ago.

"Shipper vs. Pipeline Builder Conflicts" per my Testimony last Wednesday.

Scott Heyworth

Chairman
ANGDA

To: Marcia Davis & Jim Cantor
From: Harold Heinze - ANGDA
Copy To: Dan Fauske, Dave Haugen, Scott Heyworth, & Don Benson
Date: August 9, 2010
Subject: ANGDA Participation in HB 369 In-State Gas Team

Dear Marcia & Jim:

I met on 08/04/10 with Dan Fauske, Dave Haugen, & Mike Buller (of AGDC). They expressed their concerns that ANGDA's access to project information and participation in work briefings of the HB 369 team would present a potential conflict with regulatory (FERC & RCA) rules, in that, ANGDA as a potential shipper would have an information advantage over other potential shippers. We also briefly discussed the restriction & implications of the Enstar licensing agreement.

ANGDA's participation in the APP and Denali pipeline open season on behalf of the electric utilities clearly identifies ANGDA as a potential purchaser and shipper of in-state gas. ANGDA's statutory direction and business plan define a potential role in building of an in-state gas pipeline system, including a connector lateral line (spur line). Both of these are core business activities of ANGDA and they are of significant benefit to the citizens of Alaska.

i ask that you clarify my understanding of the open season rules as they would apply to AGDC (as a gas pipeline company) and ANGDA (as a potential gas shipper and/or gas pipeline owner). i think a gas pipeline company must assure a level information setting for a proposed project during the open season by informing all potential shippers of key terms; usually accomplished by a very public internet posting satisfying regulatory information requirements. The gas pipeline company is obligated at the time it seeks firm financial commitments to fully disclose all information on their project to potential shippers; the information is usually protected from public disclosure at that time by confidentiality agreements (CA). While pressure from competing projects may restrict when gas pipeline project information is available to the public at large, the Environmental Impact Statement,

Commissioner' Finding, and Certificate of Public Necessity processes all require total public disclosure during the permitting of any project. During the development of a gas pipeline project a company may seek other pipeline companies as business partners in its project and in the course of those business discussions reveal confidential information under the restriction of CA's.

Additionally, the rules on affiliates involvement in the same gas pipeline project are designed to protect the public interest by preventing a pipeline subsidiary giving an unfair advantage to an affiliated potential shipper. Potential shippers may tell the pipeline company anything they wish (on a confidential basis). The gas pipeline company must avoid any internal communication with an affiliated potential shipper and strictly communicate the same information to all potential shippers. Foundation or anchor shippers are often offered an opportunity to directly participate financially in the pipeline project as an inducement for their commitment.

An additional complication is that the authorities & responsibilities of the in-state gas development team defined in HB 369 and the business structure set up under AGDC as a subsidiary of AHFC set different management roles. ANGDA is clearly not any part of AGDC, is at worst a distant affiliate, and there is no interlock of the ANGDA & AGDC Boards of Directors (a major indicator of an improper relationship). To date ANGDA's participation in the in-state gas team functions has only been advisory, as all business decisions to date have been made by the project team staff working with the AGDC executives. The only information we have received has been made publicly available on the AGDC website and ANGDA will continue to urge that full public release be the target of further contractor work.

The ANGDA view (on reflection) is that we do not need to see any of the work product covered by the Enstar licensing agreement on a restricted or confidential basis. Our review of the July final report indicates that further public disclosure should be considered in support of any of the study conclusions that AGDC may decide to carry forward.

Having recited all that, I ask your comments on whether I have captured the framework of a FERC & RCA regulatory overlay on the In-State Gas

Development team and AGDC as a subsidiary of AHFC (a public corporation of the State).

I would also like your input on the following suggested course of action in the relationship of ANGDA –and- AGDC, the team, & ASAP project team.

- 1. ANGDA can contribute to the HB 369 effort (as provided for in the fiscal note) by undertaken specific study assignments as long as it is the AGDC intent that the assigned work product will be published and made publicly available. Over one million dollars of funding was earmarked in the HB 369 fiscal note for this type of ANGDA effort. Study topics can include evaluation of alternatives; definition of gas treatment, NGL, value-added manufacturing, & LNG options; public outreach & presentations; and market & sponsor identification & relations.**
- 2. Until the In-State Stand Alone project is at a more advanced point of development and actually preparing for an open-season there should be little concern about ANGDA's involvement in the team discussion and advisory process, with the exception of items that AGDC intends to maintain as secret even into the open-season process. Those few restricted items can be considered in executive session and the AGDC executive will set attendance on those items.**
- 3. ANGDA is prepared to provide advice to the AGDC executive based solely on information that is or will be put into the public realm, or will be disclosed to potential shippers and/or potential partners in the venture.**
- 4. The AGDC executive should provide a written definition of tasks that ANGDA will be expected to participate in and/or provide advice on. ANGDA will document its communication with AGDC and the project team.**

Thanks

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA
99501

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

TELEPHONE: (907) 289-6501

**To: Dan Fauske
Leo von Scheben
John Binkley
Robert Swenson**

From: Harold Heinze

Date: August 12, 2010

Subject: Joint In-State Gas Line Development Team

Consistent with Sec. 38.34.060 Conflicts of Interest (a new section added by HB 369) this is a formal disclosure that the public corporation of the state (ANGDA) that I am the chief executive of, may from time to time, be affected by the in-state natural gas pipeline project or other matters under consideration by the development team.

ANGDA's functions as clarified and expanded in HB 369 broadly include in-state gas shipping and marketing, as well as, all aspects of an in-state gas pipeline system and marketing facilities.

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 or other regions of the state to market, including

- (1) the acquisition and conditioning of natural gas;**
- (2) the design and construction of the pipeline system;**
- (3) the operation and maintenance of the pipeline system;**
- (4) the design, construction, and operation of other facilities necessary for delivering the gas to market, including markets in the state; and**
- (5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of pipeline system projects.**

(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 other regions of the state, including the Alaska outer continental shelf, and its delivery to markets in the state for use by markets in the state or to tidewater for shipment to market by the authority are essential government functions of the state.

ANGDA has and is engaged in activities related to each of these functions. As part of the Alaska Pipeline Project and Denali Pipeline project "open seasons", ANGDA has identified gas suppliers and prepared bids for pipeline capacity. ANGDA intends to negotiate contracts for the delivery of this gas to Alaska electric utilities. To facilitate this goal, ANGDA is a member along with five electric utilities of the Natural Gas Supply Company.

In addition, ANGDA is currently pursuing project definition and business arrangements related to a North Slope propane supply point, modification of the Kenai LNG plant, potential gas spur pipeline partners, Valdez LNG export facilities, combined power generation & gas value added manufacturing facilities, and Cook Inlet gas storage.

I have been asked if ANGDA will submit a bid as a shipper should development of an in-state gas line proceed. Submission of a bid is an activity that would fit within ANGDA's statutory authority and which may make sense for ANGDA to explore. It is not presently included in the Board of Director's strategic direction or authorized by the Board, nor has the ability to issue bonds been authorized by the legislature.

cc: ANGDA Board members
Marcia Davis, Deputy Commissioner, DOR
Jim Cantor, Assistant Attorney General, DOL

STATE OF ALASKA

**ALASKA NATURAL GAS
DEVELOPMENT AUTHORITY**

SEAN PARNELL, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA 99501

TELEPHONE: (907) 269-6501

August 13, 2010

Don Benson
Scott Heyworth
Bill Jeffress
Kate Lamal
Dan Sullivan

Dear ANGDA Board members:

Mr. Fauske, as chair of the Joint In-State Gas Line Development Team, has asked that ANGDA resolve a conflict between being a potential in-state gas shipper and being a member of the gas line development "team". Based on the advice of AHFC counsel (Ken Vassar of Birch Horton Bittner & Cherot), the other team members concluded at a meeting yesterday that to avoid any lingering perceived conflict, ANGDA must either forswear any commercial participation in a gas line project developed by the team (i.e., bid for capacity during an open season) or withdraw as a team member.

This is a major decision for ANGDA, striking to the heart of our ability as a public corporation of the state to uniquely provide significant benefits to in-state gas consumers. There has not been any non-public information released to me nor have there been any team decisions to date. During the interim to the next ANGDA Board meeting, I will recuse myself, ANGDA staff, and our contractors from the gas line development team activities.

Mr. Fauske has indicated he will attend the ANGDA Board meeting scheduled for the morning of September 8, 2010. Both Mr. Cantor and Ms. Davis will be available to advise the Board. The Board packet materials for this agenda item will include all the background references, statutes, correspondence and advise letters available. If you have specific questions

for Mr. Fauske to respond to, we will pass them on to him. If there is specific information you need, we will provide the research. I will prepare a written recommendation and draft motion for the Board's consideration.

I attach several key reference documents that are currently available.

Sincerely,



Harold Heinze
CEO

cc: Speaker Mike Chenault
Senator Lesli McGuire
Dan Fauske
Leo VonScheben
John Binkley
Bob Swenson
Marcia Davis
Jim Cantor

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-5903
PHONE (907)269-5100
FAX (907)276-8554

October 4, 2010

Kenneth E. Vasser
Law Offices of Birch, Horton, Bittner & Cherot
1127 West Seventh Avenue
Anchorage, AK 99501

Re: Alleged Conflicts between ANGDA and the Gasline Development Team

Dear Mr. Vasser:

This office represents the Alaska Natural Gas Development Authority ("ANGDA"). I have received a copy of your letter to Dan Fauske that raises concerns about potential conflicts of interest that may result from ANGDA's participation in the Joint In-State Gasoline Development Team (the "Team") created by the Alaska Legislature. Specifically, you have raised concerns that:

1. Competitors of ANGDA will not provide the Team with information;
2. ANGDA is in a position to influence any plan developed by the team to favor ANGDA's interests;
3. There is an appearance of impropriety created by ANGDA's participation on the Team because ANGDA has a separate interest in the outcome of Team decisions;
4. If the Team is considered a pipeline owner, it may not be allowed to reveal information to ANGDA without making it available to all bidders;
5. The Team may not be able to obtain information from pipeline owners if ANGDA participates on the Team; and
6. The Team may be prevented from becoming an owner of any pipeline if ANGDA is a member.

We disagree that any legal conflicts between ANGDA and the Team are created by ANGDA's participation in this process. To the extent any conflicts could be hypothesized, they would be resolved by full disclosure.

The Legislature was fully aware of ANGDA's mission and therefore must have contemplated that the kinds of information you describe would be shared among all Team members. One of the purposes identified by HB 369 is to plan for development of an in-state natural gas pipeline that is "compatible but not competitive with" ANGDA projects. Indeed, the Team's composition was established to bring together knowledge and information from all relevant sources to "coordinate information sharing" necessary to develop a plan for natural gas development.

Although AS 38.34.060 makes members of the Team subject to AS 39.50 and AS 39.52, ANGDA's participation does not violate any provision in either of those statutes.

AS 39.50 address the duty of state officials to file an annual financial disclosure statement. It does not create any other duty, or make any conflict illegal or unethical. Once proper disclosure is made, AS 39.50 requires nothing more.

AS 39.52, the Executive Branch Ethics Act (the "Act"), also does not prohibit the participation of ANGDA on the Team. First, the Act only applies to individuals, not entities like ANGDA. Harold Heinze, CEO of ANGDA, is the individual on the Team representing ANGDA, but does not act in a personal, individual capacity. The prohibitions found in the Act at AS 39.52.120 - .190 apply only to (1) conduct that may impact personal interests, (2) conduct used for partisan political purposes, (3) acceptance of improper gifts, and (4) restriction on outside employment. Nothing from ANGDA's participation on the Team remotely raises any of these concerns. To the extent any ANGDA Board members have personal conflicts, they have been fully disclosed.

Second, even if there could be a conflict with ANGDA under AS 39.52, those conflicts would need to be addressed on a matter by matter basis to determine any potential violations. Current activities of the Team, which may include the acquisition of confidential information, can only create hypothetical conflicts that are not yet appropriate for analysis. We are unaware of any information sought by the Team that would create a competitive conflict with ANGDA. When that information is identified, potential conflicts of interest with individual members of ANGDA can be addressed.

Finally, the stated purpose of the Act includes this declaration at AS 39.52.010(b):

“The legislature declares that it is the policy of the state, when a public employee is appointed to serve on a state board or commission, that the holding of such offices does not constitute the holding of incompatible offices unless expressly prohibited by the Alaska Constitution, this chapter and any opinions or decisions rendered under it, or another statute.”

Nothing about ANGDA's participation is prohibited by the Alaska Constitution, or AS 39.50, or AS 39.52. The Legislature appointed members to the Team, and only the Legislature can remove them. To the extent any conflicts may exist, which we are unable to identify, they appear to have been waived.

Because there are no legal conflicts generated by ANGDA's participation on the team under AS 39.50 or AS 39.52, we are left with addressing practical concerns that may arise as a result of ANGDA's participation on the Team. All of these concerns appear to stem from the potential sharing of confidential information received by the team. You have expressed concern that ANGDA's competitors (other potential shippers of natural gas) may not share important information with the Team for fear that ANGDA would use this information to its advantage. You also raise some concerns that FERC or RCA regulations may prohibit potential shippers and pipeline owners from sharing certain information if ANGDA remains on the Team.

We do not know what competitors you refer to, or what information could be shared with ANGDA that would cause concern. But assuming a competitor was reluctant to share information that is deemed important to the Team's mission, then a number of options are available to address the concern, none of which would require that ANGDA be removed from the Team.

Of course, Mr. Heinze has agreed to keep any sensitive information shared with him confidential and separate from other ANGDA efforts. The information will not be shared with board members. As you know, ANGDA has facilitated the formation of a natural gas supply cooperative (“NGSC”) which consists of electric utilities that have an interest in obtaining natural gas from any successful project that develops and delivers gas from the North Slope. Anthony Izzo, an ANGDA contractor, is a member of NGSC, and also a contractor to ANGDA.

