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2/01/11 PRESENTATION: DENALI COMMISSION - SUSTAINABLE RURAL DEVELOPMENT

3/22/11 PRESENTATION: ALASKA TSUNAMI MODELING AND EMERGENCY PREPAREDNESS

3/31/11 CONFIRMATION HEARING: SUSAN BELL, COMMISSIONER, DCCED

ESSENTIAL AIR SERVICE

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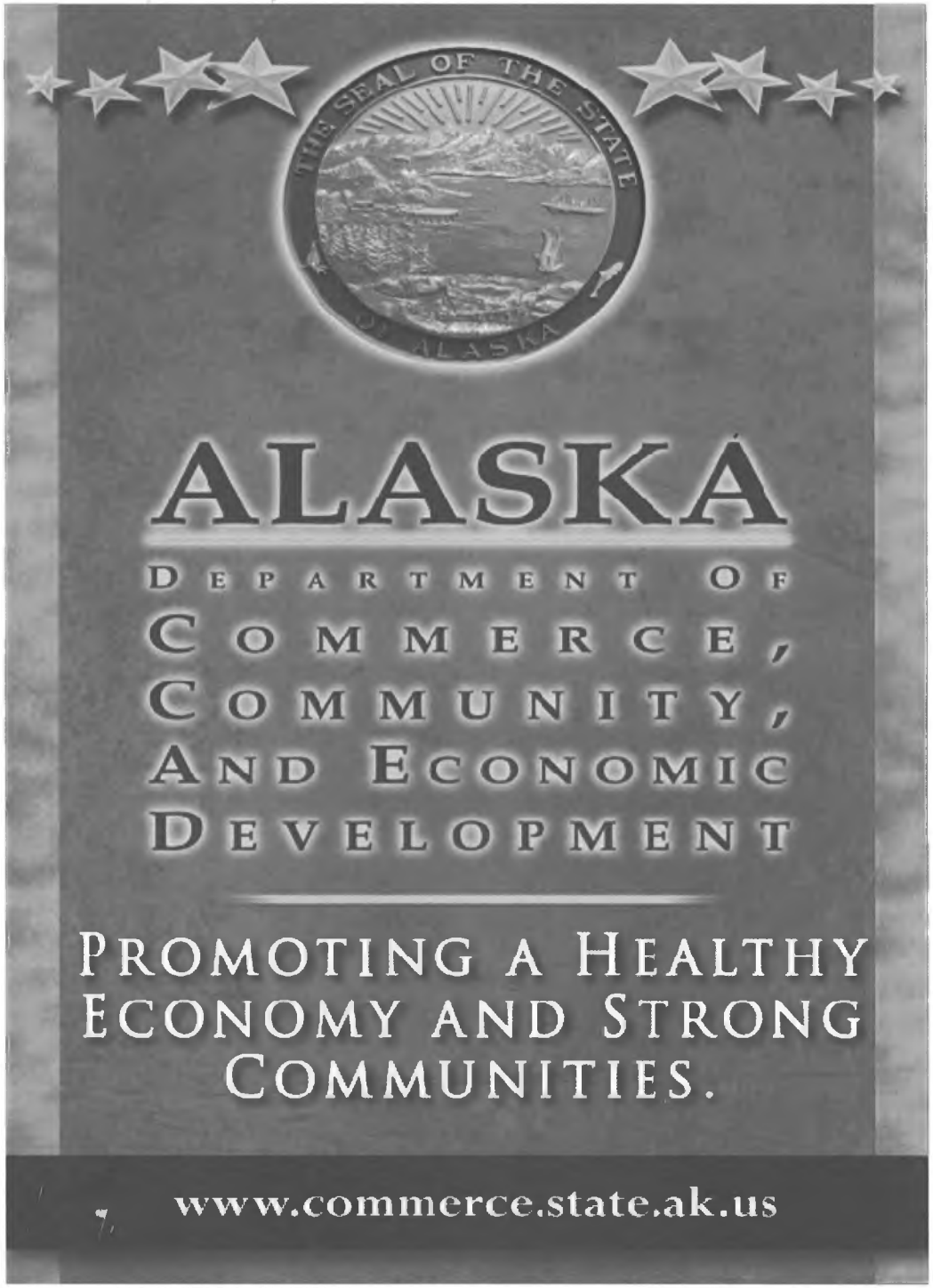
HJR 17

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2/01/11 OVERVIEW: DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

<TARGET><BILL></BILL><SUBJECT>2-01-11 OVERVIEW DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT</SUBJECT><COMM>SCRA27</COMM></TARGET>

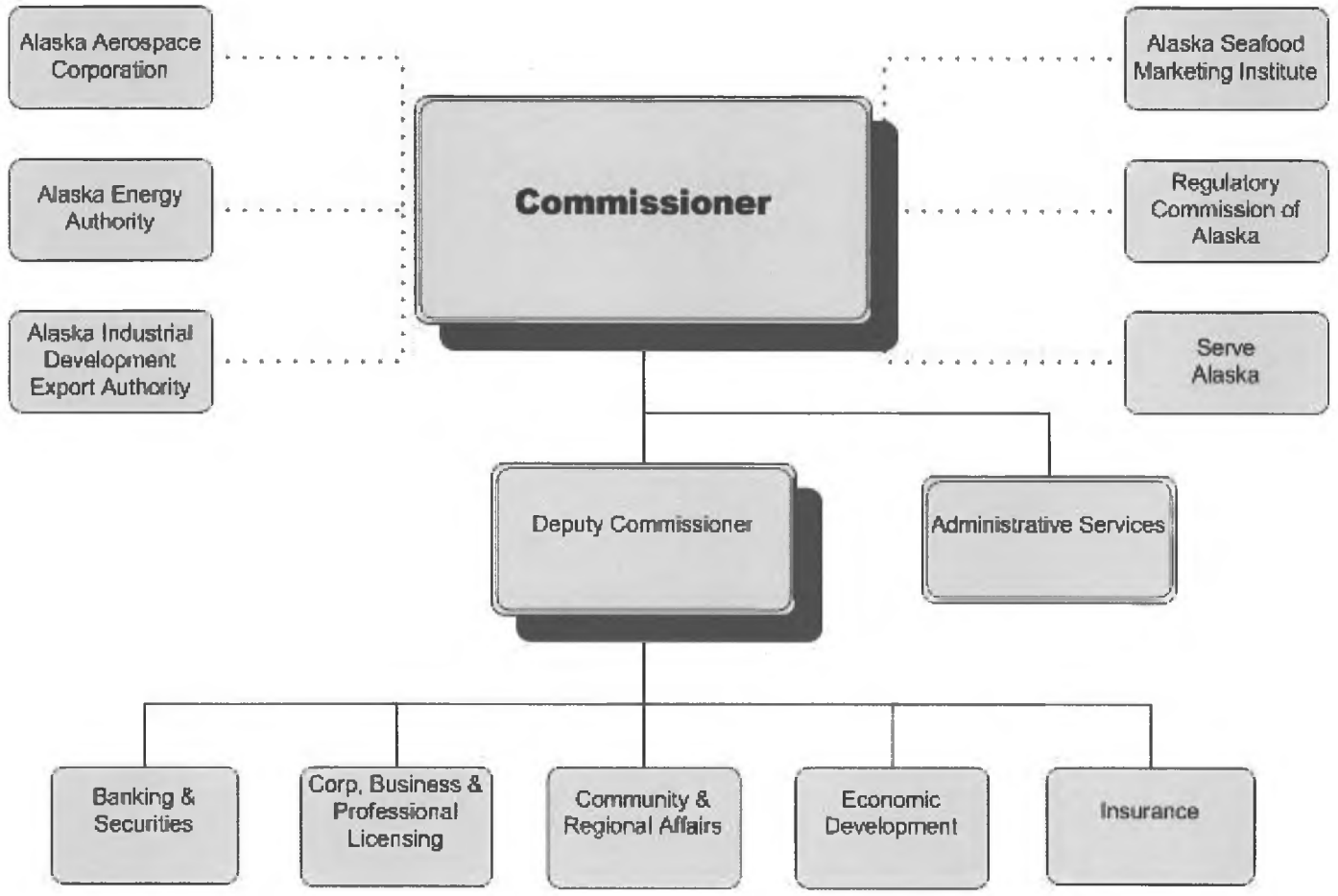


Susan Bell, Commissioner

Presented to the
Senate Community & Regional Affairs Committee

February 1, 2011

Mission: Promote a healthy economy, strong communities and protect consumers in Alaska



Office Locations



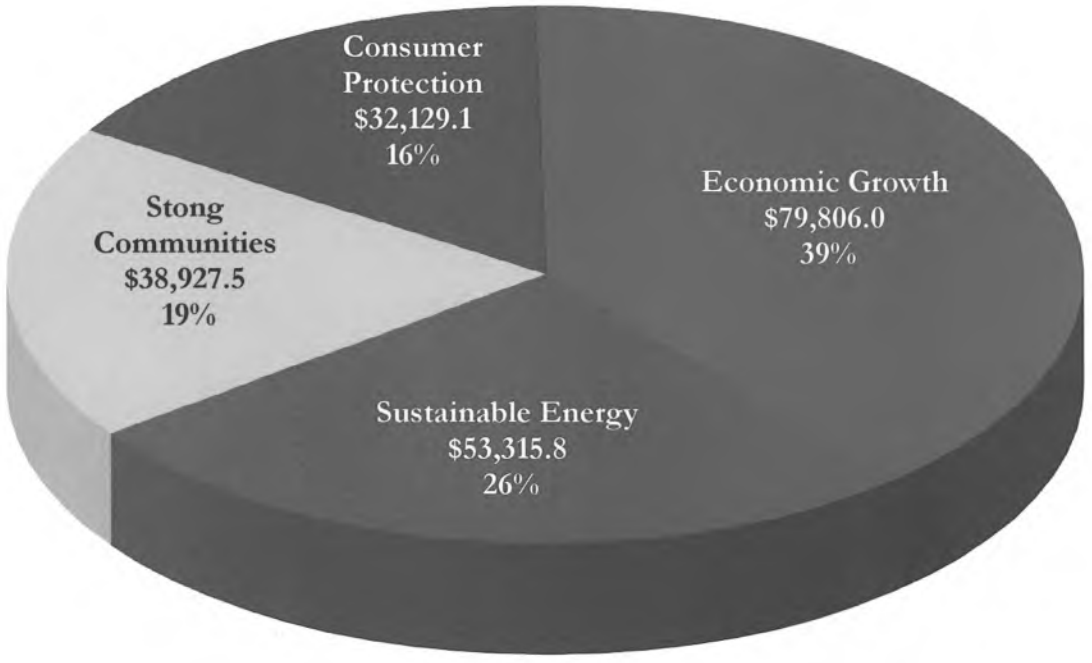
Anchorage
Bethel
Dillingham
Fairbanks
Juneau
Kodiak
Kotzebue
Nome
Tok
Seattle

Total employees: 538

Budget by Priority Program

BUDGET REQT

FY12 $204,178.4



Priority Programs

- Economic Development
  - Division of Economic Development; Alaska Aerospace; AIDEA; Alaska Seafood Marketing Institute
  - FY12 request is a slight decrease from prior year (-$459.0)
  - Requesting support to continue strengthening economic development efforts
- Sustainable Energy
  - Alaska Energy Authority
  - FY12 request reduction is due primarily to reductions in projected costs for PCE (-1,486.9)
  - Requesting funds to continue renewable energy grant management and technical assistance

Priority Programs cont.

- Strong Communities
  - Community and Regional Affairs; Serve Alaska
  - FY12 budget reflects a significant decrease (-$7.7 million), primarily from one-time-time decrements for named grant recipients
- Consumer Protection
  - Banking and Securities; Insurance; Corporations, Business and Professional Licensing; Regulatory Commission of Alaska
  - FY12 budget reflects a modest increase ($753.0) to maintain consumer protection

Economic Development Programs

- Division of Economic Development
  - Strengthening/realigning: finance, marketing, research, business/technical assistance, outreach/coordination
- Financing
  - 268 loans, totaling $20.3 million
  - Legislation proposing several targeted loan programs
- Made in Alaska
  - 2010 Showcase: 48 vendors and 19 Alaska/national buyers
- Alaska Film Office
  - 29 film productions prequalified for tax credits
  - Marketing and logistical support for productions

Economic Development cont.

- Tourism Development
  - Increased market demand for Alaska travel
  - Created product development and training
  - Engaged industry and conducted economic impact analysis
- Increased outreach and effectiveness
  - Leverage external/internal partners
    - Minerals, forestry, seafood, agriculture, transportation
  - Multi-year international trade strategy
  - Business retention and expansion strategy
  - Expanded presence at key trade shows and forums
  - Council of Economic Advisors
  - Connect Alaska broadband strategy

Economic Development cont.

- Alaska Aerospace Corporation
  - Supported Air Force SPT-26 launch in November
  - Planning next launch in May 2011
- AIDEA
  - Revolving loan fund assets increase by $37.1 million
  - FY12 dividend $29.4 million
  - Expanding development projects and economic dev. tools
- Alaska Seafood Marketing Institute
  - Increasing exposure for Alaska seafood in U.S. and international markets

Sustainable Energy

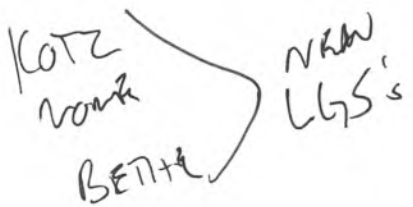
- Completed *Alaska Energy Pathway*, July 2010
- Program Overview
  - Renewable energy development
  - Technical assistance
  - Bulk fuel facility upgrade and loan program
  - Rural power system upgrades
- Renewable Energy Fund grants
  - $150 million, 133 projects
- Pursuing new projects to meet statewide energy efficiency goals

Strong Communities

- Community and Regional Affairs Overview
  - Local government assistance
  - Rural Utility Business Advisory program (167 communities)
  - Administered $1.2 Billion in grants in FY11
  - $34 million to communities (PILT, National Forest Receipts, Fisheries Business Tax, Fisheries Landing Tax) plus Community Revenue Sharing ($60 million)
  - Land management and planning
  - State assessor, community publications, Local Boundary Commission
  - Bulk Fuel Bridge Loan (21 communities in 2010)

Strong Communities cont.

- Community viability and capacity building are a continuing challenge
  - Increased operating costs, staff turnover, and potential for reduced federal funding
  - Lack of infrastructure and the high cost of doing business in rural Alaska
  - Water, electric, fuel utilities vulnerable – may need more regional strategies
  - Disparity in the ability to attract and evaluate diverse economic development projects
  - High energy costs negatively impact community viability and economic development efforts



Strong Communities cont.