The NGSC may have commercial interests that could benefit from sharing information obtained by ANGDA through its participation in the Team. To resolve this issue, Mr. Heinze has agreed to remove himself completely from the NGSC, and will not share any information with it. The following is a list of efforts ANGDA proposes to further resolve any conflict concerns:

1. The ANGDA Board of Directors will instruct Mr. Heinze to compartmentalize ANGDA's work from the NGSC, its members, and others concerning potential shipper actions related to any in-state bullet line that results from efforts of the Team;
2. Mr. Heinze will treat all information from the Team as confidential;
3. Mr. Izzo will continue to represent ANGDA as a member of the NGSC, but Mr. Heinze will not provide Mr. Izzo, the NGSC, or others with any confidential information from the Team that is not also available to other shippers;
4. ANGDA will not be a bidder for any in-state bullet line that results from the Team's efforts;
5. Mr. Heinze, Mr. Izzo, and other ANGDA contractors will continue to work with NGSC on participation in the open season process for both the Alaska Pipeline Project and Denali gas line projects;
6. ANGDA will continue to work independently, but cooperatively, on in-state gas projects; and
7. ANGDA contractors can be a resource available to work on AGDC project tasks under RSA contracts.

We believe that implementation of these efforts will completely resolve any concerns with ANGDA's continued participation on the Team. These proposals have not been approved by the ANGDA Board, but will be presented for approval if they are acceptable to the Team and AGDC. Please let me know if this is acceptable to your client.

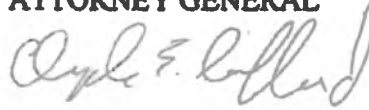
Kenneth Vasser
Alleged Conflicts between ANGDA and Gasline Development Team

October 4, 2010
Page 5 of 5

Thank you for your assistance and cooperation. I am confident we will be able to reach an accommodation that satisfies all parties so the Team's work can continue expeditiously.

Sincerely yours,

DANIEL S. SULLIVAN
ATTORNEY GENERAL



for By James E. Cantor
Chief Assistant Attorney General

JEC/CES/mdz

From: Rep. Paul Seaton
Subject: FW: Conflict of Interest
Attachments: DOC006.pdf

From: Scott Heyworth [mailto:heyworth@gcd.net]
Sent: Tuesday, February 14, 2012 4:25 PM
To: Rep. Eric Feige; Rep. Paul Seaton
Subject: Conflict of Interest

Co-Chairs Feige and Seaton:

Please review the 2 attached letters that document the serious problems of combining ANGDA and AGDC.

Scott

----- Original Message -----
From: Witz, Regina J (DQR)

Scott~
Here is the correspondence that you asked for.

Thanks,

Regina J. Witz
ANGDA, Alaska Natural Gas Development Authority
Acting Administrative Officer
(907)269-6501 Fax: (907)269-6531
411 W. 4th Ave. 1st floor
Anchorage, Ak. 99501

"Success is not the key to happiness.
Happiness is the key to success.
If you love what you are doing,
you will be successful."
- Albert Schweitzer

STATE OF ALASKA

**ALASKA NATURAL GAS
DEVELOPMENT AUTHORITY**

SEAN PARNELL, GOVERNOR

411 WEST 4th AVENUE, FIRST FLOOR
ANCHORAGE, ALASKA 99501

TELEPHONE: (907) 269-8501

February 8, 2011

Mr. Dan Fauske
Mr. Dave Haugen
Alaska Gasline Development Corporation
411 W. 4th Avenue, Ste. 1E
Anchorage, AK 99501

Dear Dan & Dave,

This memo is to document my non-participation in your project management decisions on the stand alone gas pipeline ("bullet line") connecting the North Slope to Cook Inlet. What started last summer as concerns by potential AGDC pipeline partners that ANGDA's position as an announced potential shipper on the TransCanada and Denali gas pipeline projects represented a conflict with my participation on the HB 369 team, has now come full circle.

I have in the past indicated to you that the benefit to the Alaskan consumer of ANGDA continuing its unique "discount" position as an open season participant with both big gas mainline sponsor groups is significant and measured in the range of \$200 million or more..

In the course of negotiating precedent agreements with the Alaska Pipeline Project and Denali - The Alaska Gas Pipeline over the last several months, both sponsor groups have made it clear that your bullet line work is "competitive" to their commercial efforts to advance their projects.

To avoid even the appearance of a conflict, I ask that you acknowledge in writing my non-participation in the "team" and pipeline project development decisions. Further, I request that in presenting the organization chart for the HB 369 effort you footnote that ANGDA is not participating as a pipeliner so it can continue as a potential shipper in a mainline gas project.

This does not impact your continued access to the public studies ANGDA has made available. Additionally, this does not impact your ability to timely work with ANGDA as one of the potential in-state gas shippers.

Sincerely,


Harold Heinze

Copies To: ANGDA Board Members



February 15, 2011

Harold Heinze, CEO
Alaska Natural Gas Development Authority
State of Alaska
411 West 4th Avenue, First Floor
Anchorage, AK 99501

RE: Response to ANGDA letter dated 2/8/11

Dear Harold;

Thank you for your letter regarding your potential shipper status on other gasline projects and your non-participation in the Alaska Stand Alone Gas Pipeline management decisions.

I understand and appreciate your responsibility to maintain a position that is not a conflict with your sponsor groups. I interpret your request and your "non-participation in the Team" comments as a resignation from the AGDC Joint In-State Team effective immediately. As President of AGDC, I accept your resignation and I appreciate your continued efforts to assist AGDC by offering ANGDA information that could progress our project work as spelled out in HB369.

Thank you for acknowledging the potential difficulties that could face ANGDA through any further participation on the Joint In-State Natural Gas Pipeline Team. We wish you continued success with your efforts on behalf of ANGDA, if we can be of any assistance please do not hesitate to let us know.

Sincerely,

Daniel Fauske
President

March 15, 2011

Dear Mr. Norton

You requested information on ANGDA's ability to maintain confidentiality of information from a gas pipeline sponsor group. This request relates to your intent to develop a mutual licensing agreement with a specific sponsor group. In particular, you requested a copy of the Attorney General's letter on the matter.

ANGDA, as a potential shipper, is currently negotiating with both sponsor groups of Alaska gas pipelines (Alaska Pipeline Project and Denali – the Alaska gas pipeline Project) under confidentiality considerations described in their public filings at the start of the open seasons. Initial interactions with both projects involved the review of project design information in "reading rooms", but no confidential information came into ANGDA's physical possession. More recent efforts have focused on the commercial contractual arrangements of a precedent agreement.

The FERC umbrella rules on confidentiality provide a legally significant exterior framework and may not apply to the AGDC situation since you are not a potential shipper.

At this point I do not feel I can give you a copy of the open season documents, but I have extracted and pasted below some relevant sections of the AG's analysis on ANGDA specific considerations.

- ***ANGDA is not obligated to release private business information:***

ANGDA's obligation to make its records available to the public under the Public Records Act is qualified by AS 41.41.150, which provides that information in ANGDA's possession 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." AS 41.41.150 goes on to provide that "[c]onfidential information may be disclosed only for the purposes of an official law enforcement investigation or when production is required in a court proceeding."

- ***ANGDA is not obligated to release information it does not possess physically***

With respect to paragraph ●, I have no knowledge of what information was placed in ● SRR. I understand, however, that ANGDA was granted access to the SRR, but never received copies of documents placed in the SRR, except documents that were available publicly. The Public Records Act requires disclosure of public records, but since ANGDA never received copies of any confidential documents in the SRR, ANGDA has no statutory obligation to – and as a practical matter cannot – disclose them. The Public Records Act does not compel ANGDA personnel who reviewed information in the SRR to disclose any information they may recall.

For similar reasons, the Public Records Act does not compel ANGDA to disclose information conveyed orally. Since the Public Records Act only applies to public records, and not employee knowledge, ANGDA personnel are not compelled to disclose confidential information orally conveyed to them. The Public Records Act therefore does not affect ANGDA's obligations under paragraph ● of the definition of "Confidential Information."

Please note that:

1. the ANGDA statute language in AS 41.41.150 (Public Access to Information) is unique;
2. ANGDA is a "potential gas shipper" working with a pipeline commercial team, not a competing pipeline making a business deal with another pipeline;
3. you may be contemplating taking possession of certain types of information that ANGDA has not; and
4. the ANGDA arrangement is strictly a one-way protection of private company business information, not a two-way information licensing arrangement.

Mr. Jeff Stark replaced Mr. Jim Cantor as the AG to ANGDA and your counsel Mr. Vassar may wish to contact Mr. Stark directly for guidance on the specific objectives of the pipeline to pipeline business arrangement you propose. Mr. Stark would be the best source of information on provisions related to FOIAs

Harold Heinze ANGDA



Louie Flora

From: Rep. Paul Seaton
Subject: FW: LNG Comparison
Attachments: LNG Comparison.pdf

From: Jenni Zielinski [<mailto:swpilots@ak.net>]
Sent: Tuesday, February 14, 2012 1:27 PM
To: Rep. Paul Seaton
Cc: Rep. Eric Feige
Subject: LNG Comparison

Dear Representative Seaton and Representative Feige,

Please find a copy of a letter attached dated June 2, 2011 sent to the current administration regarding the Navigational Comparison between Valdez and Cook Inlet for large LNG export facility. Please do not hesitate to contact me with any questions.

Best regards,

JENNI ZIELINSKI
OFFICE MANAGER
SOUTHWEST ALASKA PILOTS ASSOCIATION
ALASKA NAUTICAL SERVICES, LLC
907-235-8483 EXTN 2
907-235-6119 FAX
SWPILOTS@AK.NET

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SOUTHWEST ALASKA PILOTS ASSOCIATION

P.O. Box 977
Homer, Alaska 99803

Tel: (907) 236-6769
Fax: (907) 236-6119

June 2, 2011

Lt. Governor Mead Treadwell
Alaska State Capitol Building
Third Floor
Juneau, AK 99801

Via email: meadwell@alaska.net

Dear Sir;

RE: Navigational Concerns between Valdez and Cook Inlet for large LNG export facility.

Southwest Alaska Pilots Association is the State recognized marine pilot association providing pilotage service for region two - South Central Alaska. The Association has been providing this service in Cook Inlet since the founding of the organization and has been servicing the Valdez TAPS trade since its inception. LNG export tankers from Nikiski (Cook Inlet) are serviced by our organization. We also provide pilotage for the shuttle tankers operating in Cook Inlet which move oil from Valdez to Nikiski, providing the facility that refines aviation fuel and gasoline for the Alaska market. This experience provides our Association with the ability to compare the feasibility of operating a large LNG tanker facility in either Valdez or Cook Inlet.

Cook Inlet tides and currents are known to be extreme, with the average flood and ebb current at Nikiski being 3.9 knot flood and 2.3 knot ebb (2011 NOAA, Tesoro Pier Nikiski Pier). The location of the Nikiski docks provides a lee from the full extreme of the ebb current. These strong currents require deep draft vessels to stem the current when docking and undocking typically port side alongside, thereby creating specific windows of time when vessels may be docked and undocked. Predictably, half the tidal cycle forms the window for these maneuvers, with a typical cycle being every six hours. This requirement does create timing restrictions that may cause delays for vessel maneuvering. Current velocity requires vigilance when maneuvering and would be a limitation to the size of vessel that may be operated safely at Nikiski.

East Forelands provides a lee from the ebb current and the ice coming down from upper Cook Inlet. Typically these piers are exposed to ice approximately three months per year. The ice in Cook Inlet does affect navigation of vessels when operating in that area. The size of vessels is a consideration that needs to be utilized when considering year round operations for Cook Inlet shipping. Typically the vessels that frequent Nikiski are considered shuttle tankers - 50,000 to 110,000 DWT. The LNG tankers that were calling upon Nikiski had a carrying capacity of 90,000 MT utilizing a deep draft of 12 meters. Larger LNG tankers may be utilized; however the size of ship would still need to be limited and would need to be

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considered a shuttle tank vessel by industry standards. Tidal range and depth of water available will also be a restricting factor for the size of vessel operating at Nikiski. Present depth alongside the facilities at Nikiski and the shoal depth for approaches to Nikiski could limit the depth of the vessels to approximately 15 meters.

Nikiski mooring requirements would need to be analyzed closely relating to the size of the vessel. Nikiski does experience fetch from ocean swell because it is exposed to the south. This exposure can create a situation where vessels may not be capable of mooring alongside during certain situations such as when a tug assisting will be unable to remain alongside the vessel due to swell. The vessel may cause damage whilst moored when extreme conditions exist, causing a surge of the vessel alongside the pier. These limitations for Nikiski are minimized by utilizing the smaller shuttle tanker size vessels.

Wind is a critical factor when operating large high profile ships such as LNG tankers. LNG tankers typically will have little draft fluctuations between a loaded state and empty status as compared to oil tankers. This is due to the weight of the oil as compared to the limited weight of the gas. Valdez typically has higher winds and longer sustained winds than Nikiski. Both ports experience summer sea breeze winds with the port of Valdez having west winds and Nikiski experiencing south winds. Winter winds are typically stronger for both ports and both experience the same direction north to north east winds. Nikiski winds typically will be shorter in duration with less velocity than Valdez. Valdez winds can be significant and may cause delays in mooring and transiting the Valdez narrows. Nikiski winds typically do not cause delays because they are not as strong and are shorter in duration.

Dock alignment will be critical in Valdez to permit the vessels to work up into the wind to facilitate a safe mooring operation. Nikiski dock alignment will be necessitated by the direction of the current requiring vessels to be parallel to the predominate direction of the current.

Valdez has no constraints with consideration for the size of vessel that can operate safely. Oil tank vessels that used to frequent Valdez TAPS terminal were considered VLCC (Very Large Crude Carrier). These vessels were 300,000 DWT tankers and had no restrictions with fully loaded drafts of 24 meters. LNG carriers of any size would be able to operate in the port of Valdez with no draft limitations, including the approaches to Valdez which are all deep water. Valdez narrows is not a limiting factor for vessel movements as the narrowest point, being abeam Middle Rock, is in excess of half a mile.

Valdez current predictions are weak and variable per NOAA, however this does not account for the fresh water mixture occurring in summer months causing unpredictable layered currents that affect deep draft vessels. This current affects docking and undocking maneuvers dependent on the draft and amount of fresh water mixing at any time. This current does not cause delays and is compensated for by utilizing the tug assistance that is available.

The Port of Valdez is an ice free port and is protected from sea swell and fetch from outside swell conditions. This permits the large vessels to safely moor without surge occurring whilst operating at the facilities. Mooring requirements would be similar to any other port that doesn't experience fetch.

Security for tank vessels operating in the port of Valdez is well established and monitored by USCG. TAPS terminal has an established security zone designated by visible buoys. This area is advertised in the Valdez small boat harbor as restricted entrance for all vessels. The zone is also monitored by USCG

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radar and USCG vessels. Compliance with the restricted area is mandatory and is enforced by USCG. Coast Guard vessels will frequently escort, or shadow, tank vessels operating in the busy summer season enforcing the moving security zone surrounding the tankers. Nikiski does not have similar security for the tank vessels operating in Cook Inlet. USCG radar and vessels are not available in the Nikiski area and Cook Inlet is not monitored by the USCG as with Valdez and Prince William Sound.

Valdez SERVS provides the escort system for tank vessels that are escorted by two tugs within the port and whilst transiting Prince William Sound. This escort system is not available in Cook Inlet; however Tesoro has positioned a tug boat at the Nikiski docks.

In conclusion Valdez is capable of providing a year round viable shipping facility for LNG export. This statement is verified by the present TAPS export facility operating from the port. Nikiski would not be a viable operation for year round, large LNG ship operations but shuttle ships can operate year round as has been proven by the history of this port. Shuttle ships have been moving crude oil from Valdez to the refinery at Nikiski and Nikiski has proven the location is a viable facility for exporting LNG to Japan for many years. However these ships were specially built for this run, with size being one of the determining factors for success. SWAPA's recommendation is that an LNG export facility should be built in Valdez with a shuttle LNG tanker utilized to transfer the gas from Valdez to Nikiski thereby providing the necessary gas for Alaskans. This same process has been occurring for years, utilizing oil instead of gas.

I hope this information is helpful and if you have any questions, please do not hesitate to contact us.

Sincerely,

Capt Jeff Pierce

Capt. Jeff Pierce
President
SWAPA

by J12



ALASKAN NATURAL GAS TO LIQUIDS COMPANY

February 9, 2012

Representative Paul Seaton
State of Alaska
State Capitol Room 102
Juneau AK, 99801

Re: AGDC providing a sub-optimal solution, what can the Legislature do?

Dear Representative Seaton:

- Was AGIA a half billion dollar mistake?
- Could ASAP be another \$400 million mistake?
- Why did AGIA undertake clearly gas producer obligations?
- Will AOGCC allow for the sale of Prudhoe Bay gas? How much?
- Why is the Legislature tethering AGDC's hands?

During the recent Chenault - Hawker HB 9 press conference the comment was made that the current multimillion dollar AGDC in-state gas pipeline analysis would result in a **sub-optimal finding**. No further comment was made on the issue but clearly it referred to the fact that HB 369 placed limitations on Fauske's group. It assumes that the AGIA gas line is built while AGDC is evaluating a gas line route from the North Slope that could only occur if an AGIA gas line was not built. What should the Legislature do to rectify this oversight? The Legislature needs to amend HB 369 to look at two base options:

1. One where an AGIA gas line is built and
2. One where there is no AGIA gas line.

What should the ultimate goal be, in our opinion *"the lowest cost sustainable gas delivery system for the people of Alaska"*!

The people who brought you AGIA say the State cannot support any in-state gas line or any other gas line project that exceeds 500 million cubic feet per day of capacity. Ok, but how is evaluating and determining the best options for the State (its people) based upon today's facts supporting another pipeline? The State needs to find out what is the best option for its people assuming that AGIA does happen and more importantly what is the best option if AGIA doesn't happen. It is clear that a large diameter gas line from Prudhoe Bay to AECO, Canada supplying natural gas to the lower 48 cannot happen



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within the time frame of the AGIA program. The CEO of ConocoPhillips recently said this gas line option is DEAD, won't happen, isn't economic. AGIA lite, now favored by the Governor a gas line to Valdez with an LNG export facility doesn't need 4.5 Bcf/d of gas so why is the in-state gas line still limited to 1/2 Bcf/d?

AOGCC's position has not changed over the years; Prudhoe Bay natural gas is needed on the North Slope to recover the maximum amount of crude oil. Taking 3 or 4 Bcf/d of natural gas from the Prudhoe Bay Unit may result in loss of recoverable crude oil. Why would any rational person commit to spend a half of billion dollars of State funds when it had no assurance that all of the gas needed to support this project would be available?

Just recently an ANGDA member asked the Commissioner of AOGCC was there even enough gas to support an in-state gas line? The Commissioner's response was there appears to be many Tcf's of yet to be discovered natural gas on the North Slope not associated with the current crude oil fields that could support a gas line. Build it (the in-state gas line) and the natural gas developers will come. Sort of puts a whole new prospective on spending \$500 million to support AGIA.

If there is no AGIA gas line can the in-state gas line be economic? Is it possible to combine the need for in-state gas supplies with a GTL export program located in Southcentral utilizing the federal support already approved and still make it economic? We think yes but it won't be easy – consider these five points:

- Federal Loan Guarantee can apply to an in-state gas line GTL option;
- In-State gas line 1+ Bcf/d, single phase \$1.5/mmmbtu tariff;
- Producer provided gas cleanup under \$1/mmmbtu
- Anchorage jet fuel market 35,000 bbl/d (300 mmcf/d)
- AOGCC can possibly support today up to 1 Bcf/d of sale by 2018

I will show later why these points can make a difference but first a little gas history and supposition.

For fifteen years now ANGTL has pioneered a GTL option for the North Slope. The North Slope is the clear winner for locating a GTL plant period. The North Slope GTL program took into consideration AOGCC's concerns and designed the program in phases never taking more than ½ Bcf per day until the impact on crude oil recovery was known. Possibly the only negative of a NS GTL program is that it does not get natural gas to Fairbanks, to interior mineral locations and down the railbelt. One can only assume this last reason was the driving force behind the Administration and Legislatures support of a gas line project to the lower 48. This State support did



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however cause the U.S. Congress to provide economic incentives assuming the North Slope natural gas was delivered to the Lower 48. While it is clear that the Congress had no intention of supporting a natural gas export program to Asia, that might not be the same with respect to delivering North Slope natural gas to U.S. markets albeit in a different form – say liquid transport fuels.

At times Exxon has also indicated that GTLs may be the preferred route but has never chosen to bring its support or its AGC 21 technology to the table nor for that matter really support a major gas market development program with its own money.

Exxon knows that the North Slope natural gas must be treated to remove excess CO₂ and sulfur before it can be marketed so it took millions of AGIA money to study its options as a Prudhoe Bay gas producer/owner. One need not wonder why Exxon is claimed to be the best run oil company in the world. Yet the State of Alaska claimed that Exxon was supporting a gas pipeline to the Lower 48. Can anyone show me that in writing? We contend that Exxon opted to appear to support the AGIA program to head off the States litigation on Point Thompson. How is that going for Exxon?

ConocoPhillips and BP opted to spend their own money to study a gas line and LNG option mostly out of fear the State of Alaska would try some sort of litigation on the lack of progress towards bringing North Slope natural gas to market. Yet, according to AOGCC, BP as Prudhoe Bay operator has yet to ask AOGCC to approve the sale of 3 Bcf/d or 4.5 Bcf/d of natural gas. You would think AGIA and the gas owners would want to know upfront how much natural gas AOGCC would approve for sale and removal from the North Slope.

The bottom line in our opinion, none of the North Slope oil majors are going to invest tens of billions until they have an absolute iron clad agreement with the State on how their oil, natural gas and incremental capital investments will be treated for tax purposes. When you consider the rules have recently changed with respect to depreciated assets like TAPS, you can see the concern of any Alaska energy investor.

2012 – Now What?

Here we are early 2012; the gas market in North America won't support a gas line from Alaska. Every major gas supplier in the world is evaluating an LNG program focused on Asia. British Columbia has sanctioned two LNG export projects at Kitimat and is finalizing a third for Shell and China. Governor Parnell has found the LNG religion and is claiming the three oil majors are supporting his efforts. Really, this must have come during the closed door meeting. Finally the Alaska Legislature is poised to fund an



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additional \$200 million for AGDC to continue developing (should it be for studying) a **sub optimal** in-state gas line option (Rep Hawkers comment I believe not ours).

AGDC is being forced to develop an in-state gas pipeline option limited to 500 million per day of capacity because the AGIA line to Canada needed 4.5 Bcf/d. However, the AGIA LNG option now favored by the Governor is for only 3.5 Bcf/d. Why is the in-state gas line still limited to 500 million? For that matter why would the in-state gas line be limited to 500 million if the proposed ANGTL market was an export market and not consumed in-state? Worse yet the AGDC evaluation is from the North Slope to Anchorage, a gas line that would only be built if AGIA fails to launch. *So why evaluate a project that assumes AGIA has failed but limit the evaluation to conditions that assume AGIA was successful?* AGDC claims that the Legislature has restricted them to this point even though the AGIA forced limitation is only for supporting a project – it doesn't say anything about evaluating a project to determine options and costs.

It even gets stranger when you consider that the in-state gas line owner, AGDC is undertaking the clear obligation and responsibilities of the gas producers, Exxon, BP and ConocoPhillips to clean up its North Slope natural gas for sale to a pipeline; plus take on the added responsibility of handling North Slope LPGs. Can anyone point to a location in the world where this is not the responsibility of the gas owner unless he owns the gas pipeline? I did not think so.

Before AGDC gets too far down the road with the EIS filing, engineering evaluations it is time for the Legislature to amend its charge to AGDC. We, the people of Alaska deserve the best option, the lowest delivered cost, for an in-state gas pipeline. As a minimum we should know – *“what is the best option if an AGIA gas line is built” and “what is the best option if an AGIA gas line is not built”*. We should also be told *“what is the incremental cost of dealing with the North Slope LPGs”*. Alaskans deserve better than *“well the delivered gas price from Prudhoe Bay to Southcentral is no more than imported LNG”*. Really, is that you want to tell your constituents?

Combining an in-state gas line and a GTL export program.

Now back to our original statement; “Is it possible to combine the need for in-state gas supplies with a GTL export program located in Southcentral utilizing the federal support already approved and still make it economic?” Yes but it won't be easy.

If you look at the AGDC report made to the Legislature last July they indicated GTLs were the least economic program. We agree that with \$9 to \$10 delivered natural gas to Southcentral and a 50% equity investment there is no way a GTL program would be



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financeable. But then there is no way an LNG export program can work unless LNG's long term delivered price remains above \$16/mmbtu plus ConocoPhillips and Marathon give up their preferential right to supply the Kenai LNG plant with their own natural gas. We see several faults with the AGDC gas line analysis but let's focus on just four points.

1. The fact that the AGIA gas line proposal to AECO, Canada was terminal was a well-known fact by June 2011. I believe the Legislature clearly saw this development in 2010, when it sanctioned AGDC. Without the \$20+ billion federal loan guarantee the economics of the gas line changed dramatically. The second option, a gas line feeding an LNG project for export at Valdez could not survive a 40% to 50% equity requirement and a gas line to Southcentral with a major LNG plant in the Cook Inlet is outside of the original AGIA program. Remember equity return is 15% to 20%, debt is 5% to 6%.

The 2004, Alaska Gas Line Act is very specific, Alaska North Slope natural gas must flow to the Lower 48 by pipeline and reduce U.S. imports of natural gas. GTLs may be able to get around this issue. A GTL plant located in Southcentral converting Alaska North Slope natural gas (a hydrocarbon) into transportation fuels (also hydrocarbons) and delivering these very clean fuels to only U.S. markets including the U.S. Military, may qualify. Yes, you will need to amend the federal legislation but it will never be amended to support the export of Alaska natural gas as LNG to Asia. If amended, then the gas line leading from the North Slope to Southcentral along with supporting GTL program could qualify for the 80% debt – 20% equity support contained in the Act. A 20% equity position dramatically changes the economics. Also the federal loan guarantee would support an Alaska Tax Free Bond issue and allow for 20 year financing. We still need to get the throughput up to get the tariff down. Many will say the North Slope Oil Majors are not interested in the federal loan guarantee or 20 year financing. They can easily pay off the gas pipeline in 10 years but what is the tariff. Can or will the market support a \$6 tariff when it could be \$3 or lower if financed over 20 years.

2. The in-state gas line was limited to 500 mmcf/d by AGIA. We have discussed this issue above but the bottom line is that since there will be no gas line to AECO, Canada this volume limitation should not be there. Without a gas line to Canada there really is no ready market for the liquids at Valdez and certainly not at Anchorage or Fairbanks. Should AGDC be forced to look at a very high cost dense phase gas line? Has AOGCC determined that the liquids would be better utilized recovering incremental oil for the North Slope?



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Second, it can be argued that since the proposed GTL program is an export program there never should have been a limitation imposed because it's not for "in-state" consumption. This is one of those issues that could be resolved in Court or by allowing TransCanada to build and own a portion of the gas line from the North Slope to Fairbanks in exchange for allowing this initial phase to exceed 1/2 Bcf/d. Is having a piece of something better than having nothing. Of course since they are being reimbursed for 90% of the costs does TransCanada have any incentive to change?

Enstar who did the original in-state gas line cost estimates showed that with a throughput exceeding 1 Bcf/d the tariff would be close to \$1.50 / mmbtu.