- Implementing FY11 changes
  - Increased onsite technical assistance
  - Land management assistance
- Increase volunteerism
  - Collaborate in national service activities and training
  - 300,934 hours in education, health, public safety, environment
  - Challenges include maintaining technical assistance and sub-grantee monitoring in expanding portfolio

Consumer Protection

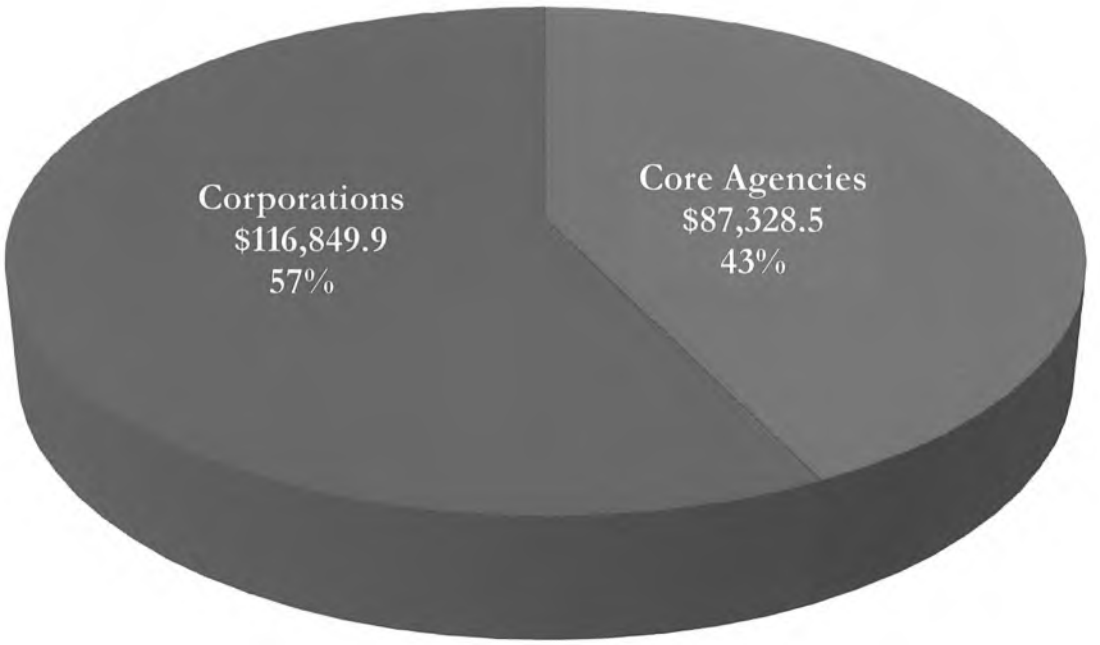
- Banking and Securities
  - License, charter and examine banks
  - Consumer education and protection
  - ANCSA proxies
- Insurance
  - Ensure financial solvency
  - License, ensure compliance
  - Criminal investigations
  - Consumer education and protection
  - Challenges include increased number and complexity of insurance products and associated increase in investigations

Consumer Protection cont.

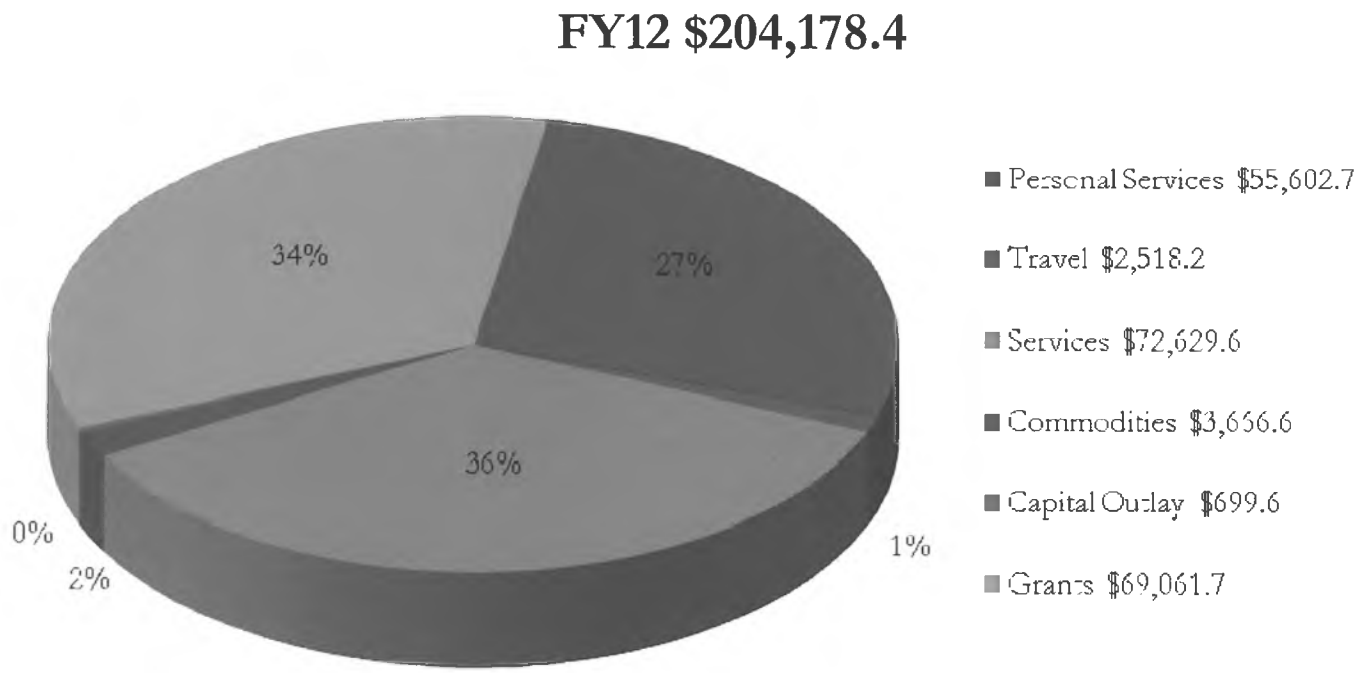
- Corporations, Business and Professional Licensing
  - Administer 40 professional licensing programs
  - Business licenses
  - Register corporations and trademarks
  - Consumer outreach and complaint investigation
- Regulatory Commission of Alaska
  - Regulate public utilities and pipeline carriers
  - Tariff filings, dispute resolution, regulations
  - Establish PCE rates
  - Significant challenges include emerging energy issues, changing regulatory environment, and viability of rural utilities
  - FY12 concurrent hearings with FERC on TAPS

Budget by Agency Type

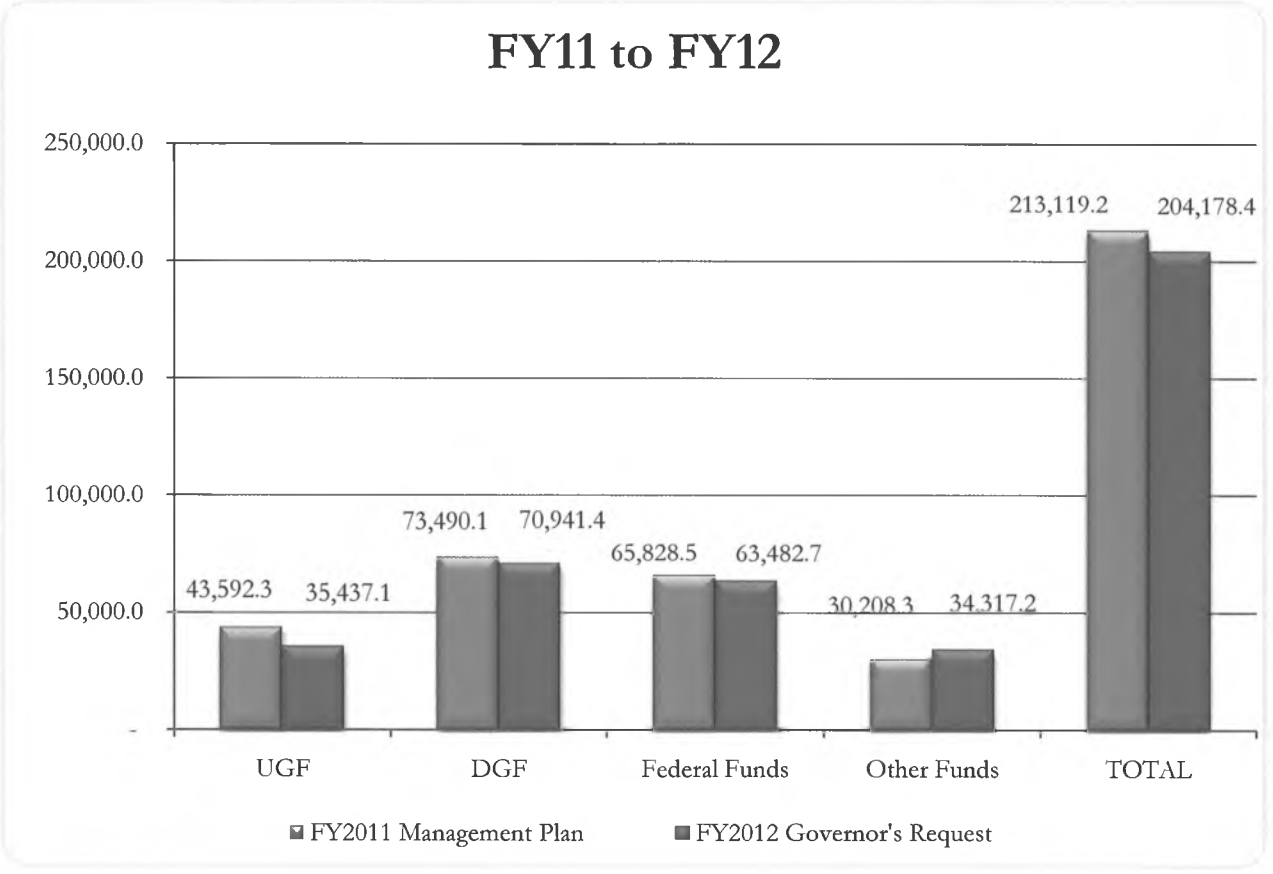
FY12 $204,178.4



FY12 Budget by Line Item



Budget by Fund Source



Conclusion

In conclusion, the state and the department have many challenges to address on the path to economic growth and sustainable communities. We look forward to a continued discussion on how to keep the forward momentum, and on the role of the department's core and corporate agencies in this statewide effort. The department's FY2012 budget request reflects a commitment to continue the services of our priority programs for economic development, energy, strong communities, and consumer protection.

2/01/11 PRESENTATION DENALI COMMISSION - SUSTAINABLE RURAL DEVELOPMENT

<TARGET><BILL></BILL><SUBJECT>2-01-11 PRESENTATION DENALI COMMISSION - SUSTAINABLE RURAL DEVELOPMENT</SUBJECT><COMM>SCRA27</COMM></TARGET>

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501

907.271.1414 *tel*
907.271.1415 *fax*
888.480.4321 *toll free*
www.denali.gov

Role of the Denali Commission
Request for Public Comment

The Denali Commission is seeking public input and comment on the role of the Commission in the delivery of Federal services, projects and programs to rural Alaska.

We anticipate that public input will come in two forms: written and in-person. The Commission will schedule listening sessions around Alaska between now and April 8, 2011. We will be accepting written comments until April 15, 2011. Written comments can be provided at the address provided in the "header" above, or via fax at the fax number provided above, or via e-mail to: communications@denali.gov. Questions can be addressed to either Ms. Karen Johnson (271-3036) or Ms. Monica Armstrong (271-1414).

In just over 10 years, the Denali Commission has leveraged over $1 billion of federal and other funds to support energy, transportation, health care, education, housing and training in rural Alaska, while the State of Alaska has invested over $2 billion in infrastructure development in the Denali Commission program areas. Further information about the Commission's work and our current funding climate can be found in the Commission's 2010 annual report which is posted on the Commission's website.

The Denali Commission would like to hear from Alaskans on the following three topics:

1. Why is the Denali Commission important to rural Alaska?
2. What recommendations would you make as to the manner in which the Denali Commission does business?
3. What should the future role / focus of the Denali Commission be in rural Alaska?

The Denali Commission illustrates how the federal and state government, working together, can assist the most remote of Alaskan citizens to help themselves move closer to economic self-sufficiency, while preserving values and improving their health and quality of life. The Denali Commission is committed to meeting the White House rural policy of developing place-based solutions towards this effort.

As in the last decade, we value local participation in designing and sustaining vital, rural communities. We hope that you will take the time to guide us on these three very important questions so that the Commission can strategically plan with rural Alaskans for the next ten years.

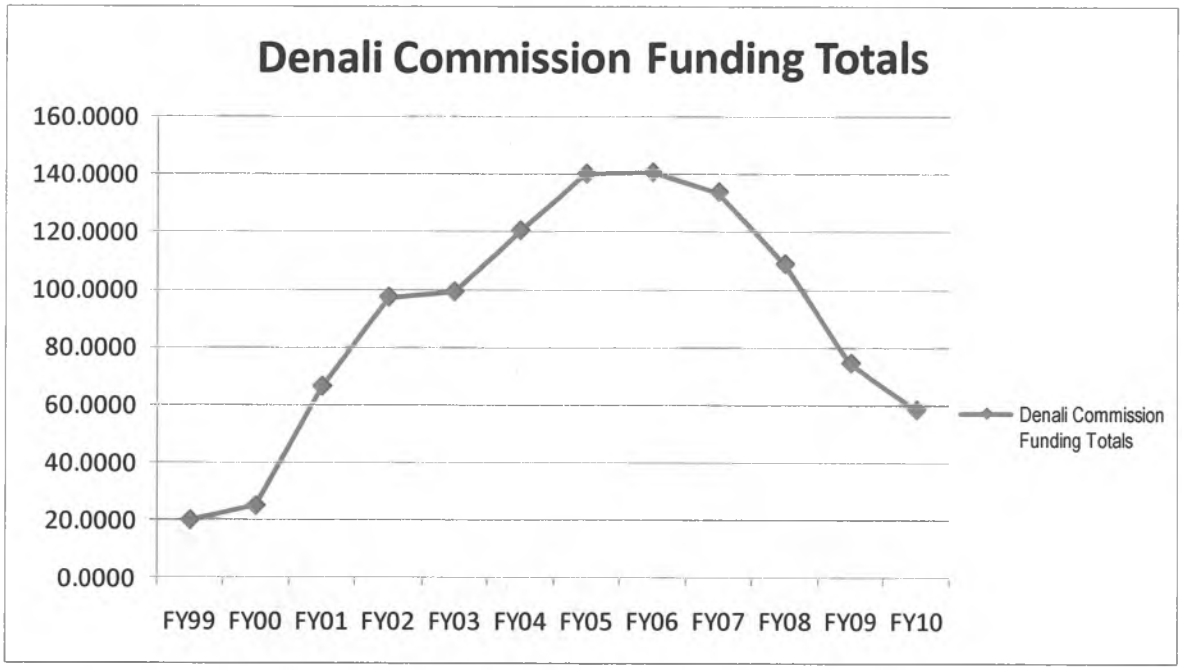
Joel Neimeyer, Federal Co-Chair
Karen Rehfeld, State Co-Chair

Vince Beltrami, AFL-CIO, Commissioner
Loretta Bullard, Alaska Federal of Natives, Commissioner
Pat Gamble, University of Alaska, Commissioner
John MacKinnon, Association of General Contractors, Commissioner
Kathie Wasserman, Alaska Municipal League, Commissioner

DENALI COMMISSION

Denali Commission Priorities February 2011

- $3 Million State Funding
- Transportation—FY11 Projects
- Health Program—Suite of Four Projects
- Energy Program—Emerging Technologies & FY11
- Sustinable Rural Communities
- Role of the Denali Commission—Listening Sessions



Denali Commission
510 L Street, Suite 410
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Toll Free: 888-480-4321
Fax: 907-271-1415

DENALI COMMISSION

Denali Commission Priorities February 2011

Partnerships Make It Happen

2006 - 2010

Commission funding: $478M
State of Alaska funding: $106M
Leveraged funding: $461M

Total of 899 Commission projects funded
State provides Project Management for 412

Collaborative Programming

2005 - 2010

$4 : $1

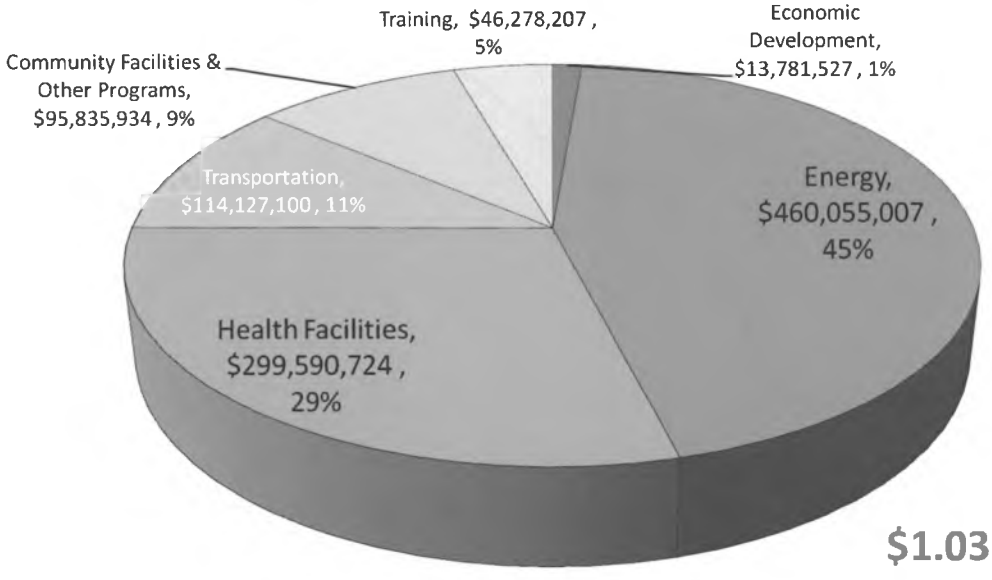
State of Alaska
$2.4 Billion

Denali Commission
$0.6 Billion

During the time period 2005 – 2010, the State of Alaska appropriated almost $4 for every $1 dollar that the Denali Commission contributed towards Alaska's rural community facilities, economic development, energy, health, training and transportation.