3. AGIA made the offer to remove the CO₂ and sulfur, clearly a producer responsibility plus take all the North Slope LPGs. While the capital cost of cleaning the natural gas could be rolled into the cost of the in-state gas pipeline, its operation and responsibility should be solely that of the gas producer. The gas producer owns and operates the existing gas separation plant which will not be part of the in-state gas pipeline project. Shouldn't we do the same for the gas conditioning plant? The cost of the gas pipeline operating at normal pressures with no liquids separation plants straddling the pipeline at Fairbanks, Anchorage and other delivery points will be far less than currently projected dense phase gas pipeline project according to one of the lead engineering companies working on the AGDC program. Let the North Slope gas producer develop a LPG (propane and butane) market and deliver these products to that market or utilize these LPG fuels on the North Slope for heavy oil recovery.
4. Market demand is critical to any major energy project. Today all gas developers across the world are focused on supplying LNG to Asia, primarily Japan and Korea. Natural gas has been selling for \$3/mmbtu in North America, \$8/mmbtu for LNG delivered to Germany and upwards of \$16/mmbtu for LNG delivered to Japan. We can see the reason for some of the Asian premium price due to the Japanese nuclear plant shut down; however, at no time in history has the value of natural gas across the world had such a wide divergence in price. Low cost gas sellers are chasing these high value markets while these high value markets are seeking lower cost supplies. The two can't help converging somewhat in the near future. Crude oil continues to sell at record multiples to natural gas in North America approaching 30 to 1 while at 9 to 1 in Asia.
Despite claims of low refinery margins, finished transport fuel products continue to command premiums. While many are singing the praise of LNG approaching \$16/mmbtu in Japan, diesel and jet fuel are selling for \$25/mmbtu on the U.S. West

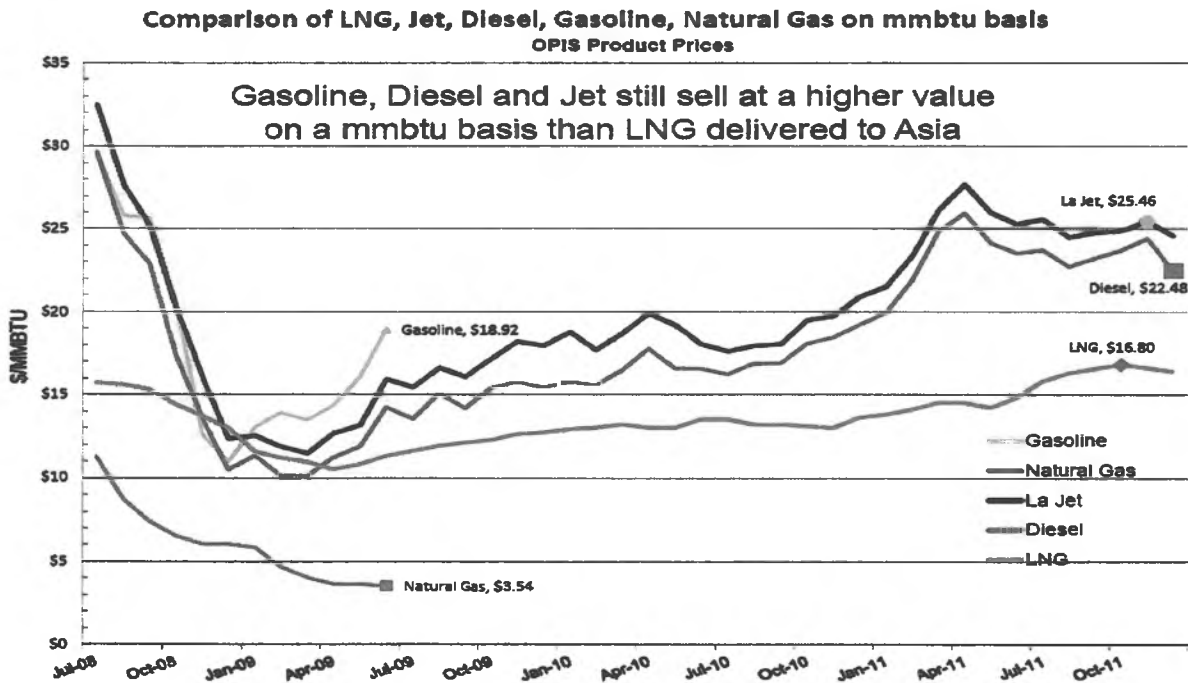


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Coast, even more in Anchorage, Alaska. You can chart this difference for years; finished transport fuels on the U.S. West Coast always sell for a premium against LNG anywhere in the world.

Add to this premium price for finished fuels Anchorage airport now imports more than 30,000 bbl/d of jet fuel for its daily 60,000 bbl/d requirement. A Southcentral GTL plant can replace this imported jet fuel at its back door. Not having to ship at least 30% of your product a great distance improves the net back. It is conceivable that between the Anchorage airport jet fuel requirement and the military demand for F-T fuels, up to 75% of a Southcentral GTL plant products will be sold at the plant outlet adding to the GTL plant netback.

The Chart below illustrates the higher value for transport fuels on the U.S. West Coast. Generally Anchorage transport fuels are 5¢/gallon (\$2/bbl) higher than West Coast prices and as much as 10¢/gallon over Asian prices. (The cost of shipping.)



The AGDC report claimed Alaska liquids were somehow tied to Cushing WTI prices. Really, one of the main reasons to build the Keystone XL oil line was to relieve the bottleneck at Cushing which has caused Cushing to sell at a marked discount to Brent, its traditional parity point. Alaska crude and transport products are tied to West Coast prices not midcontinent prices. Why, because there is no physical way (pipelines) to tie the two locations together.



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LNG will be chasing a limited market. GTLs will be chasing an almost unlimited market in the U.S. There are three GTL plants currently operating in the world. Sasol is looking at two new GTL plants in North America, one in Louisiana and one in Alberta, Canada but both will be feeding markets east of the Rockies. An Alaska GTL program will be the only U.S. based GTL plant capable of supplying the Western U.S., with the highest market value in the world.

At \$9/mmbtu natural gas no GTL plant can be competitive in the world period. However, increase the throughput to over 1 Bcf/d dropping the tariff to \$1.50/mmbtu saves Alaska railbelt customers \$ billions and actually can attract commercial gas customers to Alaska. Amending the Alaska Natural Gas Act of 2004 to allow North Slope natural gas delivered as transport fuels to U.S. fuel markets to qualify for the federal loan guarantee improves the economics of both the gas pipeline and GTL plant, lowers the pipeline tariff plus improves the net back to the well head. Having a local market for upwards of 75% of the GTL plant output adds to the netback and improves overall economics. Having an Alaska based F-T plant is a major plus for serving Pac Rim military needs.

While not the best location for a GTL plant, a targeted Southcentral location can support the need for supplemental gas supply throughout the railbelt, reduce U.S. dependence on imported energy and may not bust any AOGCC limitations on Prudhoe Bay gas used outside of the North Slope. If you expect or want support from the federal level you need to reduce U.S. dependence on imported energy.

There is no market in the Cook Inlet for an EOR program utilizing CO₂. A properly designed GTL plant that converts CO₂ into additional fuels will help satisfy GHG concerns.

The question to answer is will this Administration / Legislature continue to explore a sub-optimal pipeline evaluation when it can amend this charge today. Will the present Administration / Legislature follow the missteps of the previous Administration or Legislature in evaluating a gas pipeline that includes clear producer responsibilities?

Best regards,

Dick Peterson

Richard Peterson
President
ANGTL Company
310 K Street, Suite 200
Anchorage, AK 99501
(907) 264-6709

From: Rep. Paul Seaton
Subject: FW: Gas Pipeline comment

-----Original Message-----

From: Brad Henspeter [<mailto:crr@cvinternet.net>]
Sent: Friday, February 17, 2012 9:22 AM
To: Rep. Paul Seaton
Subject: Gas Pipeline comment

Honorable Representative Paul Seaton
Alaska State Capitol Building
Juneau, Alaska 99801

Dear Representative Paul Seaton,

I'm a thirty-year, full-time resident of the Copper River Basin. I operated my own Real Estate office for 22 years and worked for the Copper River School District for seven years back in the 80's. The Copper Basin needs good quality, year around jobs both now and in future years. The gas line to Valdez is the most feasible and reliable way to provide those jobs for current residents and for our children in future years. The high cost of energy in our District makes our area noncompetitive for many businesses. The gas line will help. Let's act now to ensure Alaska has affordable energy, and those needing reliable energy in the Lower 48 or abroad can count on Alaska to provide it. Please work to see that the gas line to Valdez is constructed. Thanks for your effort.

Brad Henspeter
Mile ½ Brenwick Craig Rd.
Copper Center, AK 99573
crr@cvinternet.net

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This email is 'confidential', and meant for the purposes of the intended recipient only. If you feel you have received this email in error, please notify the sender.

From: Rep. Paul Seaton
Subject: FW: HB09

From: Larry Wood [mailto:Lawrence.D.Wood@terrawash.com]
Sent: Wednesday, January 25, 2012 3:59 PM
Cc: sean.parnell@alaska.gov; jmacinac@alaska.net; 'Mike Porcaro'; 'Bill Walker'; 'April Moore'; 'Anna von Reitz'; bitney@acsalaska.blackberry.com; 'Candy Gibson'; 'Larry devilbiss'; 'Dan Selley'; 'Larry Wood'; 'Sidney Wood'; 'Jim Sykes'; djpioneer@mtaonline.net; 'David Otness'; 'Linda Langley'; 'db~DebbieBrown'; emanny@gci.net; diana1straub@hotmail.com; 'The Rupright's'; 'Heather Resz'; 'William Warren'; Senator_Lyle_Hoffman@legis.state.ak.us; Sen. Joe Paskvan; Sen. Albert Kookesh; Sen. Bert Stedman; Sen. Bettye Davis; Sen. Bill Wielechowski; Sen. Cathy Glessel; Sen. Charlie Huggins; Sen. Dennis Egan; Sen. Donny Olson; Sen. Fred Dyson; Sen. Gary Stevens; Sen. Hollis French; Sen. Joe Thomas; Sen. John Coghill; Sen. Johnny Ellis; Sen. Kevin Meyer; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Tom Wagoner
Subject: HB09

With HB09's introduction, there appears to be an attempt at a final disconnect to the voter's will expressed under AS 41.41, as mandated with the passage of Prop 3 in 2002.
Reps Chennault and Hawker have chosen to continually push the least viable of any pipeline alternative in-state offered to date.

With the finds in the Kenai/Cook Inlet fields, there is less incentive to bring this gas down a route that is not even finalized, much less had one permit issued after \$23,000,000 has been squandered.

Now, another \$200M will be squandered as if it was nothing.

It makes more sense to continue the work of ANGDA to move a line in the opposite direction from Nikkiski to FBKS, which more directly would complement the all-Alaska natural gas pipeline to Valdez.

This Franken-agency that is AGDC is made for failure from the start. Alaska Housing Financing Corp is the lead agency for a natural gas pipeline construction project?

I realize that it was about bonding, but, let's face it, were this project viable, the PF has the money.

All it would have taken is leadership to commit to make it happen, which are sadly lacking in Juneau.

Same for the all-Alaska natural gas pipeline to Valdez.

AGIA is dead, both versions.

Exxon will not compete with itself in Asia, neither will Conoco, or BP.

TransCanada has a conflict of interest with Foot Hills' interest in the Kittimat, B.C. LNG terminal project.

Canadian companies will not compete with a Canadian project, which AGIA is competition.

Two LNG export terminals are being brought on-line in LA, another permit has been issued for Coos Pass, OR.

That makes three LNG EXPORT terminals being permitted in the U.S. to export domestic shale gas.

How many times does the Governor and this Legislature have to be shown the error of their ways, when the information is readily available in the industry news?

Now, we are back to squandering money on Hawker's and Chennault's appeasement project for Enstar that must be subsidized for the life of the project, that is soooooo economically viable that LNG from Russia can be shipped to Cook Inlet cheaper.

I can understand the governor, he is just trying to keep the lid on and not stir the pot and have AGIA shown for the monumental screw up that it was so he can run against Begich.

The rest of you, it just amazes this peon how little you all think about the future of this great State.

What part of we have been shipping LNG to Japan for >40 years don't you understand that causes you to completely overlook the Japanese market for our LNG?

Our Gov sends delegates to the PRC, but not to Japan?

My understanding is that he actually refused to meet with a delegation from Japan just after the earthquake.

Again, Exxon, Conoco and BP all have projects in the Pacific—Exxon, New Guinea; Conoco, Australia; BP—Indonesia.

Then, there is the Qatar situation wherein Exxon and Conoco have to keep our gas out of the Asia market so they can ship that ME gas all the way to the PRC and Japan from Qatar that was supposed to go to U.S. domestic markets . . . before the shale gas production closed that market.

Pedro Van Meurs had an agenda, and he was apparently successful, because none question his utterances, or the motivations therefore.

The head shed for Conoco Alaska says “we intended to warehouse North Slope gas all along” when speaking about Denali and why it never made any progress.

Did anyone not get that?

Or was it just us great unwashed that hears and understands?

I guess that you all receive information from a higher source that we mere mortals would not fathom?

I do have to compliment messrs Hawker and Chennault for their perseverance.

Like that of the Captain of the Titanic, they may be wrong, but, full steam ahead!

Unlike him, however, they have had the economics and the disclosures to show that what they have been pushing is not viable on any level.

However, it is not their money, so who cares?

The gov?

No.

The Legislature?

You all gave them a total of \$214M to date, if I remember correctly, even in the face of all the arguments demonstrating the lack of viability.

Too bad we don't have any leadership in the gov's office . . . or in the Legislature.

Larry Wood,

Tel.: 907-746-4983 / Cell: 907-982-4460

From: Rep. Paul Seaton
Subject: FW: HB09
Attachments: Alaska's Sovereignty Resolution.docm

From: db~DebbieBrown [mailto:db@gci.net]
Sent: Thursday, January 26, 2012 5:30 PM
To: Larry Wood; Sean (Governor) Parnell
Cc: jmacdnak@alaska.net; 'Mike Porcaro'; 'Bill Walker'; 'April Moore'; 'Anna von Reitz'; bitney@acsalaska.blackberry.com; 'Candy Gibson'; 'larry devilbiss'; 'Dan Selley'; 'Larry Wood'; 'Sidney Wood'; 'Jim Sykes'; djplioneer@mtaonline.net; 'David Otness'; 'Linda Langley'; emanny@gci.net; dianalstraub@hotmail.com; 'The Rupright's'; 'Heather Resz'; 'William Warren'; Senator_Lyle_Hoffman@legis.state.ak.us; Sen. Joe Paskvan; Sen. Albert Kookesh; Sen. Bert Stedman; Sen. Bettye Davis; Sen. Bill Wielechowski; Sen. Cathy Giessel; Sen. Charlie Huggins; Sen. Dennis Egan; Sen. Donny Olson; Sen. Fred Dyson; Sen. Gary Stevens; Sen. Hollis French; Sen. Joe Thomas; Sen. John Coghil; Sen. Johnny Ellis; Sen. Kevin Meyer; Sen. Lesil McGuire; Sen. Linda Menard; Sen. Tom Wagoner; Rep. Mike Chenault; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Wes Keller; Mayor Sullivan; Mayor Mike Navarre; jackbrown@gci.net
Subject: Re: HB09

26 January 2012

Dear Governor Parnell, Alaska Legislators, fellow Alaskans:

I agree with points made by Mr. Larry Wood in his email letter included below dated 25 January, and compliments to the well intended perseverance of named Alaska legislators.

I would like to add, emphasis mine, thousands of Alaskans will be frustrated beyond measure regarding introduction of legislation HB09. Alaskans clearly recognize the concepts being forwarded are fiercely against the voter mandate of 2002. This and resulting actions of HB09, if supported by our Governor and the 2012 Alaska legislature will be a loud disrespect to our families who live in "all" regions of Alaska. There are plenty of Alaskans who understand and will remind those who do not.

I feel a deep responsibility to urge all involved to please follow the Act established in 2002 and corresponding State Statutes which existed prior to the Alaska Gasline Inducement Act and restrictive TransCanada contract.

Please, do not continue the direction of the Alaska Stand Alone Pipeline (ASAP line, formerly known as the bullet-line); it's AGIA compliant restriction to less than .5 BCF will result in a great shame, the diminishment of Alaska's ability to proceed freely with Article 8 of Alaska's constitution. We must preserve Alaska's ability to function as a sovereign state as was excellently expressed in HJR27 passed by Alaska's 26th Legislature. (please see attachment)

The outcome of these important natural resource related legislative actions in 2012 legislative sessions, will be well documented and recorded into the history books yet to be written.

Quick reference numbers:

AG's File Number: 663-02-0026

01GSLN - "The All-Alaskan Gasline Initiative: An Act establishing the Alaska Natural Gas Development Authority, to maximize revenues for Alaska and jobs for Alaskans."

Lieutenant Governor Ulmer certified the petition for this initiative as properly filed on March 12, 2002. The initiative appeared on the 2002 general election ballot (AS 15.45.150) and was approved by a vote of:

YES - 138,353

NO - 84,682

Alaska Statute 15.45.180 requires the lieutenant governor to prepare a ballot title and proposition for initiative petitions properly filed for placement on the ballot. On June 7, 2002 the lieutenant governor finalized the ballot language to read:

Initiative on Gas Pipeline Development Authority

This bill would create the Alaska Natural Gas Development Authority (Authority) as a public corporation of the State. The Authority would acquire and condition North Slope natural gas, and construct a pipeline to transport the gas. The Authority's powers would include buying property or taking it by eminent domain, and to issue state tax-exempt revenue bonds. The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid. The Authority would operate and maintain the gas pipeline, ship the gas, and market the gas.

Should this initiative become law?

YES - 138,353

NO - 84,682

It is my sincere belief that the State of Alaska should take immediate, swift action to get out of the AGIA/TransCanada contract. TransCanada's corporate partners ExxonMobil are the most litigating corporation on the face of the earth. They adhere to middle east culture which accepts lying as customary and traditional in business and war. Example: In November 2011, Exxon representative Andrew Swinger said "in terms of export from North America, whether it is the Gulf Coast or whether it is Western Canada, it is something we are actively looking at". What?! The state of Alaska is positioned to give back Point Thomson (8 TCF of gas) to Exxon who is looking to export LNG from the Gulf Coast and British Columbia? Notably absent is any mention of Alaska. Unbelievable! Stop the madness. Do not return Point Thomson to Exxon! Read the complete story at <http://www.allalaskagasline.com/>

I believe ExxonMobil and their major business associates are misrepresenting the truth. Why, because they/we are involved in international business wars. Control of Alaska real property and resources is the gem. Just imagine the millions\$ Exxon uses from its litigation fund annually. Exxon thumbed its nose with appeals against the state of Alaska and Alaskans for decades with regard to the Exxon Valdez Litigation settlements. In the end our U.S. Supreme Court saw the wisdom of Exxon's reasoning. Alaska/Alaskans cannot afford to wait for decades for the major oil & gas leaseholders to "align". Exxon will participate with TransCanada in deciding Alaska's future with regard to an "AGIA framework" gasline. But they will take decades to decide then explain how things are going to go. Like with any good land or resource deal, isn't the idea to get a good "steal" and then re-sell for maximum profits? Why should Alaska expect differently from the major oil & gas companies?

Please chart a course to protect Alaskan's sovereignty and ability to develop and utilize our natural resources as intended in Alaska's constitution. Our industries, homes, and small businesses need abundant, low-cost energy to thrive in this cold GREAT LAND. The hero legislators will introduce legislation in 2012 to build the large-volume All-Alaska gasline (spur lines & transmission lines) from North Slope to tidewater according to the Act passed in 2002. A large-volume gasline (not encumbered by AGIA/TransCanada contract) will

- provide 70,000 good paying jobs . . . (as was appreciated by Alaskans who built the TAPS line from North Slope to tidewater)*
- unrestricted supply of low-cost natural gas for industry growth and generation of electricity for Alaskans*
- unrestricted supply of natural gas to be cooled into LNG and shipped to premium Asian markets*
- ensure energy security for Alaskan's grandchildren and great grandchildren*
- protect Alaska's sovereignty as a state*
- appropriately act according to the tenth amendment of the US Constitution "states rights"*
- allow for Alaskans to potentially invest as stockholders in the gasline project*
- could generate upwards of \$400 Billion in revenues to the state . . . (please refer to the Wood Mackenzie study. This group of independent global energy analysts compared the economics of the large volume All-Alaska Gasline/LNG project to Valdez, which runs parallel to TAPS, with a spur line to Southcentral Alaska, with nine other LNG projects being advanced or under construction in Australia, Western Canada, and the Lower 48.)*

The Wood Mackenzie report objectively concluded that due to Alaska's competitive advantage and strong price forecasts for the Asian energy markets, the All-Alaska Gasline could generate State revenues of \$3 Billion the first year, increasing annually to \$5 Billion in Year 5 and up to \$24 Billion in Year 30. Wood Mackenzie estimates the project could generate between \$75 to \$419 Billion in total State revenues over a 30-year life. Currently the State of Alaska receives approximately \$5 Billion annually from oil revenues.

While the TransCanada/Exxon open season under AGIA has a Valdez LNG option, it is not the same thing as the large-volume All-Alaska line. The All-Alaska Gasline Project is founded upon state ownership of the gasline as infrastructure (Article 8 Section 5 of Alaska's Constitution) that would be built and operated by the private sector. A complete copy of the Wood Mackenzie study is available here. http://www.allalaskagasline.com/Documents/AGPA_Alaska_LNG_Exports_7-28-2011.pdf

Respectfully and sincerely,

*Debra Holle Brown
Kenai Peninsula resident, since winter 1973/1974
P.O. Box 592 Kasilof, Alaska
907-262-4551 tel*

— Original Message —

From: Larry Wood

Cc: sean.parnell@alaska.gov ; imacinak@alaska.net ; 'Mike Porcaro' ; 'Bill Walker' ; 'April Moore' ; 'Anna von Reitz' ; bitney@acsalaska.blackberry.com ; 'Candy Gibson' ; 'larry devilbiss' ; 'Dan Sellev' ; 'Larry Wood' ; 'Sidney Wood' ; 'Jim Sykes' ; djpioneer@mtaonline.net ; 'David Otness' ; 'Linda Langley' ; 'db~DebbieBrown' ; emannv@aci.net ; diana1straub@hotmail.com ; 'The Rupright's' ; 'Heather Resz' ; 'William Warren' ; Senator Lyle Hoffman@legis.state.ak.us ; 'senator ioe Paskvan' ; Senator Albert Kookesh@legis.state.ak.us ; senator bert stedman@legis.state.ak.us ; Senator Bettve Davis@legis.state.ak.us ; Senator Bill Wielechowski@legis.state.ak.us ; Senator Cathv Giessel@legis.state.ak.us ;



FEB 06 2012

February 6, 2012

Dear Representative Feige,
Co-Chair, House Resources

I see that over the weekend a hearing has been set for Monday, February 6th at 1:00 when the Committee which you co-chair, House Resources, will have before it the CS for HB 9. As you will recall from our City Council meeting regarding our Legislative Priorities, Valdez strongly favors the Richardson Highway route for a large scale gasline that would benefit all of Alaska in many many ways. HB 09 eliminates the voter mandated All Alaska line which would run alongside TAPS down the Richardson Highway to Valdez with a spur line from Glennallen to tie into the South Central gas grid in the Mat Su Valley. Based on the work done by Wood Mackenzie, the benefits for all Alaskans are huge from the All Alaska gasline project. Additionally, the PDC Harris Group performed a study for the Port Authority, released in November, showing that the All Alaska line would significantly reduce the cost of energy in Alaska. Specifically, it showed that in the Fairbanks area, including some of the military bases, energy costs would be reduced by as much as 80%. Similar magnitudes of savings from this project can be expected in North Pole, Salcha, Harding Lake, Delta Junction, Ft. Greeley, Glennallen/ Copper Basin area and Valdez. That same study showed the cost of energy in Bethel to be reduced by as much as 65% with LNG from Valdez.

It is clear the gas line anticipated in HB 09 would completely bypass all Richardson Highway communities such as Fairbanks, North Pole, Salcha, Harding Lake, Delta Junction, Ft. Greeley, Glennallen/ Copper Basin and Valdez. Given the recent announcements regarding reductions in the Interior military bases it is imperative that we do all we can to bring low cost energy to that area as well as the rest of the state.

In line with the legislative priorities passed by the Valdez City Council, we urge you to not support CS for HB 9 which would have a significant negative impact on the residents of Valdez and every other community in our legislative district.

Thank you for your attention to this critical issue to our district, our community and the entire state.

Dave Cobb
Mayor
City of Valdez

Linda Hay

From: Ryan Radford <ryanradford@yahoo.com>
Date: Wednesday, February 08, 2012 9:33 AM
To: Rep. Eric Feige
Subject: HB9 and All Alaskan Pipeline

Categories: Linda

Representative Feige,

We have met a few times. I backed your initial election, and you rode in my fire truck during the Glennallen Independence day parade.

Every time you have your propane or heating oil tank filled, you feel the pinch that all of us feel. A state as rich in energy as we are should not have the highest energy costs.

I don't know how we got here, but the proposed line and consolidation in HB9 is not the solution.

From what I understand in speaking with Bill Walker:

- 1) The permits are already approved it
- 2) The citizens have already approved it
- 3) Public opinion is for it

'it' is the ANGDA all-Alaskan gas pipeline.

I am writing to plea to you to kill HB9 which I believe would only be kicking the can down the road further and for you (or another Conservative) to propose a bill that would fund the pipeline with State Dollars. I understand Senator Coghills reservation about the State funding the pipeline, and I tend to want to keep the State away from as much as we can. However, Mr. Walker makes a good point about critical infrastructure that the state already provides, and I believe this pipeline could be considered critical infrastructure.

If nothing is done, our area will continue to wither and Glennallen may someday be reduced to a gas station on the way to Canada.

If the bullet-line is passed, it will not only delay action on a pipeline, but it would cause a very narrow benefit (which I believe is a violation of the State Constitution).

Besides volunteering my time to run the fire department, I also work for the Copper River School District. I have watched the enrollment drop rapidly and steadily. It is just a reflection of the trend our area is facing. I have pondered for years over a solution, and there is only one: Cheap Energy. I believe what Bill Walkers group is proposing would be the quickest and most direct way to achieving that.

Thanks for listening, and I pray for you to have courage to do what you think is best.

Ryan Radford
Glennallen, AK
Captain, Glennallen Station, GRFR
Technology and Maintenance Director, CRSD

Linda Hay

From: Michelle Eastty <mleasty@cvinternet.net>
Sent: Friday, February 10, 2012 6:48 AM
To: Rep. Eric Feige; Rep. Alan Dick
Cc: Rep. Scott Kawasaki; Rep. Paul Seaton
Subject: HB9

Dear Rep. Feige and Rep. Dick:

I am writing to ask you to oppose House Bill 9.

I moved to Glennallen in 1997. Since then, I've seen the economy in the Copper River Valley decline rapidly, and we need the natural gas pipeline we voted for in ANGDA. Ten years ago we Alaskans voted to form ANGDA with the intent of building an in-state pipeline from Prudhoe Bay to Valdez, with a spur line from Glennallen to the Mat-Su Valley. A decade later we're still waiting, and HB9 will abandon ANGDA, effectively undermining the will of the people. Why should we take time to vote if our voice is going to be ignored?

The only natural gas pipeline that should be in the works right now is from Prudhoe Bay to Valdez, bringing cheaper gas to Fairbanks, Glennallen, and the rest of the state. Cook Inlet already has natural gas, and the ASAP line will only add more gas to the largest voter-block in the state, and ignore the needs of Interior and rural Alaska.

My personal fuel oil bill continues to increase, but my salary does not. How long can I afford to live here? We can't all move to the Mat-Su Valley. A natural gas pipeline through Glennallen will bring thousands of jobs to the area, which means new students in the school district, more customers in the phone and electric cooperatives, and a boost to all businesses here.

Please consider these significant needs in rural Alaska and vote against HB9.

Thank you.

Michelle Eastty
P.O. Bo 723
Glennallen, AK 99588

Linda Hay

From: Rene' Spracklen <rspracklen@crsd.us>
Sent: Thursday, February 09, 2012 9:37 AM
To: Linda Hay
Subject: FW: All Alaska Gas Pipeline HB9

Please forward to all Representatives who are involved in the hearings of HB9 if possible. Thank you Linda.

Rene'

Rene' Spracklen

From: Rene' Spracklen
Sent: Thursday, February 09, 2012 9:32 AM
To: 'Rep_Eric_Feige@legis.state.ak.us'
Subject: All Alaska Gas Pipeline

Dear Representative Feige,

I would like to thank you for your time and commitment to the State of Alaska. I will be out of State on Saturday when you are in our area and wish that I could speak to you at this time. I hope this email helps convey my thoughts on HB9.