Additionally, from 2006 to 2010 the total amount of Commission projects funded was 899. The State of Alaska participated in directly funding 250 of those projects valued at $106 million.

FY99 - FY10 Denali Commission Program Funding Uses



$1.03 Billion

Denali Commission
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Anchorage, AK 99501

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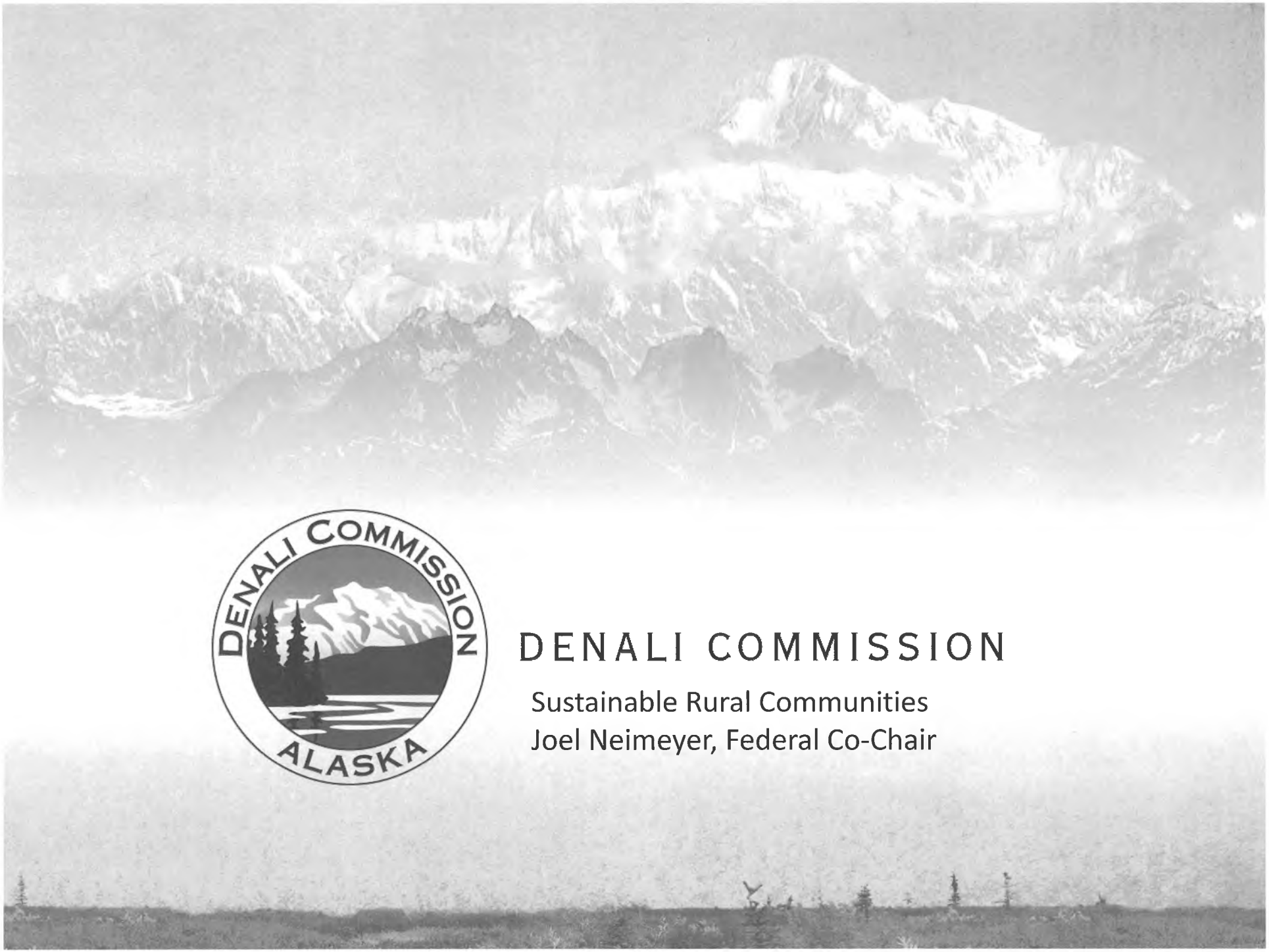
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DENALI COMMISSION
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Joel Neimeyer
Federal Co-Chair

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www.denali.gov

Main: (907) 271-1414
Toll Free: (888) 480-4321
Fax: (907) 271-1415



DENALI COMMISSION

Sustainable Rural Communities
Joel Neimeyer, Federal Co-Chair



Appalachian Regional Commission 1965

Denali Commission 1998

Delta Regional ~~Commission~~ Authority

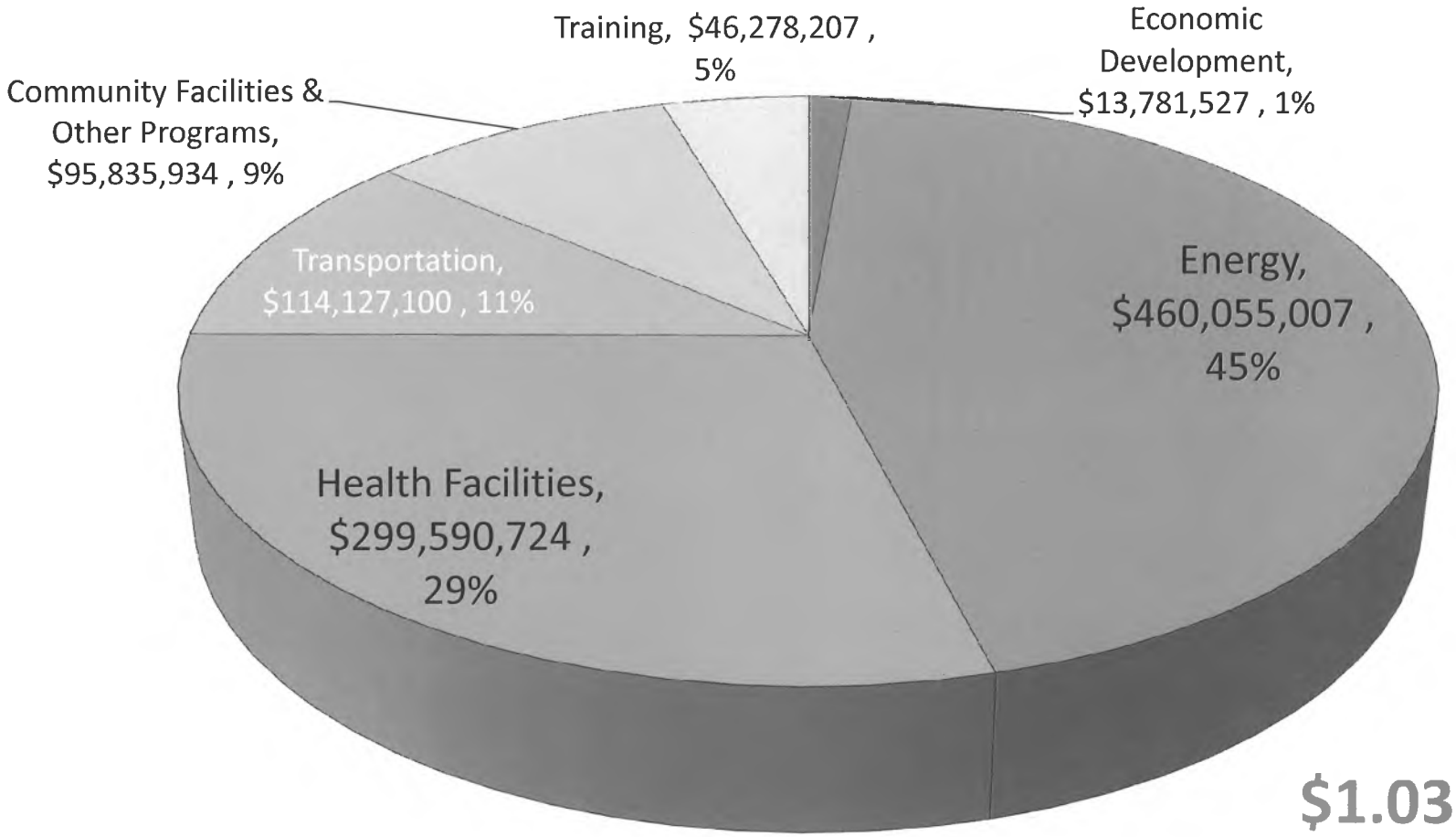
APPALACHIAN REGIONAL COMMISSION

Regional Commission Model For Government



- **Denali Commission – An independent Federal Agency**
- **Created in 1998 – Denali Commission Act**
- **Governing Principles:**
  - Small staff
  - Limited overhead costs
  - Numerous program partners
  - Shared resources; common vision
  - Transparency
  - Decisions made in Alaska

FY99 - FY10 Denali Commission Program Funding Uses

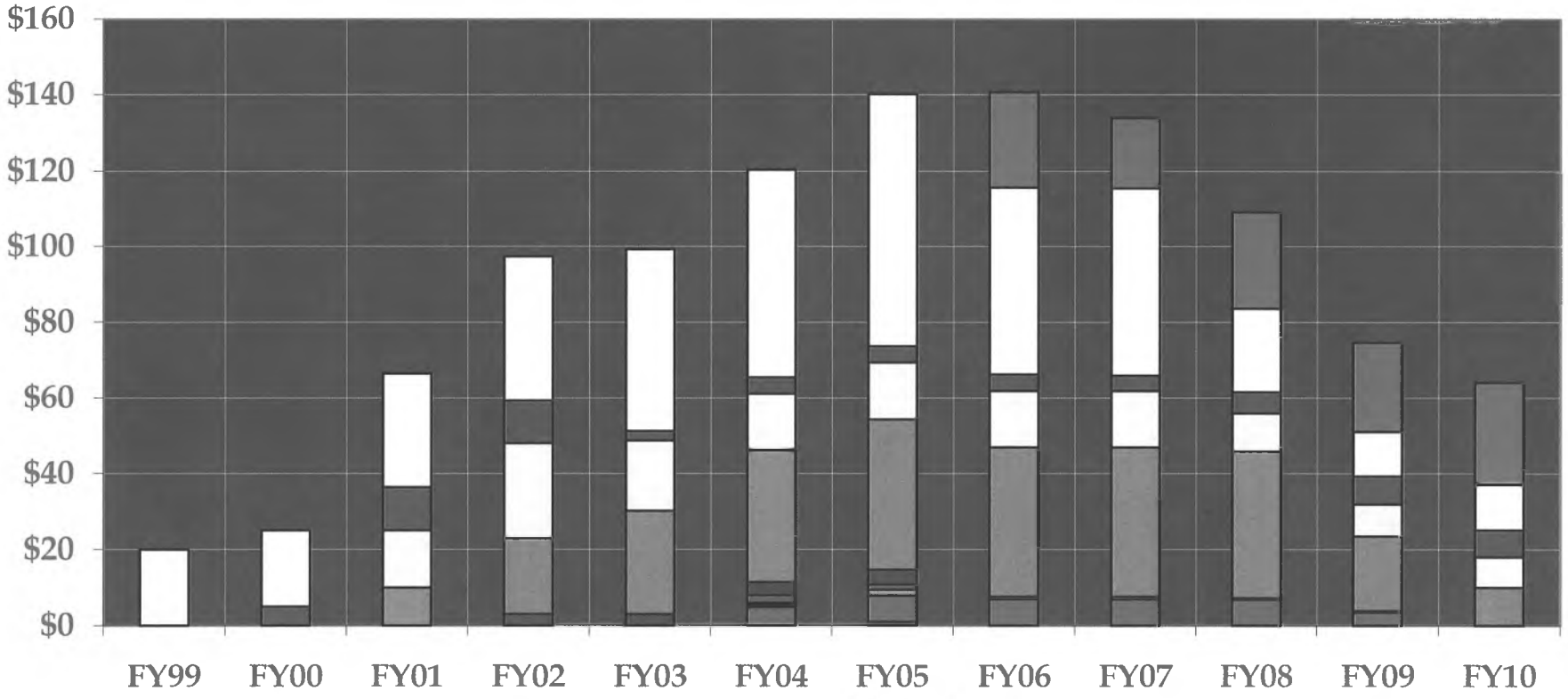


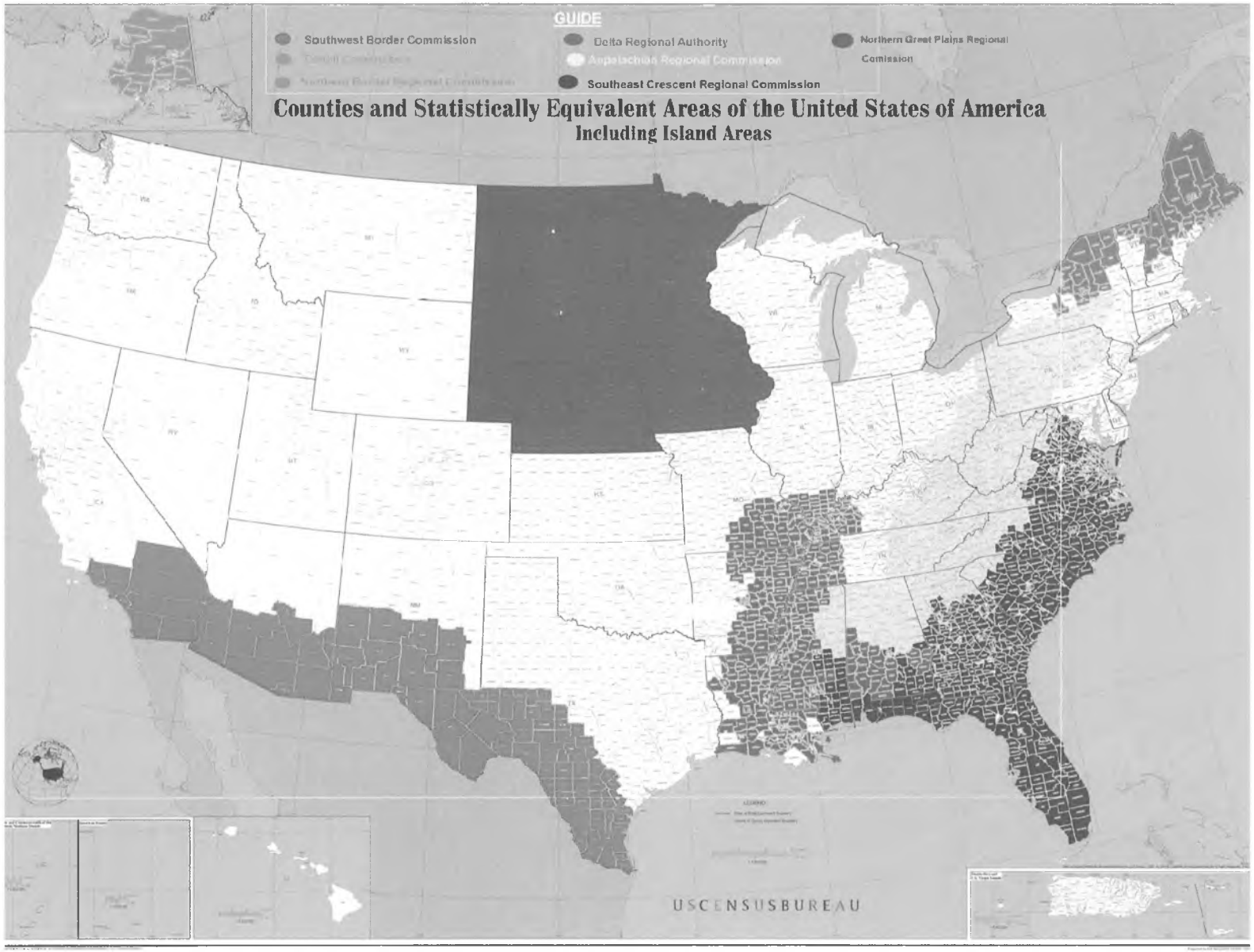
$1.03 Billion

DENALI COMMISSION

Denali Commission Funding Sources FY99 - FY10

(in millions)