The economy here in the Copper River Valley, I live in Gakona is decaying and people cannot afford to live in the area with the high cost of energy. The fuel and electric bills in this area are causing families to leave our area. We have limited job opportunities in this area. We do choose to live where we do; but for the State of Alaska to give consideration to HB9 which will only help the large cities is not fair to other the citizens of this state.

The State of Alaska has invested in other infrastructures to benefit the citizens of Alaska and its resources. I think the State of Alaska having ownership in a gas pipeline instead of the oil companies is a smart investment for the State.

There have been enough studies on the Gas Pipeline, and I feel the "All State Gas Pipeline" which would include our area and several other parts of the state is the best option for Alaska. I feel another study for the "Bullet Line" is waste of the State resources. Please consider your decision on what helps all of Alaska.

Rene'

Rene' Spracklen
Po Box 174
Glennallen, Alaska 99588
Mile 2.5 Tok Cutoff
Gakona, Alaska 99586

Linda Hay

From: Katrina Church-Chmielowski <kat@cvinternet.net>
Sent: Wednesday, February 08, 2012 9:06 PM
To: Rep. Eric Feige
Subject: HB 9

Dear Rep. Feige,

I am writing in opposition to HB 9. I do not believe that HB 9 will serve Alaskans as much as a line down the Richardson Highway with a spur to Mat Su/Anchorage. A line down the Richardson Highway makes sense for permits, access, facility sites and the terminal. The Copper River Country is struggling economically and socially. I see it each year while on the school board, fewer students because people are moving out due to high energy costs. Our family is personally struggling due to the high energy costs, even with supplemental wood. My elder mother has lived here for over 50 years, but now leaves for the winter because she cannot afford the energy costs on her limited retirement income. HB 9 will not help her, but a Richardson Highway and spur to Anchorage will help all residents.

I strongly urge you to oppose HB 9 and support a Richardson Highway gas line. Thank you for your consideration.

Katrina Church-Chmielowski
Copper Center resident
PO Box 767
Glennallen, AK 99588

February 6, 2012
House Resources Committee Hearing
HB 9

Testimony – L. Alan LeMaster, President ~ Gakona Junction Village
Mile 128.5 Richardson Highway ~ P. O. Box 222 ~ Gakona, AK 99586 ~ Phone: (907) 822-3664

Testimony for HB 9

My name is Alan LeMaster and I live in Gakona, Alaska.

Good afternoon and thank you for allowing testimony to be heard today. I come to speak in opposition to HB 9.

In my view, this just may be the most important hearing topic for your committee this year. And, rest assured ~ the interest level of Alaskans on HB 9 is stratospheric.

I am testifying for myself as a longtime resident of Alaska and living in one of the highest unsubsidized energy regions in the state, the Copper Valley, where last month my electric bill was about .35 cents per kWh. I am also one of the 138 thousand + that voted in 2002 for the state to build a gas line to tidewater in Valdez preferably along the TAPS corridor.

And, I am very concerned about the effort HB 09 to subordinate the work of the Alaska Natural Gas Development Authority, aka ANGDA, by placing it under the authority of AHFC.

ANGDA's authority was given to them by the will of the people; ~ not to AHFC, AGDA or any other bureaucratic agency. ~ Such a move as is

proposed by the backers of HB 9 is at its least unwanted, unwarranted, unnecessary; and at most immoral, illegal and very possibly could face constitutional challenges.

For over 11 years and at a cost to the state of over \$12 million dollars, ANGDA with support from communities across Alaska has worked tirelessly toward their mission of building a gas pipeline that will deliver low cost energy to the greatest number of Alaska's citizenry.

The members of the ANGDA board have voluntarily given their time, energy, personal fortunes and lives to the project. Along the way they have been as transparent to all who have had an ear to listen as can be allowed.

They now have a plan ~ A very good plan. One that, with minimal effort, will be shovel ready to begin laying pipe in a very short time. What now is needed is only for the politicians to stop the studies that are studying the studies; give them their blessings and "Get out of the way".

Now along comes HB 9. A bill and a process with which I and my neighbors respectfully disagree

It seems to be just another big idea that won't accomplish any more, ~ service fewer people ~ at reportedly higher cost than the ANGDA project and ~ and this is a big AND ~ if the discoveries in Cook Inlet prove successful, as is reported, the Anchorage bowl may not need additional gas for years or decades to come.

So, my question to you is why wait? Let's stop the rhetoric, be bold and courageous. Put HB 0 aside and support the Governor's and ANGDA's efforts to bring gas to all Alaskans and tidewater to the benefit of all the Alaskans that voted in 2002 ~ and even to those that didn't .

If that is not your will, at the very least, I pray that you will see that every applicable committee in the house, including Judiciary, has ample opportunity to hear this bill before it passes on to Finance and finally to the floor for a vote.

In conclusion let me say, the "Bullet Line" is designed to service the Anchorage Bowl and a few very small communities, many of which are seasonal. In fact, it will service at least one major producer, Enstar (now a Canadian Conglomerate) and a few special interest groups at the detriment of the majority of the business and residents across Alaska.

ANGDA's project will do all that the Bullet Line proposes and much, much more. With the blessings of the Administration, the House and the Senate this session ~ ANGDA can begin to finalize permitting, right of way, design and finally start construction.

And, after 30 years of delays with studies, talk, committee discussions, and more delays they will, at long last, provide clean, economical, long term power to the residents of the State of Alaska for decades to come ~ while, at the same time, allow Alaska to enter the international market by supplying much needed LNG to the Pacific Rim countries begging for help and ready to buy.

Public Comment on HB 9

From: Matthew A Lorenz
HC 60 Box 230 Y
Copper Center, AK 99573
(907) 259-5277

To: HRES Committee Members, through the Chair,

Thank you Mr. Chairman and members of the AK House Resources committee. My name is Matt Lorenz and I live in Kenny Lake, along the Edgerton Hwy. I truly appreciate the opportunity to express my views. I speak on behalf of myself but am also following these proceedings as editor and publisher of the Copper River Record, community newspaper serving nearly 30 small communities throughout the Copper River Basin (E to W from Eureka to Mentasta and N to S from Paxson to the Tiekel River Valley).

I oppose HB 9 and will identify three of my reasons here: 1. HB 9 directs significant state moneys to study a pipeline route that may be irrelevant if recent discoveries of natural gas in Cook Inlet prove true, 2. HB 9 funds the study of a plan in which pipe capacity and shipping access may be inadequate and/or make it impossible to export LNG to foreign markets, 3. HB 9 effectively endorses, through significant funding for further study, a small diameter natural gas pipeline following the Parks Hwy corridor. This pipeline route excludes the Copper Basin from direct access to North Slope natural gas and proposes no other clear benefits to me or the region where I live.

I ask this committee to table HB 9 indefinitely so that it no longer distracts the legislature and the state's resources from finding solutions to the energy crisis facing the Copper Basin and much of Alaska.

At the very least, I urge this committee to table HB 9 until there has been sufficient time to validate and/or evaluate the recent, possible new discovery of natural gas deposits in Cook Inlet. Wanting to keep all the options open does not justify further consideration of HB 9.

With all due respect, Mr. Chariman, I feel misled by the assertion that HB 9 will not eliminate ANGDA and thus will not defy the will of Alaska's voters. HB 9 does not fund or continue the work and/or mission of ANGDA, a voter mandated organization. AGDC is not rolled into ANGDA with ANGDA retaining control of the funding, mission, and organization. Based on the testimony given to the HRES Committee this week, AGDC shows little or no interest in ANGDA's past, present or future work.

I am deeply troubled by testimony on Wednesday in which representatives of HB 9 scoffed at the idea of a spur line from Palmer to Glennallen and dismissed the work ANGDA has completed towards that end.

I will not repeat comments you have already received from other Copper Basin residents about our dire situations except to say that we are not crying wolf here when we talk about skyrocketing energy prices, closing schools and businesses, and population decline. We are beginning to find ways to counter some of these problems, and appreciate the help of our legislators and government programs and grants, but, HB 9 crushes hope that development of North Slope natural gas will offer long term benefits or solutions for residents of the Copper River Basin.

Subject: FW: All Alaska Gas Pipeline

From: Kathy Gearhart [<mailto:kgearhart@crsd.us>]
Sent: Wednesday, February 08, 2012 11:50 AM
To: Rep. Eric Feige
Subject: All Alaska Gas Pipeline

Dear Representative Feige,

I want to start off by thanking you for your time and commitment to the great State of Alaska. I will be in Seattle on Saturday when you are in our area and wish that I could speak to you at that time. I hope this letter helps convey my thoughts.

I work for the school district here in Glennallen and have watched student enrollment decline from 635 students to 490. The economy here in the valley is decaying and people cannot afford to live in the area with the high cost of energy. Just last month alone the school district fuel bill was \$91,000! And we are a small school district.

For many years now the State of Alaska has been studying the benefits of having a gas pipeline. In my opinion, going through Canada would not be beneficial to Alaska and we would give control of the pipeline over to another country. A line down the Parks Highway to Anchorage area would only benefit the Anchorage residents and the rest of the State will continue to suffer high costs. Our great State is made of many different communities, not just Anchorage. It boggles my mind that Alaska's main revenue is generated by crude oil and the State has not chosen to help it's residents by developing cheaper energy through natural gas. The only logical answer would be to create an All State Gas Pipeline that runs through Fairbanks to Valdez, with a spur line from Glennallen to Matsu/Anchorage. This would benefit everyone! Some simple facts that make this the only answer:

- The State has the revenue in its possession to finance this endeavor
- Billions of dollars would be generated through export of the gas to pay for the investment
- The natural gas is of the best quality for export to other countries and even Hawaii
- Thousands of jobs would be created by development of the pipeline
- The revenue from exports would benefit our children for generations to come
- It would strengthen our infrastructure

The State of Alaska has invested in other infrastructures to benefit our resources. The railroad to ship coal, a toll highway to Red Dog Mine, and a ferry system to connect our communities. The All State Gas Pipeline should be part of that infrastructure. There have been enough studies done to prove that this is the best option for Alaska. What are you waiting for? Please do this for our future.

Kathy Gearhart
Superintendent/Board Secretary
Copper River School District
P.O. Box 108
Glennallen, Alaska 99588
(907) 822-3234 ext. 223
Fax: (907) 822-3949
kgearhart@crsd.us (New Email Address)



From: Rose Tyone <rosetyone@cvinternet.net>
Sent: Wednesday, February 08, 2012 11:24 PM
To: Rep. Paul Seaton
Subject: HB-9 In-State Gasline Development Corp

I understand the route of the gas pipeline is being considered this week. I strongly urge you to consider the Prudhoe to Valdez route. The oil pipeline is already an established route with a history of rights-of-way and ecological and topographical studies. Plus, it would certainly boost the economy in this part of the state. Thank you.

--

Rose Tyone

Linda Hay

From: Copper River Record <contact@copperriverrecord.net>
Date: Tuesday, February 07, 2012 8:36 PM
To: Rep. Eric Feige
Subject: HB 9 hearing tomorrow

Rep. Feige,

I urge you to use your influence as co-Chair of the Resources Committee to slow or prevent the process of moving HB 9 to the floor for a vote.

I will be listening tomorrow for your strong if not emphatic support of the arguments presented by the AK Gasline Port Authority and ANGDA.

I would ask you to respectfully convey to House Speaker Chenault during the committee meeting tomorrow the views held by myself and many residents of the Copper Basin that the plan proposed by the AK Gasline Port Authority to build a natural gas pipeline parallel to TAPS will bring the most benefits to all of Alaska.

Thank you,
Matt Lorenz
Editor/Publisher
Copper River Record



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 6, 2012

Representative Eric Feige
House Resources
State Capitol
Juneau, Alaska 99811

Dear Representative Feige,

The Alaska Municipal League has issues with two sections of HB9. Specifically Section 6 (g) which states that municipalities "must provide water, sand, gravel and other natural resources, permits and leases to the Alaska Gasline Development Authority with the cost to be borne by the" municipality.

As the gasline is something we must all strive to see come to fruition and is fully supported by municipalities, the promise of jobs and an increase to our economy, are important parts of why an Alaska gasline means so much to all of us. This language in HB 9 seems to go against all of the promises we have discussed and supported.

We also are opposed to the language in Section 29 (d) which states that the Alaska Gasline Development Corporation is also exempt from "local taxes levied.....before the commencement of commercial operations of that natural gas pipeline project," or in other words, during construction. Each municipality involved in pipeline routes may decide that they can afford to pass on initiatives to the Alaska Gasline Development Corporation, but that should be up to each municipality, based on their current financial situation, with input from their residents.

We would strongly support removing the above two sections from HB 9.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Kathie Wasserman". The signature is written in a cursive, slightly slanted style.

Kathie Wasserman
Executive Director



CITY OF NORTH POLE

"Where the Spirit of Christmas Lives Year Round"

125 Snowman Lane • North Pole, Alaska 99705-7708
E-mail: mayor@northpolealaska.com • Website: www.northpolealaska.com

Dear Representative Feige,
Co-Chair, House Resources
Via Fax 907-465-3799

City Hall
907-488-2281
Fax: 907-488-3002

Mayor
907-488-8584

City Clerk
907-488-8583

Police
Department
907-488-6902

Fire
Department
907-488-2232

Utilities
907-488-6111

Director of
City Services
907-488-8593

Finance
907-488-8594

I was just informed that a hearing has been set for Monday, February 6th at 1:00 when the Committee which you co-chair, House Resources, will have before it the CS for HB 9. Because of the short notice (I'm rushing out the door to get on a plane to Juneau), my comments won't be as complete as I would have desired. But here are the high points:

1. You are aware that both the City Council of North Pole and the many members of the Alaska Municipal League passed resolutions supporting a large volume gasline that goes from Fairbanks to Glennallen, connecting to a spurline from Glennallen to the the Kenai and providing for export from Valdez. The AML Resolution is attached (#2012-01).