GUIDE
Southwest Border Commission
Delta Regional Authority
Northern Great Plains Regional Commission
Appalachian Regional Commission
Southeast Crescent Regional Commission
Counties and Statistically Equivalent Areas of the United States of America
Including Island Areas
USCENSUSBUREAU



Partners

Our Program Partners Include:

Federal

- FEDERAL HIGHWAY ADMINISTRATION, WESTERN FEDERAL LANDS HIGHWAY DIVISION
- U.S. DEPARTMENT OF AGRICULTURE, FOREST SERVICE, RURAL DEVELOPMENT AND RURAL UTILITIES SERVICE
- U.S. DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION
- U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
- U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, INDIAN HEALTH SERVICE
- U.S. DEPARTMENT OF INTERIOR, BUREAU OF INDIAN AFFAIRS
- U.S. DEPARTMENT OF LABOR

Indian Health Service
The Federal Health Program for American Indians and Alaska Natives

State

- ALASKA DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
- ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
- ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
- ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
- ALASKA DEPARTMENT OF PUBLIC SAFETY
- ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
- ALASKA ENERGY AUTHORITY
- ALASKA HOUSING FINANCE CORPORATION
- ALASKA MENTAL HEALTH TRUST AUTHORITY
- ALASKA STATE LEGISLATURE
- UNIVERSITY OF ALASKA

ALASKA ENERGY AUTHORITY

Other

- ALASKA FEDERATION OF NATIVES
- ALASKA GROWTH CAPITAL
- ALASKA MUNICIPAL LEAGUE
- ALASKA NATIVE TRIBAL HEALTH CONSORTIUM
- ALASKA PUBLIC BROADCASTING, INC.
- ALASKA REGIONAL FOR-PROFIT CORPORATIONS
- ALASKA REGIONAL HEALTH BOARDS
- ALASKA REGIONAL NON-PROFIT CORPORATIONS
- ALASKA REGIONAL HOUSING AUTHORITIES
- ALASKA VILLAGE ELECTRIC COOPERATIVE
- ASSOCIATED GENERAL CONTRACTORS OF ALASKA
- FIRST ALASKANS INSTITUTE
- RASMUSON FOUNDATION
- RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.

ALASKA NATIVE TRIBAL HEALTH CONSORTIUM



Partnerships Make It Happen

2006 - 2010

Commission funding: $478M
State of Alaska funding: $106M
Leveraged funding: $461M

Total of 899 Commission projects funded
State provides Project Management for 412



Collaborative Programming

2005 - 2010

$4 : $1

State of Alaska
$2.4 Billion

Denali Commission
$0.6 Billion



Denali Commission Programs

- Energy Program
- Health Facilities Program
- Transportation Program
- Training Program
- Government Coordination

DENALI COMMISSION

Energy Program







DENALI COMMISSION







Health Program

DENALI COMMISSION







Transportation Program

DENALI COMMISSION

Training Program







Legislative/Commission Discussion Points

- $3 Million State Funding
- Transportation Program – FY11 Projects
- Health Program – Suite of Four projects
- Energy Program – Emerging Technologies & FY11
- Sustainable Rural Communities
- Role of the Denali Commission – Listening Sessions

DENALI COMMISSION

State $3 Million Partnership Grant

- Completion Funding for 7 Proposed Power Generation Projects:

Angoon $300K
Hoonah $470K
Igiugig $150K
Karluk $60K
McGrath $200K
Pelican $300K
Yakutat $160K

Total, $1.64M

- Mooring Projects (up to 17 communities)
- 20% Match Funding ($1.36M) to Federal Funding ($7M)

Akiachak, Goodnews Bay, Kongiganak, Napaskiak, Upper Kalskag, Crooked Creek, Lower Kalskag, Buckland, Fort Yukon, Galena, Kiana, Noorvik, Nulato, Savoonga, Stevens Village, Tanana, and White Mountain

DENALI COMMISSION

US Army Corps
of Engineers
Alaska District

ALASKA BARGE LANDING
SYSTEM DESIGN
STATEWIDE
PHASE 1

Various Locations, Alaska

FINAL REPORT



JANUARY 2009

Barge Landings & Mooring Designs

DENALI COMMISSION

Chevak Mooring







FFY 11 Transportation Program

Funding Type	Amount	Match
Waterfront	$12.4 Million	Secured
Roads	$14.2 Million	$500K Needed
Waterfront or Roads	$3.9 Million	Secured



Health Program and State Legislative Changes

Suite of Four Behavioral Health projects: (no new funding)

- Yukon-Kuskokwim Elder Assisted Living Facility
- Tundra Women's Coalition
- Nugen's Ranch
- Seeds of Change

Working with State OMB, A-DHSS and Alaska Mental Health Trust Authority



Energy Program & proposed Federal Cost Share Requirements

FFY11 President's budget proposes cost share match to the Commission's base budget:

- 20% economically distressed communities
- 50% non-distressed communities
- Range of match needed: $4.5M to $15M
- Should know by March 2011 (CR is the key)

DENALI COMMISSION

Government Coordination





Sustainable Rural Communities

- Phase I – Sustainable Rural Communities report by federal partners.



Findings

- Lead Agency
- Focus on Community
- Solutions in Partnership at the Federal Level
- Regional Approach

Sustainable Rural Communities

- Phase II – Public Comment



Sustainable Rural Communities

- Phase III – Supplemental Report



Listening Sessions

- What is the Commission doing right?
- What are we not doing?
- How can we improve?

- Nome
  February 23, 2011
- Bethel (pending)
  March 8, 2011
- Anchorage (pending)
  March 2, 2011





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ANNUAL REPORT 2010

THE JOURNEY CONTINUES : THE NEXT DECADE OF THE DENALI COMMISSION







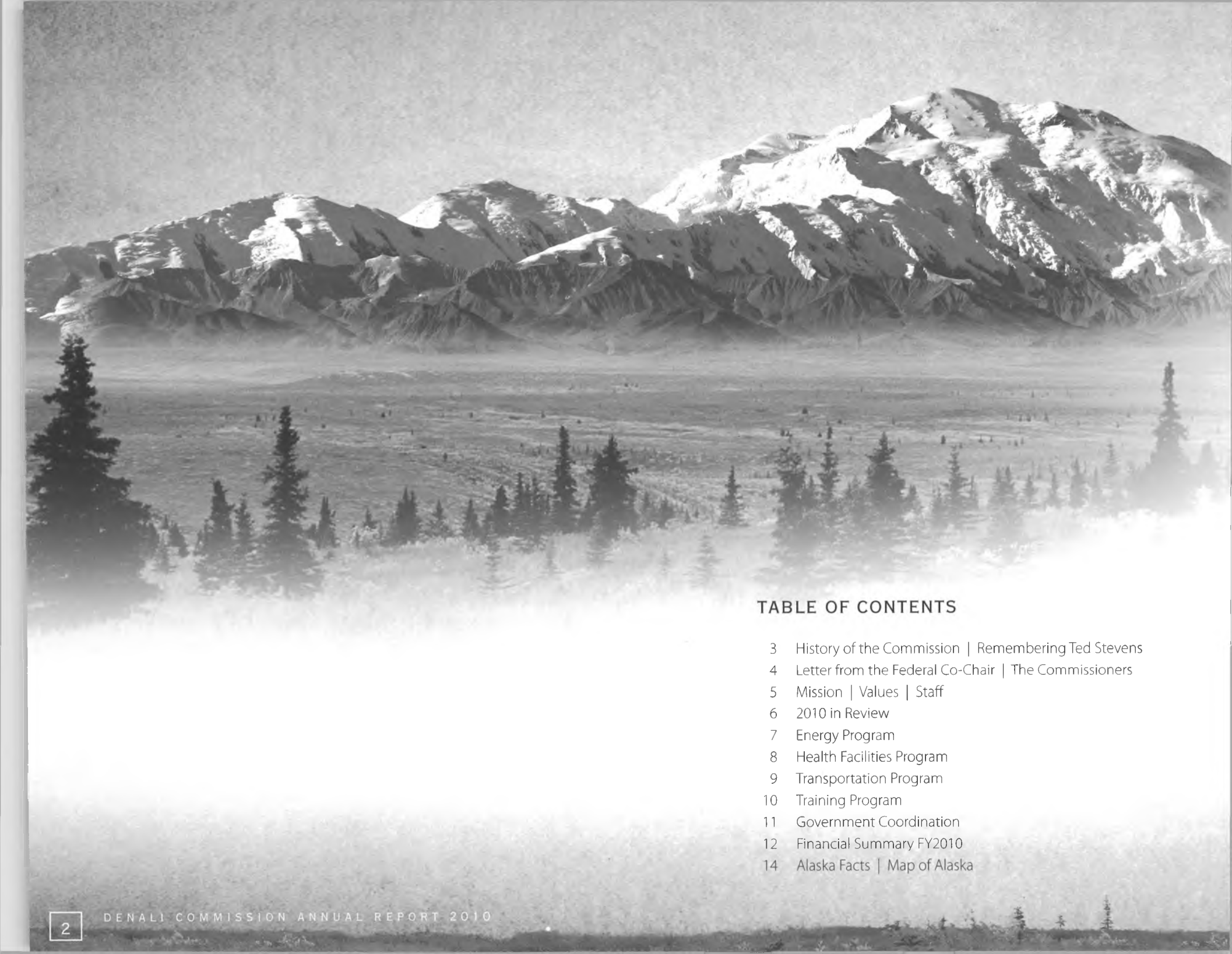


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4 Letter from the Federal Co-Chair | The Commissioners
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7 Energy Program
8 Health Facilities Program
9 Transportation Program
10 Training Program
11 Government Coordination
12 Financial Summary FY2010
14 Alaska Facts | Map of Alaska

HISTORY OF THE COMMISSION

Denali Commission (Commission) is an innovative independent federal-state partnership designed to provide critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible.

The Commission was created to find solutions, both immediate and long-term, to the inequities between rural Alaska and the rest of America. Initially, the Commission's primary objective was to provide reliable power and healthcare to every community while securing contamination threats to the environment.

Since inception in 1998, the Commission has been extraordinarily effective at accelerating the delivery of badly needed infrastructure projects. The Commission is widely regarded as efficient and necessary by the people in rural Alaska and by private sector and government partners.

The Commission has a lengthy history that demonstrates the agency's ability to not only respond to critical infrastructure needs, but also provide innovative solutions that work in rural Alaskan environments. Examples include the installation of efficient and reliable generators and switchgear equipment that power schools, homes and healthcare facilities. The Commission has replaced or repaired fuel storage facilities so they have appropriate, code compliant capacity. The Commission's work in the Health Facilities Program has enabled communities to design and construct clinics throughout the entire state and has made an enormous impact in the lives and health of rural Alaskans. The Commission has built roads and provided harbor access for rural communities which serve as the essential lifeblood of a thriving community. To help ensure that these projects are sustainable, the Commission has initiated job training and economic development projects to complement its investment in infrastructure.

We invite you, in the following pages, to see the past work of the Commission and reflect on a government agency that is making dramatic progress in the nation's least developed area. The Denali Commission is a model of effective, innovative government. In these pages, witness our vision for a better Alaska, and a stronger America.

Denali Commission Act - (Title III of Public Law 105-277, 42 USC 3121)



In Memory of
Senator Ted Stevens
1923 – 2010

"My future is in God's hands. The future of Alaska, however, is in your hands."

In 1998 Senator Ted Stevens focused national attention on the immense infrastructure and economic challenges faced by rural Alaskan communities when he authored the Denali Commission Act. The Act became law on October 21, 1998. The Denali Commission, with its unique scope and breadth of services, has helped change the face of rural Alaska.



JOEL NEIMEYER
Federal Co-Chair, Denali Commission

THE JOURNEY CONTINUES: THE NEXT DECADE OF THE DENALI COMMISSION

Change is upon us at the Denali Commission (Commission) as we embark on our second decade of critical infrastructure development in Alaska. For twelve years the Commission has administered over $1 billion dollars in basic infrastructure, training, and economic development projects in Alaska's remote communities. The Commission's funding, along with all the leveraged funding from other program partners, has improved the standard of living across the state and has provided rural residents with access to fundamental facilities and opportunities that many urban residents take for granted. Over these past twelve years, the Commission has:

- Completed 97 code compliant bulk fuel tank farms and 55 rural power system upgrades in rural Alaska communities.
- With numerous partners, including the State of Alaska, we are engaged in the development and construction of alternative and renewable energy projects, including wind turbines, hydro, geothermal and biomass.
- Completed 114 clinics with an additional 11 clinics currently under construction. The Commission has 27 health facility projects that are in the conceptual planning or design phases.
- Completed 33 road projects and 42 waterfront development projects. Eighty-two road and waterfront development projects are currently in the planning, design or construction phase.
- Partnered with numerous agencies, including the State of Alaska, and leveraged millions of dollars. Since 2006, for example, the Commission's $478 million in program dollars were matched by the State of Alaska with $106 million and an additional $460 million from other funding sources.

The Commission is in its next decade and its next phase of growth. While we have accomplished much in our first decade, we recognize there are many rural communities still waiting for code compliant bulk fuel tank farms, roads, small boat harbors, clinics and training opportunities.

Although our funding has decreased in the past four years, the relevance and necessity of the Commission is clear. The need for partnerships, leveraging of dollars and collaboration are all the more apparent in this economy. This is the very foundation the Denali Commission was built upon years ago and it will be the foundation of our future efforts as we adjust in these changing times. This coming year the Commission will look at reauthorization opportunities, review organizational restructuring models and work to continue the necessary project development activities in which we have excelled for over a decade. We are excited about our future prospects and our future course as we work with program partners on rural development issues.

I am proud to share this annual report which showcases the work of the Commission in FY2010. The next decade holds challenges for the agency which will highlight our strengths and adaptability as we continue to serve Alaska.

Joel Neimeyer
Federal Co-Chair

COMMISSIONERS

The Denali Commission Act teams seven leading Alaska policy makers together. Commissioners meet at least twice a year to develop and monitor an annual work plan that guides the Commission's activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations, partners and staff to guide funding decisions. This approach helps provide basic services in the most cost-effective manner by moving the problem solving resources closer to the people best able to implement solutions.

JOEL NEIMEYER
Federal Co-Chair
Denali Commission

KAREN REHFELD
State Co-Chair
Director of the Office of Management & Budget, State of Alaska

VINCE BELTRAMI
Executive President, Alaska AFL-CIO

LORETTA BULLARD
Director, Alaska Federation of Natives

PATRICK K. GAMBLE
President, University of Alaska

JOHN MACKINNON
Executive Director
Associated General Contractors of Alaska

KATHIE WASSERMAN
Executive Director, Alaska Municipal League

MISSION

The Denali Commission works with partners to develop basic public infrastructure, opportunity, and quality of life in Alaska communities.

VALUES

CATALYST FOR POSITIVE CHANGE

The Commission will be an organization through which agencies of government, including tribal governments, may collaborate, guided by the people of Alaska, to aggressively do the right things in the right ways.

RESPECT FOR PEOPLE AND CULTURES

The Commission will be guided by the people of Alaska in seeking to preserve the principles of self-determination, respect for diversity, and consideration of the rights of individuals.

INCLUSIVE

The Commission will provide the opportunity for all interested parties to participate in decision making and will carefully reflect their input in the design, selection, and implementation of programs and projects.

SUSTAINABILITY

The Commission will promote programs and projects that meet the current needs of communities and provide for the anticipated needs of future generations.

ACCOUNTABILITY

The Commission will set measurable standards of effectiveness and efficiency for both internal and external activities. Priority will be generally given to projects with substantial cost sharing.

STAFF

MONICA ARMSTRONG
Operations Administrator

KATHY BERZANSKE
Program Manager, Teacher Housing &
Deputy Program Manager, Health Facilities Program

DENALI DANIELS
Senior Program Manager, Energy Program

TESSA DELONG
Director of Programs

CORRINE EILO
Director of Administration

JODI FONDY
Deputy Program Manager, Energy Program

JAMILIA GEORGE
State Co-Chair's Representative

JANET HALL
Program Manager, Community Planning
(Detail from RurAL CAP)

SABRINA HOPPAS
Assistant to the Federal Co-Chair

KAREN JOHNSON
Program Manager, Training Program

LINDSEY JOLLY
Finance Specialist

GENE KANE
Program Manager, Solid Waste Program
(Detail from USDA-Rural Development)

SHARON GUENTHER LIND
Program Manager, Government Coordination
& Public Information Officer

MIKE MARSH
Inspector General

NANCY MERRIMAN
Senior Program Manager, Health Facilities Program

JOEL NEIMEYER
Federal Co-Chair

BOB PAWLOWSKI
Legislative Liaison
(Detail from The Alaska Legislature)

JENNIFER PRICE
Finance Administrator

ADISON SMITH
Program Assistant

PAYTON SNIDER
Information and Technology Administrator

BETTY SORENSEN
Grants Administrator



OVERVIEW OF THE DENALI COMMISSION

Modeled after the Appalachian Regional Commission, Congress created the Denali Commission twelve years ago with a vision to deliver the services of the federal government in the most cost-effective manner, provide job training and other economic development services in rural Alaska communities and promote rural development by meeting basic infrastructure needs. This small, independent federal agency is charged to move quickly to tackle systemic issues of rural development by listening to rural Alaskan's concerns, and working with the State of Alaska, local communities and tribes to build basic community infrastructure and sustain rural economies.

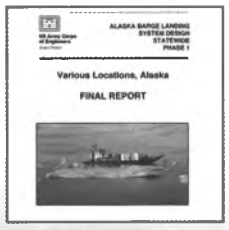
The Denali Commission's infrastructure projects throughout the state proceed in an efficient, transparent manner with the involvement of the people they serve. Over 2,100 projects have been funded by the Denali Commission in nearly every Alaskan community in numerous program areas.



DENALI COMMISSION ADVISORY COMMITTEES

The Denali Commission has used an Advisory Committee model to review and update policies, guide the Commission, and provide more robust program outcomes. These committees have formed and developed over the years and continue to play a critical role in advising Commissioners, the Federal and State Co-Chairs and program staff.

Health Steering Committee / 1999
Transportation Advisory Committee / 2006
Economic Development Advisory Committee / 2007
Energy Advisory Committee / 2007
Training Advisory Committee / 2007
Federal Financial Management Advisory Committee / 2007



BARGE LANDING STUDY COMPLETED

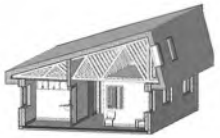
The Denali Commission completed the 2009 Barge Landing Study (BLS) with the help of the U.S. Army Corps of Engineers. The BLS will provide rural communities, barge operators, and state as well as federal agencies with a catalog of existing barge landing facilities, and an improvement needs list by community. The catalog also provides users with potential design solutions that can address basic infrastructure needs.



Secretary of Commerce Gary Locke (L) with Joel Neimeyer, Federal Co-Chair.

NEW FEDERAL CO-CHAIR IN 2010

Joel Neimeyer became the first Alaska Native Federal Co-Chair at the Denali Commission on January 2010. "I'm excited to be a part of the Commission's next decade. This new decade brings new challenges and I look forward to being a part of this dynamic organization", stated Neimeyer.



RIGHTSIZING CLINICS IN RURAL ALASKA

As energy and construction costs have risen over time, it became apparent that the smallest of the Denali Commission health clinic prototypes was not "right-sized" for communities in Alaska with fewer than 100 residents. The partners of the Health Program are meeting this challenge through the development of new prototype clinic designs that are less than 1,000 square feet in size. The new designs can accommodate energy efficiencies and alternative energy methods as they become proven and cost-effective for rural Alaska. The first pilot of the small clinic design will be deployed in the spring of 2011.



DENALI COMMISSION'S 100TH CLINIC PROJECT

The Dahl Memorial Clinic in Skagway marked the completion of the Denali Commission's 100th clinic project in June 2010. At the close of FY10 the Denali Commission has contributed to the construction of 114 clinics statewide. See more on the Skagway project on the Health Facilities Program page.

FINANCE LINE OF BUSINESS

The Commission has worked diligently to improve and enhance our program delivery internally. On October 1, 2009 the Commission implemented the Financial Line of Business through the Administrative Resource Center, Bureau of Public Debt, U.S. Treasury. This significant change has enhanced controls over financial reporting and provided Federal Managers' Financial Integrity Act compliance. Implementation of these types of important procedures enhances the Commission's program delivery and strengthens Commission grants management practices.

ENERGY PROGRAM

The Denali Commission's Energy Program began in 1999. The primary goals of this program are to address environmental compliance issues while also improving energy efficiency, decreasing diesel consumption, and exploring alternative-renewable options. Projects for bulk fuel tank construction and rural power system upgrades (RPSU) are identified from statewide deficiency lists. The Commission continues to comply with the Administration's initiative to reduce dependence on foreign oil by investigating renewable energy projects across Alaska such as wind, hydro, geothermal and emerging technologies. Specifically, the area of emerging technologies is a priority for the Commission.

TOTAL PROGRAM FUNDING USES FY1999 - 2010



PROJECTS FUNDED

Bulk Fuel Storage
Community Power Generation and Rural Power System Upgrades
Energy Cost Reduction Projects
Renewable, Alternative, and Emerging Energy Technologies
Power Line Interties

PROGRAM STAFF

Denali Daniels *Senior Program Manager*
Jodi Fondy *Deputy Program Manager*

EAGLE HYDROKINETIC TURBINE PROJECT





The Commission provided funding to the Alaska Power and Telephone Company (APT) for a demonstration project in Eagle, Alaska. The hydrokinetic in-river turbine mirrors fish wheels used by villagers to harvest salmon, but instead captures natural energy produced by the majestic Yukon River. The turbines four blunt-edged blades are suspended by an anchored pontoon barge and spins at a rate of just 22 revolutions per minute. Energy is transferred to a power line beneath the river floor onto shore where the electricity is distributed to the power grid for the community.

In the summer of 2010, the turbine produced 15 to 17 kilowatts which could supply about a quarter of Eagle's electricity needs. Efforts are underway to address potential impacts on fish, (which, so far, are thought to be minimal), managing debris during times of heavy rain fall and inoperability during winter months when the river is frozen.

Alternative and renewable energy continues to be a priority for the Commission in addressing the challenges of small remote communities off the electrical grid and road systems.

KWETHLUK RURAL POWER SYSTEM UPGRADE





The Commission, in partnership with the State of Alaska, Alaska Energy Authority (AEA), funded a new power plant in Kwethluk, Alaska. The community of nearly 800 residents lies at the junction of the Kuskokwim and Kwethluk Rivers in western Alaska and is accessible by air year round and by barge or boat during the summer months. The new power plant includes three energy efficient generators, a control panel with automatic load sensing and paralleling capabilities to ensure the most efficient combination of generation is utilized, heat recovery to the high school, and remote monitoring to allow trouble shooting from AEA's office in Anchorage. The new power plant was completed and brought on line in February 2010 and immediately achieved over 12% efficiencies, which equated to a savings of nearly 6,000 gallons of diesel between February and June 2010. In addition, it is estimated that the school district will save 12,000 gallons of diesel through use of the heat recovery system, which will eliminate approximately 134 tons of CO_2 emissions, in 2010.

HEALTH FACILITIES PROGRAM

The Health Facilities Program is a collaborative effort which methodically invests in regional networks of primary care clinics across Alaska. In addition to clinic design and construction, the program has expanded to support infrastructure needs in behavioral health, dental care, domestic violence facilities, elder housing, primary care in hospitals, emergency medical services equipment and hospital designs.

Since the inception of this program, the Denali Commission has made a monumental impact in the lives and health of rural Alaskans by contributing to the conceptual planning, business planning and design and construction of needed health facilities throughout the state.

TOTAL PROGRAM FUNDING USES FY1999 - 2010

29.1%

HEALTH FACILITIES

PROJECTS FUNDED

Primary Care Facilities
Behavioral Health Facilities
Elder Housing/Assisted Living Facilities
Primary Care in Hospitals

PROGRAM STAFF

Nancy Merriman *Senior Program Manager*
Kathy Berzanske *Deputy Program Manager*

THE NEW AKHIOK CLINIC





Collaboration led by the Kodiak Area Native Association (KANA) brought the Akhiok clinic to completion in September 2009. KANA collaborated with the City of Akhiok, the Akhiok Tribal Council, the Denali Commission, the Alaska Native Tribal Health Consortium and the Indian Health Service to bring this 1,500 square foot clinic to completion in a year's time. The previous clinic was located in a two-bedroom home not adequately equipped for medical care delivery. Rightsizing clinics for smaller communities in rural Alaska is a priority of the Denali Commission Health Facilities Program.

SKAGWAY CLINIC





Many years ago E.A. and Jenny Rasmuson spied a special site in Skagway they knew would be perfect for a future health facility. That vision became a reality in June 2010, when the health center was opened. This striking state-of-the-art health clinic is a 14,531 square foot facility and includes nine exam rooms, three urgent care rooms, space for physical therapy, audiometry, and optometry, lab, x-ray and three dental operatories. Partnerships made this a successful project – with the in-kind and funding support of Rasmuson Foundation, the City of Skagway, the State of Alaska, and the Denali Commission.

TRANSPORTATION PROGRAM

The Denali Commission Transportation Program began in 2005. This program focuses on basic road improvement needs and waterfront development connecting rural Alaskans through roads and critical waterways. The road program targets basic road improvement needs. It also looks at opportunities to connect rural communities to one another and the state highway system, and ways to enhance rural economic development. The waterfront development program addresses port, harbor and other waterfront needs for rural communities. The emerging focus areas are improvements to regional ports, and construction of barge landings and docking facilities.

PROJECTS FUNDED

Local Roads and Boardwalks
ATV Roads
Community Connection and Economic Development Roads
Regional Ports and Local Small Boat Harbors
Barge Landings

PROGRAM STAFF

Tessa DeLong *Senior Program Manager*
Adison Smith *Program Assistant*

TOTAL PROGRAM FUNDING USES FY1999 - 2010

11.1%
TRANSPORTATION

GULKANA COMMUNITY ROADS RECONSTRUCTION





The Gulkana road project is a long awaited project that reconstructs the main road into and through the village of Gulkana. In 2006, the Denali Commission partnered with the Native Village of Gulkana on this early Transportation Program project.

During the design phase of the project, it became clear that water and sewer utilities bedded in the roadway were failing. Rather than proceed with the road construction as scheduled in 2008, the Commission, the Bureau of Indian Affairs and the Native Village of Gulkana agreed to put the road project in abeyance so the community could seek utility reconstruction funds to include in an overall repair project. In 2009, USDA, Rural Utilities approved a water-sewer reconstruction project and provided funding.

This combination of funds and construction phases improves overall costs to both components of work and preempted the possibility of a water-sewer project tearing up a recently reconstructed road.

CHEVAK BARGE LANDING MOORING POINTS





Mooring points provide safe and secure anchorage for boats and barges. The necessity for mooring points in rural Alaska is prevalent and of great concern to the Advisory Committee of the Transportation Program.

In many communities, barges are held against the coast shoreline or river banks by tugs under power while transfers are completed. Transfers under these conditions create near shore environmental impacts and create safety challenges for tug and barge workers and shore-side employees.

The Chevak mooring points project is a prototype installation of a new mooring system for rural Alaska communities that is the result of two years of investigations into barge operation needs throughout western and Arctic Alaska. Safe and efficient transfer of fuel and freight in rural communities is the end goal of this important project.

TRAINING PROGRAM

The Denali Commission has established a high performing workforce in rural Alaska focused on jobs and careers in construction, energy and health care. The Commission's alignment of infrastructure development and workforce development has created hundreds of construction and allied health jobs in communities where unemployment is at critical levels. A State of Alaska Department of Labor Research and Analysis report on the Commission's Training Program shows that training has increased wages of program participants by a staggering 64.4% and shows a 12.1% increase in employment.

As the Commission funds projects for new clinics, roads, and power plants, it also builds sustainability into those projects by providing training for local residents to maintain and operate the new facilities.

PROJECTS FUNDED

Allied Health Professions
Construction Trades
Facility Operations and Maintenance
Administration of Public Infrastructure

PROGRAM STAFF

Karen Johnson *Program Manager*

TOTAL PROGRAM FUNDING USES FY1999 - 2010

4.5%
TRAINING

ALLIED HEALTH PROFESSIONS





Alaska Natives have a much higher risk of suffering from dental problems. This, in part, is due to the lack of dental health services in many rural areas of Alaska. In 2000, the Commission began integrating dental suites into many of its newly constructed health facilities which provided dedicated dental space for the first time ever. Soon after, the Commission joined other funders and regional Native health corporations to support the Alaska Dental Health Aide Therapist program (DHAT). Since 2007, DHAT has had 17 graduates who have become the designated Dental Health Aide Therapists in their home towns, providing much needed dental services including preventative care and education.

DISTANCE EDUCATION FOR RURAL ALASKANS





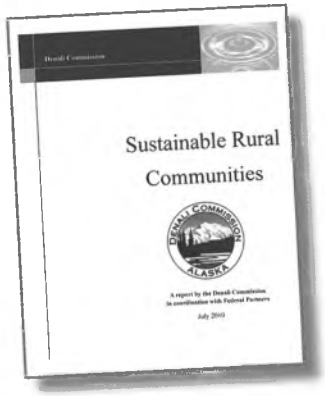
A young mother working in the Bethel Hospital enrolled in the University of Alaska's Limited Radiography Program; a program made available through distance learning by a Denali Commission funded initiative. This learning method allowed her to stay home in Bethel, continue working and taking care of her family. It was just a few years ago that students could only develop these skills by gaining admission into a two-year degree program in Anchorage. Now Nina Menegak could participate, even though hundreds of miles separated her from her instructors in Anchorage. Nina completed the four-course Radiology Occupational Endorsement program and the area hospital put her new skills to work. Nina's success in these courses led her to recognize her own capabilities. She gradually tackled other college courses, successfully completing the distance-delivered AAS Radiography Program while remaining in Bethel, one of the University of Alaska Anchorage's clinical sites.

GOVERNMENT COORDINATION



The Denali Commission (Commission) is charged with the special role of increasing government effectiveness. The Commission does so by acting as a catalyst and strategic partner for many federal and state programs in Alaska. The Commission joined others in a Memorandum of Understanding (MOU) that outlines the roles of agencies in coordinating resources and efforts in areas such as community planning, sustainability, data sharing and coordination of pre-construction activities. This MOU served as the basis for creating several multi-agency workgroups and cooperative projects that have increased overall government effectiveness. The MOU was amended in 2003 with increased participation from both state and federal partners and renewed once again in 2008. This renewed effort focuses efforts on improving the channels of communications among the leaders of all federal and state agencies with an emphasis on critical issues that affect the entire state of Alaska: the high cost of energy, outmigration, and coordination of efforts among all government agencies.

SUSTAINABLE RURAL COMMUNITIES PROJECT



The Commission plays a key role in coordinating the myriad of federal, state and tribal programs that affect rural Alaska. Through senior leadership forums, workgroups and advisory committees, we work effectively to leverage dollars, produce meaningful outcomes, and deliver innovative and sustainable projects.

As a convener and coordinator, in 2010 the Commission developed and published the Sustainable Rural Communities report.

Phase I of this project involved gathering the federal partners together to collaborate on the development of the develop the Sustainable Rural Communities report. This document takes a hard look at the barriers to developing and maintaining sustainable rural communities, as defined by the federal partners and, in some cases, offers possible solutions to those barriers.