2. The Mayor of Valdez has written you a letter, which I excerpt here:
"HB 09 eliminates the voter mandated All Alaska line which would run alongside TAPS down the Richardson Highway to Valdez with a spur line from Glennallen to tie into the South Central gas grid in the Mat Su Valley. Based on the work done by Wood Mackenzie, the benefits for all Alaskans are huge from the All Alaska gasline project. Additionally, the PDC Harris Group performed a study for the Port Authority, released in November, showing that the All Alaska line would significantly reduce the cost of energy in Alaska. Specifically, it showed that in the Fairbanks area, including some of the military bases, energy costs would be reduced by as much as 80%. Similar magnitudes of savings from this project can be expected in North Pole, Salcha, Harding Lake, Delta Junction, Ft. Greeley, Glennallen/ Copper Basin area and Valdez. That same study showed the cost of energy in Bethel to be reduced by as much as 65% with LNG from Valdez.

It is clear the gas line anticipated in HB 09 would completely bypass all Richardson Highway communities such as Fairbanks, North Pole, Salcha, Harding Lake, Delta Junction, Ft. Greeley, Glennallen/ Copper Basin and Valdez. Given the recent announcements regarding reductions in the Interior military bases it is imperative that we do all we can to bring low cost energy to that area as well as the rest of the state.

In line with the legislative priorities passed by the Valdez City Council, we urge you to not support CS for HB 9 which would have a significant negative impact on the residents of Valdez and every other community in our legislative district."

3. The AGDC line would also charge additional tariffs to deliver fuel to the existing energy production plants in North Pole, making the ASAP line uneconomic for the Interior. North Pole's energy production facilities include GVEA's North Pole 60 megawatt electric generator that can be converted to run on natural gas, and the two refineries Flint Hills Resources (FHR) and Petro Star. The management of FHR has publically stated that diesel fuel could be made for half the current cost if they had access to natural gas, which would significantly benefit Interior and Rural Alaska residents and businesses that rely on diesel

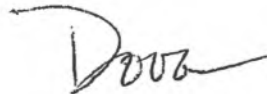
based heating fuel produced by these two refineries, as well as lowering the cost of fuel used for transportation.

4. The Governor in his State of the State address gave direction for the AGIA and AGDC lines to consolidate their efforts by third quarter 2012, calling for the affected companies and agencies to "harden their numbers" and "identify a pipeline project with an associated work schedule." His speech leaves open the option of a union which will allow for a large volume gasline that routes down the Richardson Highway to Valdez, with a spur to the Kenai.

For these reasons, we urge you to not support CS for HB 9 which does not noticeably benefit the residents of the Interior and Valdez and every other community and potential development in between.

Thank you for your diligence in this matter.

Sincerely,



Douglas W. Isaacson
Mayor



217 Second Street, Suite 200 • Juneau, Alaska 99801

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ALASKA MUNICIPAL LEAGUE**RESOLUTION #2012-01**

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE SUPPORTING A LARGE VOLUME GASLINE WHICH WOULD SIGNIFICANTLY REDUCE THE COST OF ENERGY IN THE FAIRBANKS/NORTH POLE AREA AND OTHER PARTS OF ALASKA WITH GAS VIA A GASLINE FROM PRUDHOE BAY TO FAIRBANKS AND CONTINUING SOUTH TO GLENALLEN, CONNECTING TO A SPURLINE FROM GLENALLEN TO THE EXISTING SOUTH CENTRAL GAS GRID AND CONTINUING TO THE KENAI PENINSULA FOR EXPORT AND PROVIDING FOR EXPORT FROM THE ICE FREE DEEP WATER PORT AT VALDEZ

WHEREAS, Alaska is fortunate to have 35 trillion cubic feet of known gas reserves plus potentially an additional undiscovered hundreds of trillions of cubic feet of natural gas on Alaska's North Slope region, the development of this resource will greatly increase the volume of oil put into the Trans Alaska Pipeline (TAPS), providing economic and revenue benefits to Alaska; and

WHEREAS, Alaska, rich in natural resources, suffers from having the highest cost of energy and coldest temperature days per capita in the nation; and

WHEREAS, the Alaska Constitution, Article 8, Section 1 states, "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest," and Section 2 mandates, "The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people;" settlement requires access and affordable, competitive energy to develop commerce to sustain the settlement of Alaska; and

WHEREAS, the legislature is to be commended for taking steps to provide for the development of natural gas, the first effort being AGIA, which is an international line through Canada and which pays incentives of \$500 million, and which is not likely to be built unless in phases due to shale gas exploitation in North America; the second effort was HB 369, passed by the 26th Alaska Legislature in April 2010, establishing the Alaska Gasline Development Corporation (AGDC), as a subsidiary corporation of AHFC, to pursue developing a project plan for delivering North Slope natural gas to interior and south-central Alaska. The legislature received AGDC's Project Plan in July 2011. The plan described how a 737-mile long, 24-inch diameter Alaska Stand Alone Gas Pipeline (ASAP) project could be feasibly designed, financed, constructed and operated as the legislation directed. However, as proposed, it does not provide for maximum settlement or benefit and has an inequitable tariff structure; and

WHEREAS, each legislative proposal for developing natural gas should include an evaluation of the following considerations:

- a. Does the routing of the pipeline encourage the greatest settlement of Alaska's land and provide for the maximum development of Alaska's resources? Does it facilitate the ability of the people to affordably live where cities and communities have already been established?
- b. Is the tariff equal to all parts of the pipeline, the resource being equally owned by all?
- c. Is the tariff as low as possible due to the ability to export?
- d. Is the diameter of the pipe as large as possible to be able to competitively market the resource?
- e. Are the terminals or take-off points placed for maximum integration into existing energy production and transmission infrastructure?

WHEREAS, AGDC's ASAP project would route through national and state parks along the Parks Highway, which has minimal settlement or development opportunities, thereby providing for minimal benefit to Alaskans; and because a 12-inch diameter pipe will be built approximately 35 miles from the main pipe, to supply interior Alaska, but will stop 20 miles from the 2 oil refineries and the 120 (plus) megawatt electric generation plant in North Pole, which produces much of the gasoline, heating oil, jet fuel, and electricity for use throughout interior, rural and south-central Alaska, but the pipeline that is to benefit Alaskans, in its current form, will require interior Alaskans to pay a greater tariff than the consumer in south-central twice; and additional tariff for a spur from the mainline, and additionally to construct the line to North Pole and/or beyond – negatively affecting the economics of such a spur to interior Alaska; and

WHEREAS, AGDC's ASAP line projects the tariff by eventual demand, the actual price to the consumer may be too expensive to encourage an infrastructure build-out and home or business conversions, but that dynamic could be changed by incentivizing the build-out and heating oil conversions in interior Alaska by ensuring that the tariff is the same system-wide; if the cost to the consumer is not economical, make it economical by increasing the market of consumers through export opportunities from ports on the Kenai and at Valdez; if exports can't be facilitated because of the restrictions of AGIA, then either:

- a. The legislature should get us out of AGIA to allow for an in-state gasline with throughput greater than 500 million standard cubic feet per day (MMcfd); or
- b. The legislature should amend the provisions of HB 369 to ensure the routing of the 24-inch line is down the Richardson Highway, supplying the greater number of communities, including North Pole, Eielson AFB, Salcha, Delta Junction, Ft. Greely, and Glennallen, and bringing the energy supply to mining projects in operation or being permitted, such as Pogo Mine; or
- c. The legislature or administration should marry AGIA and ASAP, thus allowing a large diameter pipeline to be built down the Richardson corridor to Delta, as a possible Phase 1 of the Trans Canada line, and be continued south to Glennallen, connecting to a spur line from Glennallen to the existing south-

central gas grid and continuing to the Kenai Peninsula for export, and providing for export from the ice free, deep water port at Valdez; and

WHEREAS, it is time that this take place by moving natural gas throughout Alaska in such a way, to provide a source of cheap, clean energy to heat our homes and businesses to the maximum number of Alaskans; the cost of energy in the Fairbanks/North Pole area, including the military bases, is threatening the very existence of our interior communities; and

WHEREAS, the high cost of energy at our interior military bases could be a deciding factor if the bases were once again evaluated on a closure criteria; and

WHEREAS, the world markets for natural gas made into liquefied natural gas (LNG) are seeking suppliers of LNG to their countries, for example, Japan is seeking contracts from far away states like Pennsylvania and from northern Europe, which have travel distances far greater than the 3,400 miles from Alaska to Tokyo, making Alaska LNG far more competitive when export is provided for; and

WHEREAS, export is already provided for from the Kenai; and Governors Bill Egan, Walter Hickel, Jay Hammond and the late Senator Ted Stevens all supported and took steps in advancing the building of an All-Alaska Gasline, parallel to the Trans Alaska Oil Pipeline to Fairbanks and continuing south to tidewater at Valdez for liquefaction and export; and

WHEREAS, because of the robust economics in the Asian energy markets in need of LNG, Alaska finally has the opportunity to monetize its natural gas in such a manner that would bring billions of dollars each year in additional revenues to the state and low cost energy to Alaskans; and

WHEREAS, only a large volume gasline from Prudhoe Bay to Fairbanks and continuing south to the deepwater port at Valdez, the All-Alaska line, or through Glennallen to south-central and the Kenai, provides significant benefits to all Alaskans.

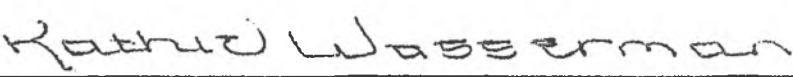
NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Governor and Legislature to:

1. Utilizing the considerations and three options within this resolution, take immediate steps to advance the building of a large volume gasline from Prudhoe Bay parallel to the TAPS to tidewater at Valdez, with the maximum amount of off-take locations at every logical local point, such as the Yukon River, Fairbanks, all interior military bases, Delta Junction, and Glennallen, to points south, for maximum gas distribution throughout Alaska.
2. Make an analysis that evaluates the benefits of taking LNG or compressed natural gas (CNG) from Valdez, and the Yukon River to coastal communities throughout Alaska, that are currently utilizing diesel fuel as the source of power generation and space heating.

BE IT FURTHER RESOLVED that this resolution is to be distributed to the Governor, Legislature, AGDC, AGPA, AML, Trans Canada.....

PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE on the 11th day of November, 2011.

Signed: 
Shirley Marquardt, President, Alaska Municipal League

Attest: 
Kathie Wasserman, Executive Director, Alaska Municipal League

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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Juneau, Alaska 99801-1182
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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

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE

February 8, 2012

Chairman Seaton and Chairman Feige:

The House Resources Committee members posed a number of questions regarding HB 9 at a hearing Feb. 6, and requested responses prepared for the next scheduled hearing, Feb. 8. This memorandum is in response to those questions.

- 1. Provide a comparison of the authorities granted to the Alaska Gasline Development Corporation (AGDC) in HB 9 with those granted under the Alaska Gasline Inducement Act (AGIA), and note which, if any, are authorities unique to the AGDC and AGIA projects.***

In a broad sense, AGIA and AGDC are similar in that both projects may exercise eminent domain; AGDC acts as a coordinator of an instate project much as the State Pipeline Coordinator's Office serves as such for an AGIA project; both projects enjoy expedited permitting processes; both provide confidentiality protecting commercial negotiations or proprietary work products; and both limit judicial review claims in an attempt to prevent unwarranted delays in state-sanctioned projects.

This cursory comparison should not be construed as a thorough, legal analysis of AGIA and HB 9. The sponsor would suggest the committee request such a review from parties expert in AGIA and the applicable laws.

- 2. Does HB 9 contain a date or similar benchmark requiring AGDC to return to the Legislature with its findings on planning and developing an instate gasline?***

HB 9 does not specifically include a date certain by which AGDC must return to the Legislature. However, AGDC is subject to the Executive Budget Act; as a public corporation, AGDC is unable to spend funds without an appropriation. Without a significant appropriation, AGDC would lack the means to sanction a project and proceed with construction.

House Bill 369, which passed in 2010, required AGDC to deliver a project plan to the Legislature by July 1, 2011. AGDC met this schedule. In addition, AGDC provides monthly status reports to the Legislature.

3. *HB 9 grants AGDC the ability to use eminent domain. What does this authority do in practical terms?*

Eminent domain is a power granted under 09.55.240 (see attached), allowing eminent domain to be exercised for most public uses, including uses authorized by governments and, per 09.55.240 (a) (13), “for the location of pipelines for gathering, transmitting, transporting, storing, or delivering natural or artificial gas or oil or any liquid or gaseous hydrocarbons, including, but not limited to, pumping stations, terminals, storage tanks, or reservoirs, and related installations.”

HB 9, in Section 1, Lines 15-16, explicitly ensures AGDC will be able to exercise this power as provided in 09.55.240-460. This legislation does not expand eminent domain.

4. *Section 4, lines 24-25 of HB 9 address duplication of state efforts. Has duplication of efforts, such as ownership of studies, been an issue, or is it anticipated to be an issue?*

AGDC is working diligently to avoid duplicating work funded by other state money. The sponsors believe efficiency with state resources is important, and will offer an amendment to this paragraph retracting the deletion, but keeping the change replacing the “Joint In-State Gasline Development Team” with “Alaska Gasline Development Corporation.”

5. *Would waiving costs or rental fees for a lease or right-of-way provided by the Department of Natural Resources require a fiscal note? If not, how would the costs incurred by the agency be covered?*

Generally, the sponsors suggest that a fiscal note should come from the department affected. However, AGDC is now paying the state Department of Natural Resources \$189,000 per year for a right-of-way lease; Section 6 would eliminate or reduce that charge. Additionally, as discussed in committee on Feb. 6, the sponsors are developing an amendment to Section 6 (g).

6. *Section 6 (e) of HB 9 allows AGDC to enter into confidentiality agreements as needed to acquire or provide information. Information that falls under such an agreement is not subject to disclosure under AS 40.25.110. Is this confidentiality provision also contained in AGIA?*

While AGIA has some confidentiality provisions, the primary function is to protect proprietary information of private interests, provided to the state for informational and not decision-making purposes. Under AGDC, the protection primarily becomes one of protecting AGDC and private parties it engages with in commercial negotiations and other matters. The role of the state is different under AGIA than under AGDC.

Under AGIA , confidentiality is granted for certain information provided in pursuit of the AGIA license:

Sec. 43.90.150. Proprietary information and trade secrets.