Phase II of this project involves input and comments from our partners and the public at-large. After comments are compiled, an addendum to the already informative document, is set to be completed by the end of 2010.

Phase III of this project begins the actual implementation of the proposed efforts outlined in the report, efforts like the Regional Forum concept. The goal of this overall effort is collaborative transparency and improved government effectiveness. Watch our website as this project unfolds.

FINANCIAL SUMMARY

At any given time Denali Commission staff and partners are engaged with several hundred grants and/or projects in various stages of planning, design and construction. Program partners range from large line agencies to small village-level organizations. The ability to deliver timely, sustainable projects with the right level and type of oversight and guidance, while also being nimble and agile, requires constant attention. Commission leadership emphasizes the paramount importance of public integrity, transparency and accountability. The Commission maintains an aggressive staff training program and uses the latest in grant processing technology through the U.S. Department of Health and Human Services. During 2010 staff received training from the Office of Management & Budget, U.S. Department of Health and Human Services and the Government Accountability Office. To keep staff size at an optimum level, the Commission contracts with other federal "lines of business" at the U.S. Department of the Treasury, Bureau of Public Debt to provide services in the areas of finance, human resources, procurement and travel. In addition, for the advancement of governmental accountability, the Commission relies on a network of federal experts through its Federal Financial Management Advisory Committee, which include members from U.S. Treasury, Office of Management and Budget and the Association of Government Accountants.



FUNDING SOURCES FY2010

Energy & Water Development Bill	$ 11,965,000
Trans-Alaska Pipeline Liability Fund (TAPL)	$ 7,142,869
USDA Rural Utilities Service Funds	$ 8,000,000
U.S. Department of Health & Human Services Funds	$ 10,000,000
Federal Transit Administration	$ 5,000,000
U.S. Department of Transportation (Obligating Authority)	$ 16,337,855
Total	**$ 58,445,724**

FUNDING USES

Energy Program	$24,430,725
Health Facilities Program	$9,500,000
Transportation Program	$20,270,962
Training Program	$1,000,000
Total	**$55,201,687**

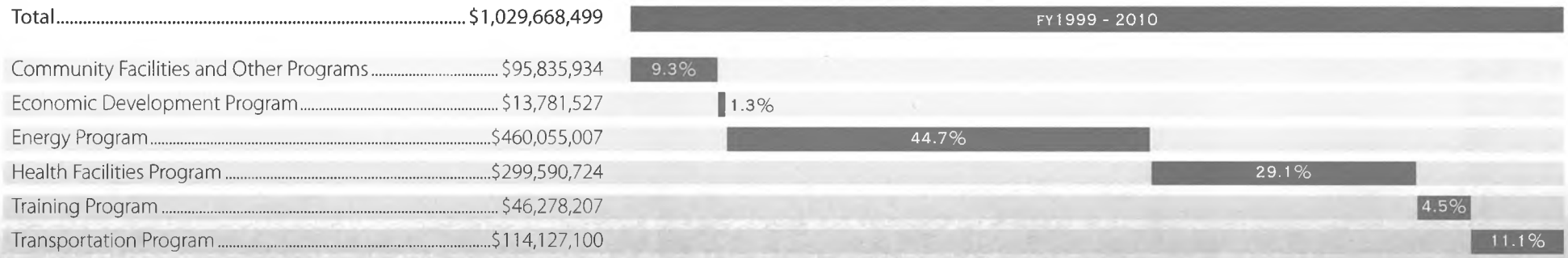
FY1999 - 2010

FUNDING SOURCES (TOTAL FUNDING IN MILLIONS)



	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
U.S. Department of Labor						$5.0	$6.9	$6.9	$6.9	$6.8	$3.4	
U.S. Department of the Interior							$1.0					
U.S. Department of Transportation (FTA & FHWA)								$25.0	$18.4	$25.5	$23.5	$21.3
Energy & Water Appropriation	$20.0	$20.0	$30.0	$38.0	$48.0	$55.0	$66.5	$49.5	$49.5	$21.8	$11.8	$12.0
U.S. Environmental Protection Agency				$3.0	$3.0	$3.5	$4.0					
U.S. Department of Health & Human Services			$10.0	$19.9	$27.2	$34.7	$39.5	$39.3	$39.3	$38.6	$19.6	$10.0
U.S. Department of Housing & Urban Development						$2.0	$1.3					
USDA Rural Utilities Service			$15.0	$25.0	$18.5	$15.0	$15.0	$15.0	$15.0	$10.0	$8.5	$8.0
USDA Solid Waste						$1.0	$1.5	$0.7	$0.7	$0.4	$0.4	
Trans-Alaska Pipeline Liability Fund		$5.0	$11.4	$11.4	$2.5	$4.3	$4.4	$4.2	$4.0	$5.8	$7.3	$7.1

FUNDING USES



ALASKA'S UNIQUE CHARACTERISTICS

Alaska supports one of the most productive commercial fishing economies in the world. Forty-two percent of the world's harvest of wild salmon and 80 percent of the production of high value wild salmon species such as sockeye, king and coho salmon are from Alaska.

42% OF THE WORLD'S WILD SALMON COMES FROM ALASKA

ALASKA = 375 MILLION ACRES*

OWNERSHIP OF ALASKA IN MILLIONS OF ACRES

National Parks, Refuges, and Forests	151
State Land	105
Other Federal Land	70
Alaska Native Corporations	44
Individual Private	3
Municipal, University, Mental Health Trust Lands	2

*Excludes tidelands and inland navigable bodies of water.
Source: Institute of Social and Economic Research, University of Alaska.

$4 TO **$1**

ALASKA STATE $2.4 BILLION — DENALI COMMISSION $.6 BILLION

During the time period 2005 - 2010, the State of Alaska appropriated almost $4 dollars for every $1 dollar that the Denali Commission contributed towards Alaska's rural community facilities, economic development, energy, health, training and transportation.



A Commission funded new bulk fuel storage facility was completed in Ruby, Alaska in 2010. This facility has a combined capacity of 247,000 gallons of diesel and gasoline which is used to power diesel fired generators for electricity, heating homes and for vehicles. Fuel is delivered once or twice a year, weather dependent. Environmentally safe, code compliant storage facilities like this one are the lifeblood of the community.



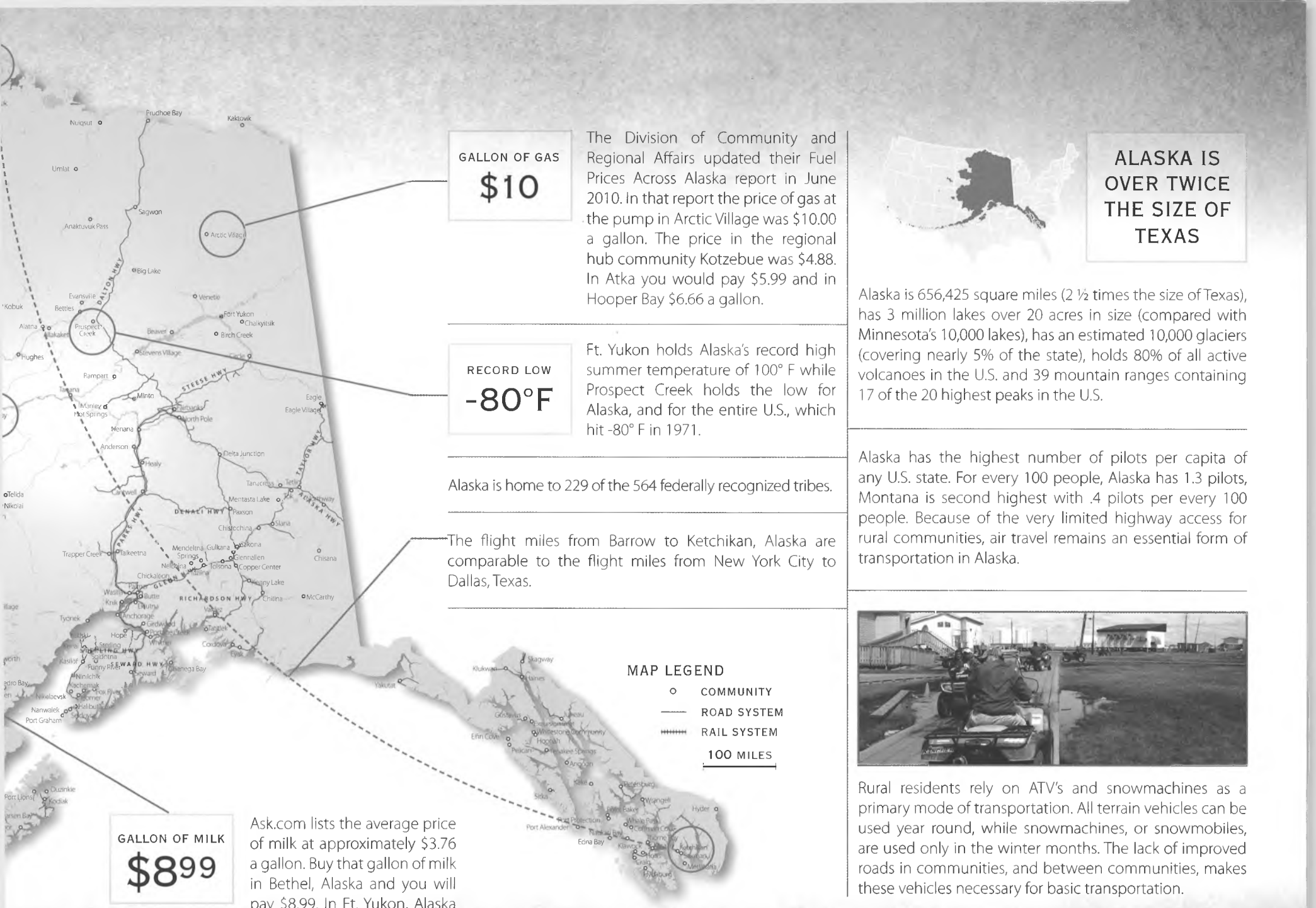
Three Commission funded wind turbines were installed in Kasigluk in 2006. Since then, 134,641 gallons of diesel fuel have been offset, which totals $353,583 in savings. In 2010 alone, 45,966 gallons of diesel were offset totaling $181,564 in savings.

3 WIND TURBINES = **$353,583** IN SAVINGS SINCE 2006

In December, a typical home in Anchorage, Alaska could pay an average of $146/month for electricity. The same home in Seattle, Washington pays $93/month. Napakiak, Alaska residents could pay over $1,100 a month for that same home size at their current rates.

THE ELECTRIC BILL IN DECEMBER
$1,189





GALLON OF GAS

$10

The Division of Community and Regional Affairs updated their Fuel Prices Across Alaska report in June 2010. In that report the price of gas at the pump in Arctic Village was $10.00 a gallon. The price in the regional hub community Kotzebue was $4.88. In Atka you would pay $5.99 and in Hooper Bay $6.66 a gallon.

RECORD LOW

-80°F

Ft. Yukon holds Alaska's record high summer temperature of 100° F while Prospect Creek holds the low for Alaska, and for the entire U.S., which hit -80° F in 1971.

Alaska is home to 229 of the 564 federally recognized tribes.

The flight miles from Barrow to Ketchikan, Alaska are comparable to the flight miles from New York City to Dallas, Texas.

GALLON OF MILK

$8.99

Ask.com lists the average price of milk at approximately $3.76 a gallon. Buy that gallon of milk in Bethel, Alaska and you will pay $8.99. In Ft. Yukon, Alaska you will have to buy two half gallons and pay $12.58.

ALASKA IS OVER TWICE THE SIZE OF TEXAS

Alaska is 656,425 square miles (2 ½ times the size of Texas), has 3 million lakes over 20 acres in size (compared with Minnesota's 10,000 lakes), has an estimated 10,000 glaciers (covering nearly 5% of the state), holds 80% of all active volcanoes in the U.S. and 39 mountain ranges containing 17 of the 20 highest peaks in the U.S.

Alaska has the highest number of pilots per capita of any U.S. state. For every 100 people, Alaska has 1.3 pilots, Montana is second highest with .4 pilots per every 100 people. Because of the very limited highway access for rural communities, air travel remains an essential form of transportation in Alaska.

Rural residents rely on ATV's and snowmachines as a primary mode of transportation. All terrain vehicles can be used year round, while snowmachines, or snowmobiles, are used only in the winter months. The lack of improved roads in communities, and between communities, makes these vehicles necessary for basic transportation.

510 L STREET, SUITE 410 ANCHORAGE, ALASKA 99501
T: 888-480-4321 OR 907-271-1414
DENALI.GOV








3/22/11 PRESENTATION ALASKA TSUNAMI MODELING AND EMERGENCY PREPAREDNESS

<TARGET><BILL></BILL><SUBJECT>3-22-11 PRESENTATION ALASKA TSUNAMI MODELING AND EMERGENCY PREPAREDNESS</SUBJECT><COMM>SCRA27</COMM></TARGET>

EARTHQUAKE BREIFING

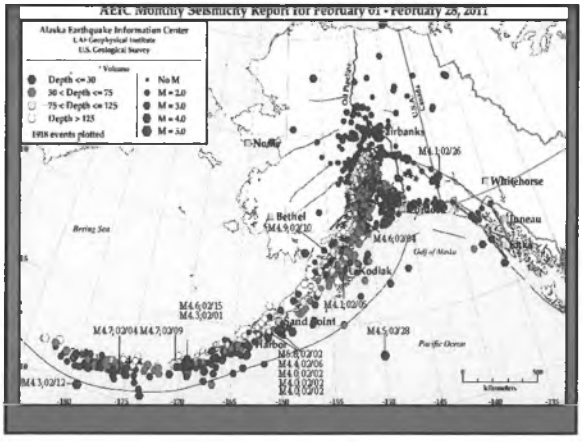
Dr. John L. Ahlo, Ph.D., Sc.D.
March 22, 2011

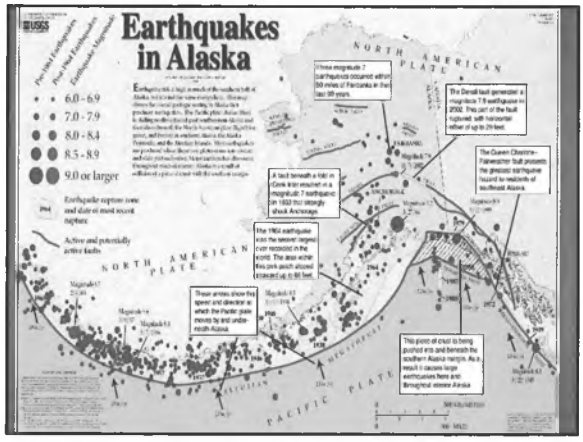


Presentation to: Alaska Senate Community and Regional Affairs Committee

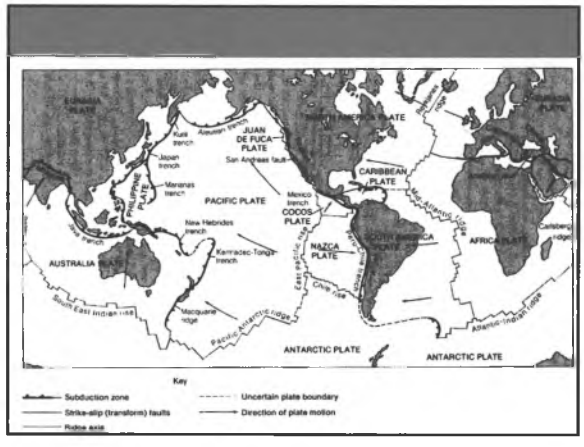
DISCUSSION TOPICS

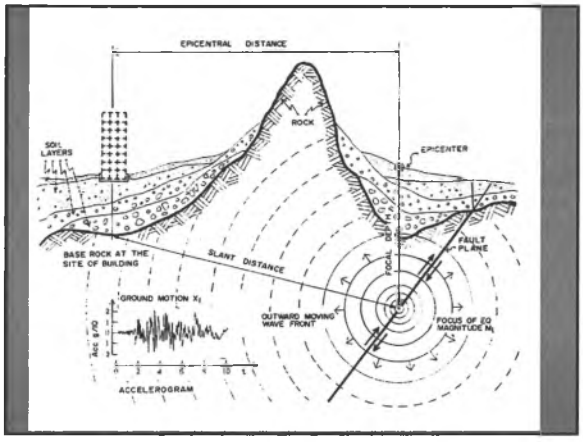
Terms and Facts
Damage Causes
Research Projects
Alaska Seismic Hazards Safety Commission
Questions (with possible answers)

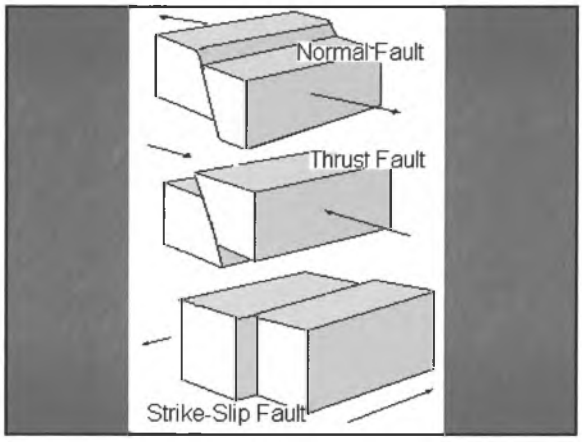


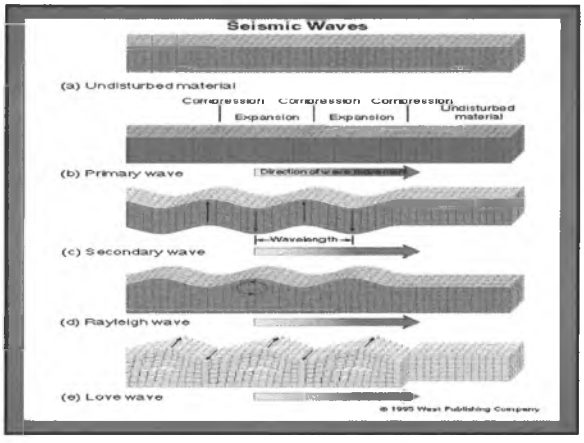


Earthquake Terms and Facts



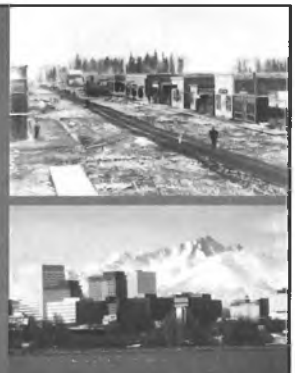


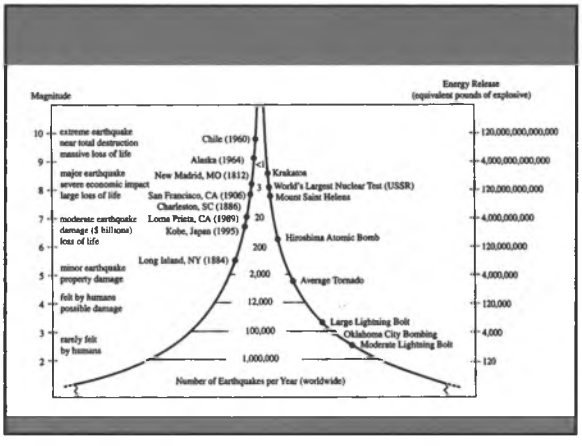


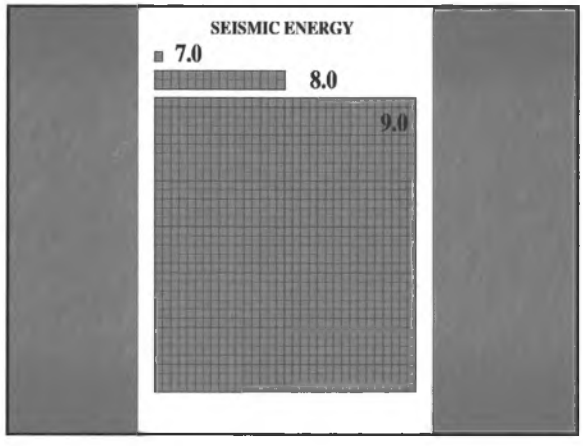


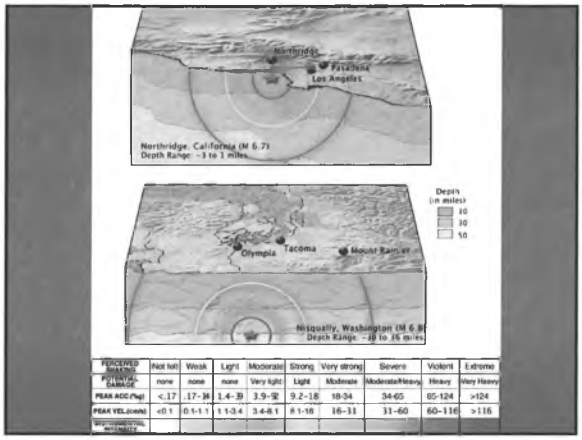
Hazard vs Risk

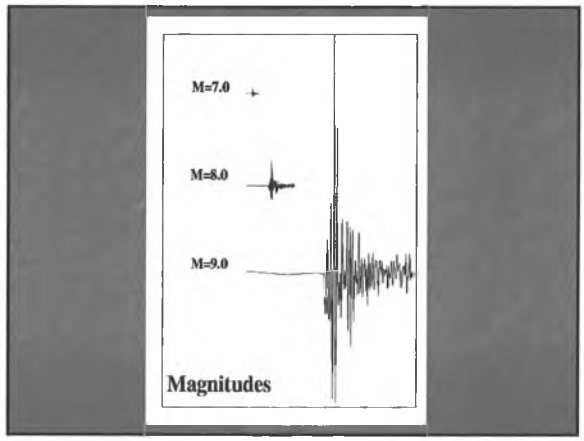
- Seismic Hazard
  - The expected occurrence of a future seismic event
- Seismic Risk
  - The expected consequences of a future seismic event

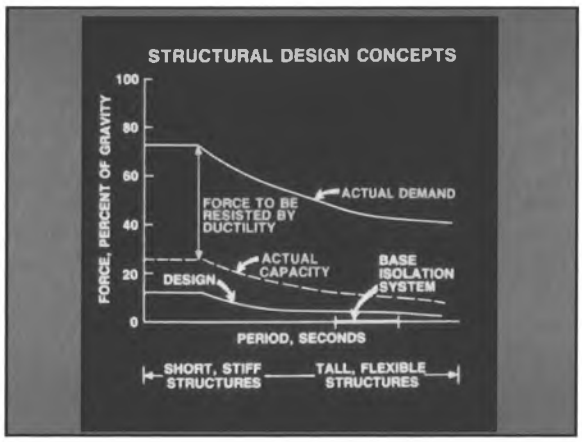








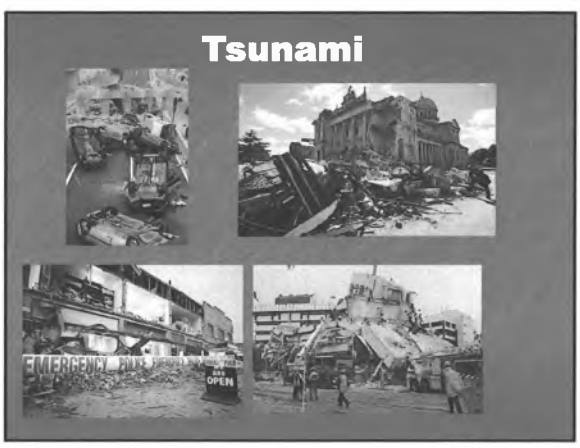




Cause of Damage

Tsunami
Ground Failure
Ground Rupture
Ground Shaking

Tsunami





Ground Failure

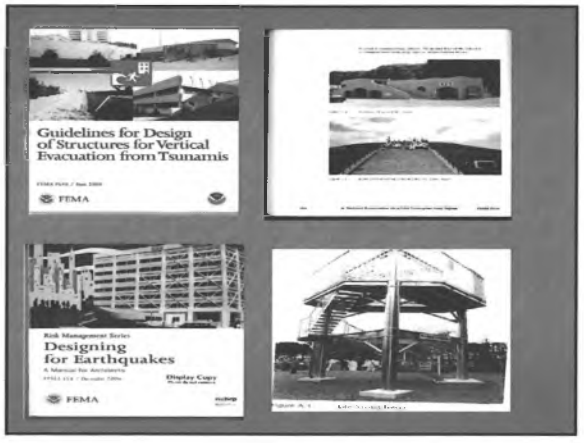







Liquefaction



Ground Shaking

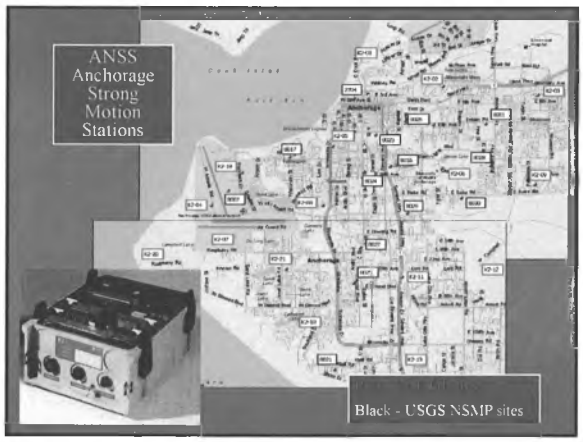




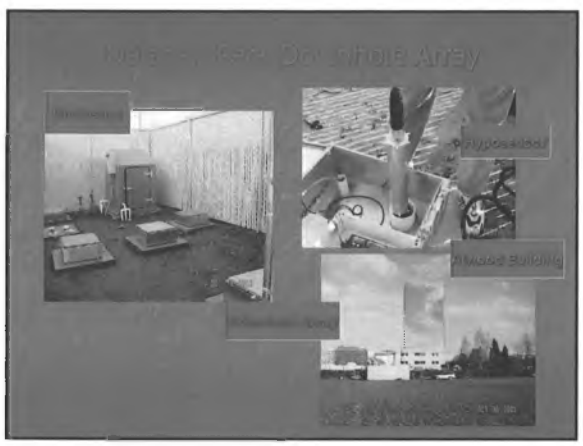



Current Research



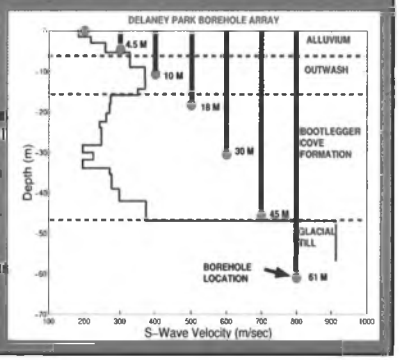




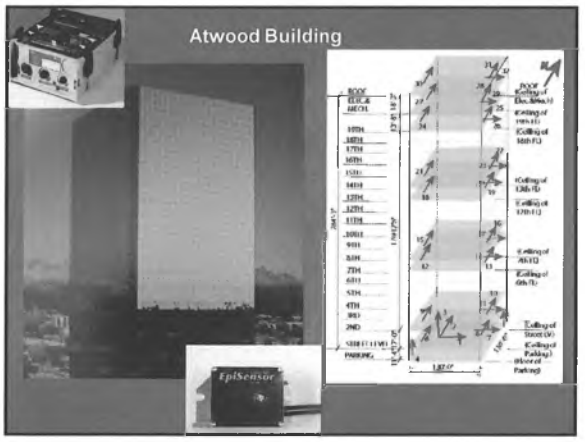


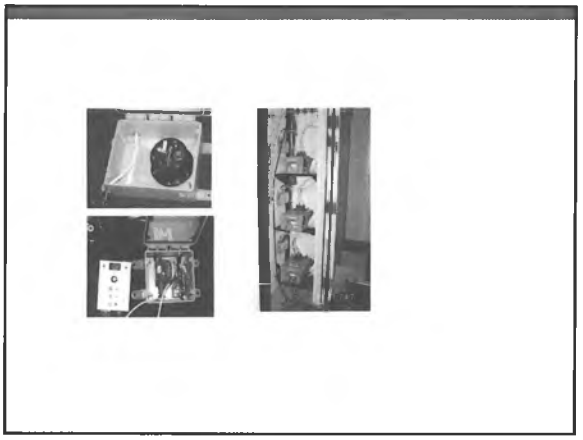
Delaney Park Downhole Array: Depth Profile

DPDA Consists of 6 boreholes and one surface accelerometers. The deepest sensor is located in a glacial till formation with shear wave velocity > 900m /s, corresponding to engineering bedrock. The sensors are arranged such a way so that characteristics of major formations can be studied.

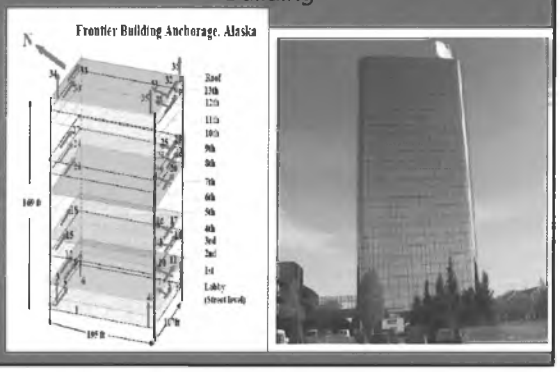








Anchorage Strong Motion Program: Frontier Building



Alaska Seismic Hazards Safety Commission

ASHSC Alaska Seismic Hazards Safety Commission

Membership

- Dr. John L. Aho, Chair
- Laura Kelly, P.E., Vice-chair
- Dan Mahalak
- Dr. Roger Hansen,
- Dr. Gary Carver
- Rich Koehler
- Gayle White
- Gay Dunham
- Dave Miller
- Mark Roberts

Powers & Duties

1. Recommend seismic risk mitigation goals & priorities
2. Recommend needed research, mapping, and monitoring programs
3. Offer advice on coordinating disaster preparedness
4. Review practices for recovery & reconstruction
5. Recommend improvements to mitigate losses from future events
6. Gather, analyze, & disseminate information
7. Establish working relationships with public and private agencies
8. Review warnings & suggest appropriate responses
9. Review proposed seismic notifications
10. Recommend issuance of notifications
11. Give appropriate response advice

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ALASKA TSUNAMI MODELING & EMERGENCY PREPAREDNESS

Mike O'Hare

Deputy Director

State of Alaska

Division of Homeland Security and Emergency Management

Testimony to House/Senate C&RA March 22, 2011

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NOAA
U.S. Department of Commerce