(a) At the request of the applicant, information submitted under this chapter that the applicant identifies and demonstrates is proprietary or is a trade secret is confidential and not subject to public disclosure under AS 40.25. After a license is awarded, all information submitted by the licensee, retained under this chapter, and not determined by the commissioners to be a proprietary or trade secret shall be made public.

(b) If the commissioners determine that the information submitted by the applicant is not proprietary or is not a trade secret, the commissioners shall notify the applicant and return the information at the request of the applicant.

And for certain information provided to the commissioners:

Sec. 43.90.220. Records, reports, conditions, and audit requirements.

(a) A licensee shall maintain complete and accurate records of all expenditures and commitments of state money received under this chapter, including receipts and records showing the payment or cost of purchased items and services, the names and addresses of the sellers and service providers, and the dates of service or delivery.

(b) Upon reasonable notice, the commissioners may audit the records, books, and files of the entity receiving the state money or making the expenditures and commitments of money received from the state under this chapter.

(c) The commissioners may do the following with respect to information relating to the project: conduct hearings or other investigative inquiries; compel the attendance of witnesses and production of documents; and require the licensee to furnish information in paper copy or electronic format.

(d) After a license has been issued and until commencement of commercial operations of a natural gas pipeline, the licensee shall allow the commissioners to

(1) have a representative present at all meetings of the licensee's governing body or bodies and equity holders that relate to the project;

(2) receive all relevant notices and information when and as sent to the governing body or bodies and equity holders;

(3) enjoy the same access to information about the licensee as the governing body members and equity owners receive; and

(4) receive relevant reports or information from the licensee that the commissioners reasonably request.

(e) All proprietary information, privileged information, and trade secrets received by the commissioners or their representative under (d) of this section are not subject to public disclosure under AS 40.25.

(f) A licensee shall maintain the records and reports required under this section for seven years from the date the licensee receives state money under this chapter.

7. *Is there a provision, similar to one in AGIA, that requires a body of work developed under AGDC be remanded to the state in the event a project is not sanctioned or is unable to attract sufficient customers?*

As a state corporation, all work product and assets developed by AGDC belong to the state. Depending on the circumstances, AGIA provides for the transfer of work by the private-sector licensee to the state either at no cost to the state, or at some level of cost, per AS 43.90.200:

Sec. 43.90.200. Certification by regulatory authority and project sanction.

(a) A licensee that is awarded a certificate of public convenience and necessity from a regulatory agency with jurisdiction over the project shall accept the certificate on or before the date the order granting the certificate is no longer subject to judicial review.

(b) If the licensee has credit support sufficient to finance construction of the project through ownership of rights to produce and market gas resources, firm transportation commitments, or government financing, the licensee shall sanction the project within one year after the effective date of the certificate of public convenience and necessity issued by the regulatory agency with jurisdiction over the project.

(c) If the licensee does not have credit support sufficient to finance construction of the project through ownership of rights to produce and market gas resources, firm transportation commitments, or government financing, the licensee shall sanction the project before the later of

(1) two years after the effective date of the certificate of public convenience and necessity issued by the regulatory agency with jurisdiction over the project; or

(2) five years after the close of the first binding open season of the project.

(d) If the licensee fails to sanction the project as required under this section, the licensee shall, upon request by the state,

(1) seek approval from the Federal Energy Regulatory Commission or the Regulatory Commission of Alaska, as applicable, to abandon and transfer the certificate to the state or the state's designee; and

(2) assign to the state or the state's designee all engineering designs, contracts, permits, and other data related to the project that are acquired by the licensee during the term of the license before the date of the abandonment or transfer.

(e) The transfer and assignments under (d) of this section as a result of failure to comply with (a) or (b) of this section are at no cost to the state or the state's designee. A transfer under (c) of this section shall be subject to the state's payment to the licensee of the net amount of expenditures incurred and paid by the licensee that are qualified expenditures for the purposes of AS 43.90.110.

(f) In this section, "effective date of the certificate of public convenience and necessity" means the earlier of the date the order granting the certificate is no longer subject to judicial review, or the date the licensee accepts the certificate.

History - (Sec. 1 ch 22 SLA 2007)

8. *The Alaska Natural Gas Development Authority has engaged in work related to a right-of-way between Glennallen and Palmer. Is there an asset, such as a right-of-way lease, and if so, will that lease be transferred to AGDC upon passage of HB 9?*

Alaska Natural Gas Development Authority assets remain with the Authority. However, under HB 9, the AHFC Board, as directors of ANGDA and AGDC, would have the ability to transfer assets from one subsidiary to another.

The right-of-way lease ANGDA secured is conditional, and as such, may require significant additional time and investment to upgrade to an unconditional lease. Consultation with the State Pipeline Coordinator's Office (SPCO) clarified that a conditional lease does not grant an interest in state land, but is a 'reservation' allowing 10 years to convert to a non-conditional lease. A conditional lease cannot be renewed. In further clarification, ANGDA's conditional lease does not technically follow the Richardson Highway, but begins in Palmer and terminates in Glennallen. ANGDA began work on a further segment between Glennallen and Delta Junction, but to the SPCO's knowledge, never acquired the right to state land for that segment.

9. *What are the potential impacts to the state and local governments if state resources, such as land, water and gravel as specified in Section 6, of HB 9, are provided to an AGDC project at no cost and the gasoline includes commercial gas exports?*

The sponsors expect an amendment under development to Section 6, (g), of HB 9 to address this concern.

10. *Regarding HB9 Section 12, what are the existing timelines for judicial review?*

Judicial review of decisions by commissioners on right-of-way leases is already limited in statute:

Sec. 38.35.200. Judicial review of decisions of commissioner on application.

(a) An applicant or competing applicant or a person who has a direct financial interest affected by the lease who raises objections within 60 days of the publication of notice under AS 38.35.070 are the only persons with standing to seek judicial review of a decision of the commissioner under AS 38.35.100.

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

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

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

Sections 12 and 13 in HB 9 work together to add a new subsection (c) incorporating the judicial review process created for the Trans-Alaska Pipeline System. Judicial review is already statutorily limited to 60 days per the Right-of-Way Leasing Act (AS 38.35.200); the new Section 13 (c) defines the jurisdiction for a claim and prohibits a court from issuing injunctive relief that would delay project progress while a claim is heard. Section 13 (c) also specifies a 60-day window for claims to be filed alleging denial of rights under the state Constitution.

11. *What is the anticipated impact to municipalities associated with Section 6, HB 9, exempting an AGDC project from state and municipal property taxes during construction? What are the anticipated impacts to municipalities during a pipeline construction phase?*

At this point, without final project engineering and costs, it is difficult to determine the potential impacts. Additionally, municipal taxes could change between now and a taxable period. The sponsors have requested a legal opinion on what pipeline project assets and activities are taxable, and will provide additional information to the committee as it becomes available.

12. *Provide an AGDC analysis of international fiscal systems consultant Pedro VanMeurs' assessment of an Alaska gas export project, as presented in a seminar to legislators in December 2011.*

This request will take additional time, as AGDC was not present at VanMeurs' presentation and has no access to the assumptions that went into the original analysis.

13. *Be prepared to discuss Section 25 of HB 9, exempting from Regulatory Commission of Alaska review any agreement or amendment to an agreement entered into by AGDC with a public utility, for as long as debt is outstanding on an AGDC pipeline.*

AGDC has indicated it is prepared to discuss this at the committee's pleasure.

Eminent Domain:

Sec. 09.55.240. Uses for which authorized; rights-of-way.

(a) Except as provided in (d) and (e) of this section, the right of eminent domain may be exercised for the following public uses:

(1) all public uses authorized by the government of the United States;

(2) public buildings and grounds for the use of the state and all other public uses authorized by the legislature of the state;

(3) public buildings and grounds for the use of an organized or unorganized borough, city, town, village, school district, or other municipal division, whether incorporated or unincorporated; canals, aqueducts, flumes, ditches, or pipes conducting water, heat, or gas for the use of the inhabitants of an organized or unorganized borough, city, town, or other municipal division, whether incorporated or unincorporated; raising the banks of streams, removing obstructions from them, and widening, deepening, or straightening their channels; and roads, streets, and alleys, and all other public uses for the benefit of an organized or unorganized borough, city, town, or other municipal division whether incorporated or unincorporated, or its inhabitants, which may be authorized by the legislature;

(4) wharves, docks, piers, chutes, booms, ferries, bridges of all kinds, private roads, plant and turnpike roads, railroads, canals, ditches, flumes, aqueducts, and pipes for public transportation, supplying mines and farming neighborhoods with water, and draining and reclaiming land, and for floating logs and lumber on streams not navigable, and sites for reservoirs necessary for collecting and storing water;

(5) roads, tunnels, ditches, flumes, pipes, and dumping places for working mines; also outlets, natural or otherwise, for the flow, deposit, or conduct of tailings or refuse matter from mines; also an occupancy in common by the owners or possessors of different mines of any place for the flow, deposit, or conduct of tailings or refuse matter from their several mines, and sites for reservoirs necessary for collecting and storing water;

(6) private roads leading from highways to residences, mines, or farms;

(7) telephone lines;

(8) fiber-optic lines;

(9) telegraph lines;

(10) sewerage of an organized or unorganized borough, city, town, village, or other municipal division, whether incorporated or unincorporated, or a subdivision of it, or of a settlement consisting of not less than 10 families, or of public buildings belonging to the state or to a college or university;

(11) tramway lines;

(12) electric power lines;

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

(b) The use of water for mining, power, and municipal purposes and the use of pole and power lines for telephone and telegraph wires, for aerial trams, and for the transmission of electric light and electric power, by whomever utilized, are each declared to be beneficial to the public and to be a public use within the provisions of AS 09.55.240 - 09.55.460. Rights-of-way across private property when they are necessary for the operation of the mine or other project in connection with which it is intended to be used may be condemned in the manner as for any other condemnation. The right-of-way may extend only to a right-of-way along, upon, and across the surface of the land to be condemned and to a strip of the land of sufficient width to permit the construction on the land of a ditch, flume, pipeline, canal, or other means of conveying water as is adequate for the purposes intended, for the setting of poles or the construction of towers upon which to string wires for telephone and telegraph lines and lines for the transmission of electric light or power for the operation of aerial trams, and to permit maintaining the lines and keeping them in repair.

(c) [Repealed, Sec. 15 ch 59 SLA 1982].

(d) The power of eminent domain may not be exercised to acquire private property from a private person for the purpose of transferring title to the property to another private person for economic development purposes. This subsection does not apply to transfers of private property to another private person if one or more of the following apply:

(1) the landowner consents, either before or after a condemnation proceeding has been filed, to the use of the property for a private commercial enterprise or other economic development;

(2) the private person has been expressly authorized by statute either to exercise the power of eminent domain or to receive an interest in land acquired by the exercise of eminent domain;

(3) the transferred property is used for a private way of necessity to permit essential access for extraction or use of resources;

(4) the acquisition is used, in part, for leasing property to a private person that occupies a portion of public property or a public facility, including a private business that occupies a portion of an airport, port, or public building;

(5) the property is transferred to a person by oil and gas lease under AS 38.05.180;

(6) the property is transferred to a common carrier.

(e) The power of eminent domain may not be exercised for the purpose of developing a recreational facility or project if the property to be acquired includes an individual landowner's personal residence or recreational structure or that portion of an individual's property attached to and within 250 linear feet of an individual landowner's personal residence or recreational structure unless the landowner consents either before or after a condemnation proceeding has been filed.

(f) Notwithstanding the limitations on the power of eminent domain in (d) and (e) of this section, the legislature may approve the exercise of eminent domain against private property in an Act, the subject of which is limited to the transfer of the property for a purpose otherwise restricted under (d) or (e) of this section.

(g) The power of eminent domain may only be delegated by statute.

(h) In this section,

(1) "common carrier" has the meaning given in AS 04.16.125;

(2) "economic development" means development of property for a commercial enterprise carried on for profit or to increase tax revenue, tax base, or employment;

(3) "personal residence" means a structure that is the dwelling place of an individual that

(A) must be used by the owner or beneficiary of a trust holding legal title to the structure as a dwelling unit, as opposed to a rental, storage, or other commercial space;

(B) must be inhabited by the owner, prior owner, or beneficiary of a trust holding legal title to the structure for at least 90 days during the 12-month period immediately before the date an action for the exercise of the power of eminent domain is filed;

(C) must constitute an ordinary home for general living purposes; and

(D) may not have been constructed, placed, or occupied for the purpose of avoiding eminent domain proceedings;

(4) "private person" means a person that is not a public corporation as defined in AS 45.77.020 or a government as defined in AS 11.81.900;

(5) "recreational facility or project"

(A) means a facility or project, the primary purpose of which is recreational;

(B) includes a park, trail or pedestrian pathway, greenbelt, amusement park, fresh water boat harbor, sports facility, playground, infrastructure, or other facility related to or in support of an indoor or outdoor recreational facility or project;

(C) does not include

(i) a highway, sidewalk, or path within the right-of-way of a highway;

(ii) a path, trail, or lane used as a safe route to a school program;

(iii) a wayside or rest stop;

(iv) a development, the primary purpose of which is not recreational, such as a path, trail, or lane developed to reduce congestion, or to encourage use of an alternate, gas-saving mode of transportation;

(v) a path or trail to or between villages or from a village to a facility or resource;

(vi) a stormwater retention or treatment facility or wetland, habitat, or other acquisition required to obtain a permit for a highway, airport, or other public project;

(vii) a taking under AS 19.05.110, 19.05.120, AS 19.22.020, AS 27.21.300, AS 35.20.040, 35.20.050, or AS 41.35.060;

(viii) a taking not prohibited by law before January 1, 2007, under AS 41.21; and

(ix) a path, trail, road, or site for which no reasonable alternative exists and which is necessary to preserve or establish public access to or along publicly owned land or water, if the use of the path, trail, road, or site itself is for transportation to or to facilitate use of publicly owned land or water;

(6) "recreational structure" means a permanent structure that

(A) is used by the owner or beneficiary of a trust holding legal title to the structure as a dwelling for seasonal recreational purposes, as opposed to a rental, storage, or other commercial space; and

(B) may not have been constructed, placed, or occupied for the purpose of avoiding eminent domain proceedings.