WESTERN STATES SEISMIC POLICY COUNCIL

Pacific Marine Environmental Laboratory

AEIC Alaska Earthquake Information Center
Geophysical Institute, UAF

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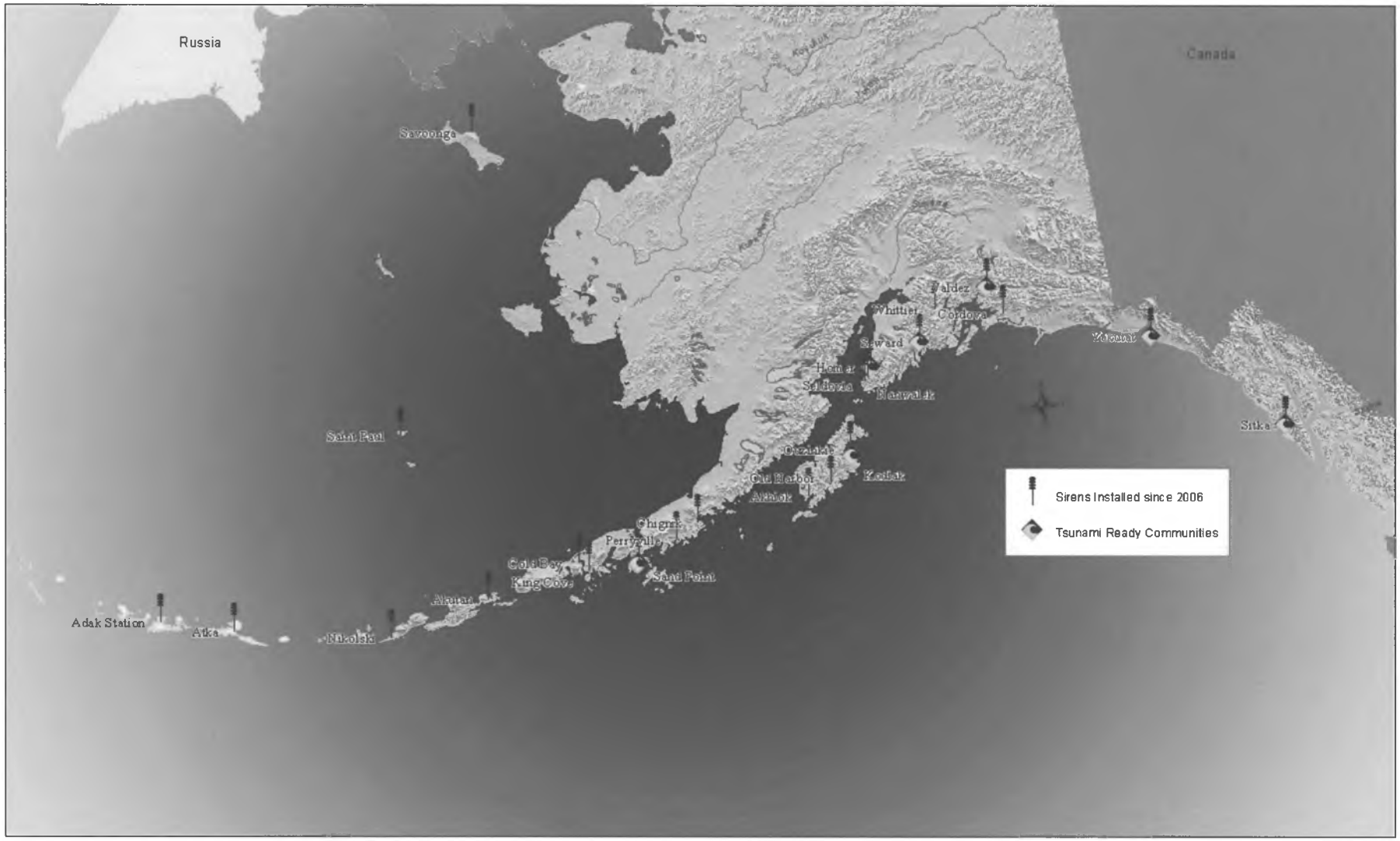
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Distant Threat



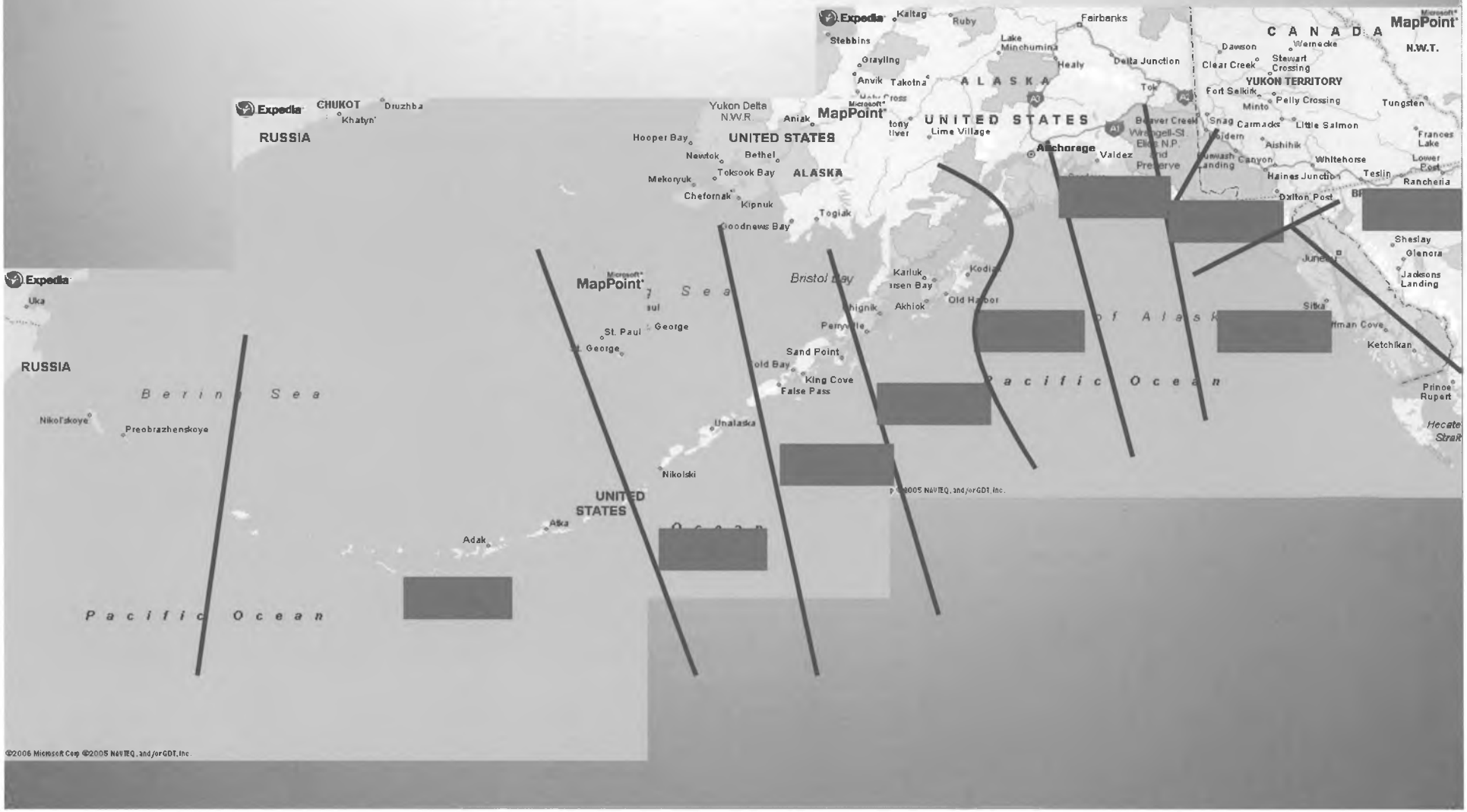
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Warning Sirens and TsunamiReady Communities



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Community Notification Call Map



Zone B Includes;

- ❑ Nikolski: 907-576-2204/2202/2239
  Contacted:_____
- ❑ St. Paul: 907-546-3130/3132
  Contacted:_____
- ❑ St. George: 907-859-2263/2418/2415
  Contacted:_____
- ❑ Unalaska / Dutch Harbor: 907-581-1233
  Contacted:_____



TSUNAMI NOTIFICATION CALL

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Inundation Maps
UAF / GI

Geophysical Institute
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Hazard Mapping

AK DGGS

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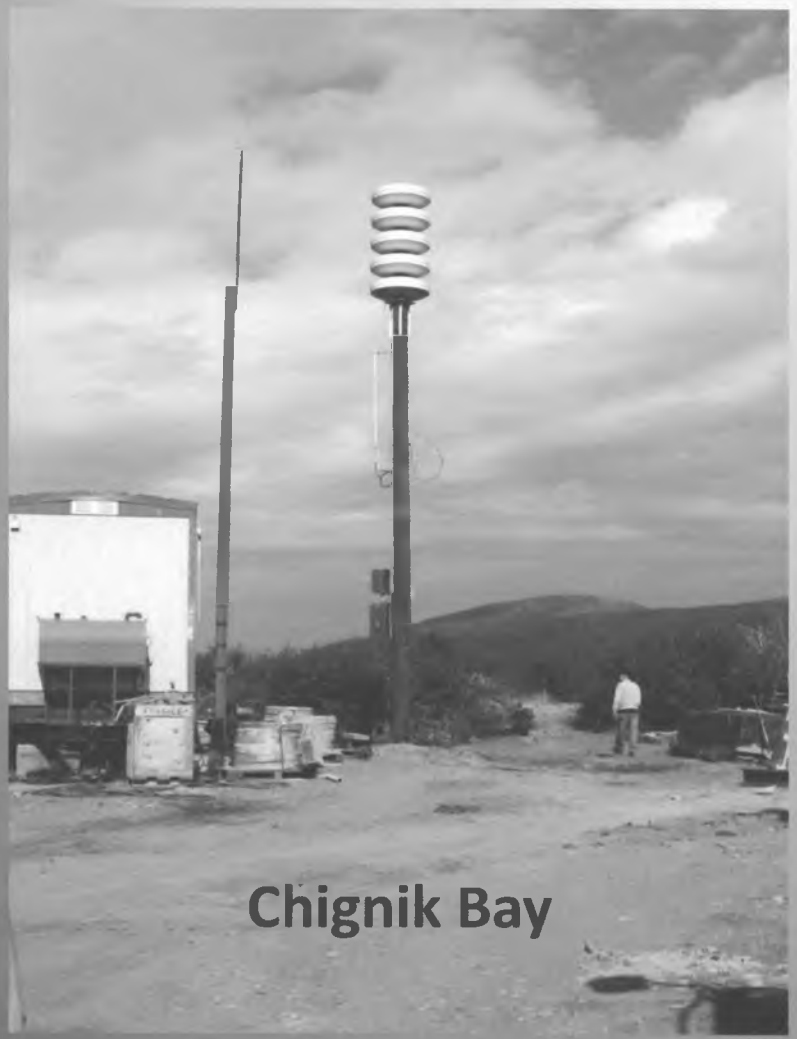
Warning Sirens





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Warning Sirens



Chignik Bay

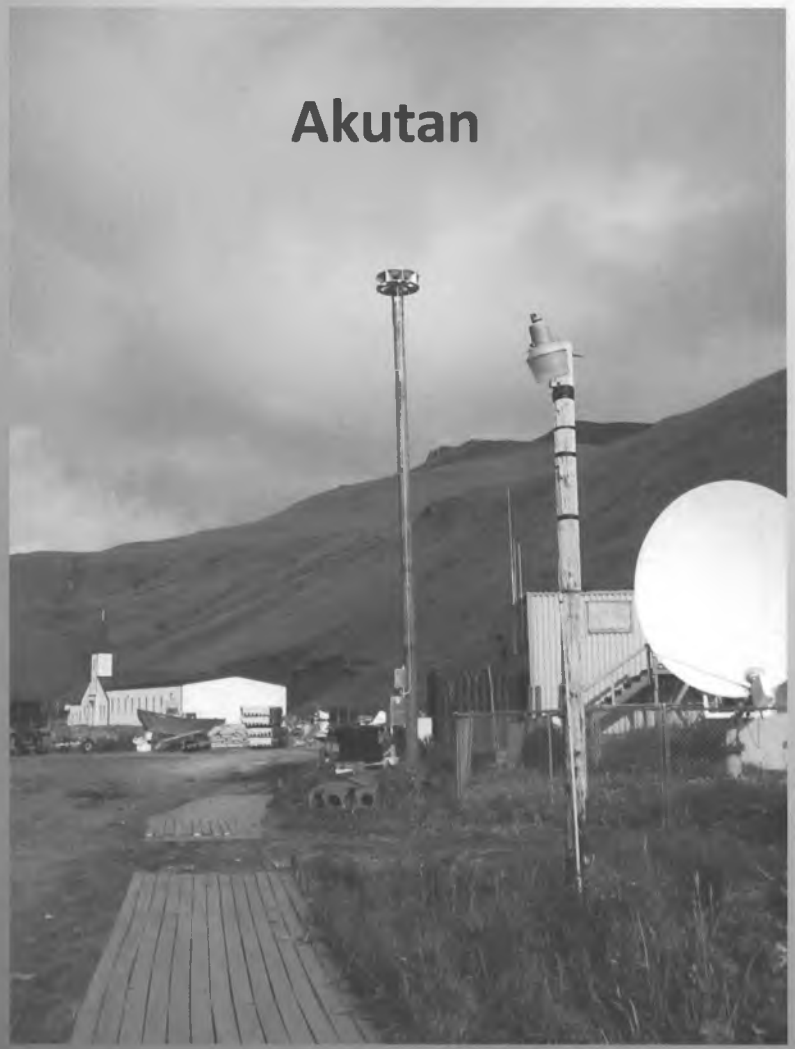


Perryville

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Warning Sirens

Akutan



Ouzinkie



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Warning Sirens





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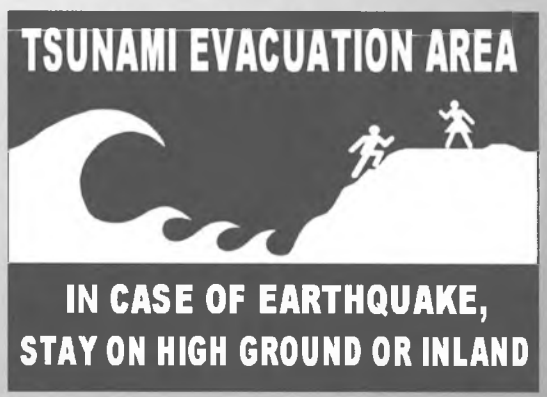


Kenai Peninsula Borough Mobile Siren

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Tsunami Sign Program









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Tsunami Signs



Homer Terminal



Homer Spit

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Tsunami Signs



Sand Point Harbor

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Outreach and Education

"Quake Cabin"

- Quake Cabin increases tsunami and earthquake focused outreach initiatives throughout Alaska
- Distribute outreach materials
- Teach mitigation methods
- Simulates 5.0 magnitude
- Used at public and private events
- Schools & businesses
- State fairs & safety events



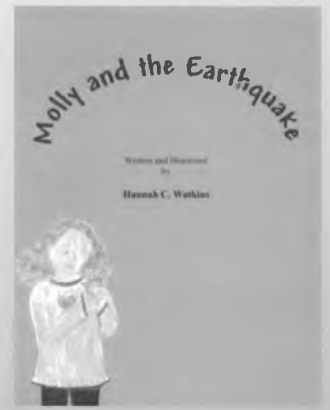


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Outreach Products

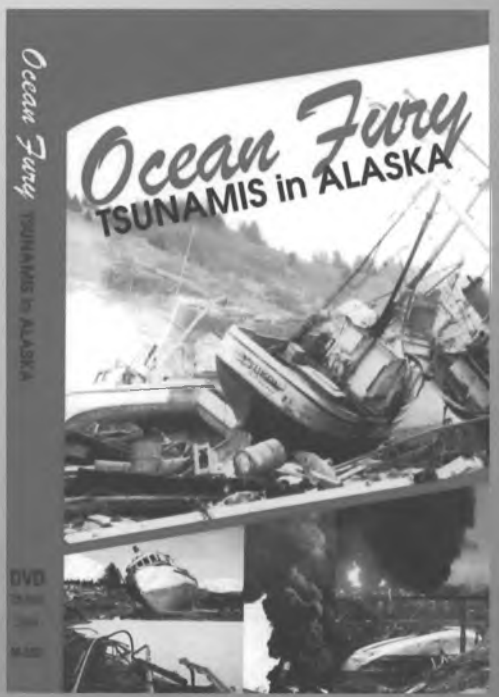












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*An **educated** and **aware** public **with a plan of action** will have the ability to adapt to the situation and respond accordingly.*

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Hazards / Threats

- Earthquakes
- Floods
- Volcanoes
- HAZMAT
- Severe Storms
- Tsunamis
- Wildland Fires
- Avalanches
- Terrorism
- Pandemic Flu
- Other

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- Division of Homeland Security and Emergency Management

Department of Public Safety
- Alaska State Troopers

Department of Health and Social Services
Department of Environmental Conservation
Department of Transportation
- Port of Anchorage

Department of Corrections
UAF Unmanned Aerial Systems
Alaska Railroad

Alaska-Based DOD
Joint Task Force – Alaska (JTF-AK)
Alaskan NORAD Region (ANR)
US Army Alaska (USARAK)
US Army Garrison Alaska (USAG-AK)
US Army Garrison Ft Wainwright (USAG-FWA)
Bassett Army Community Hospital (BACH)
US Army Garrison Ft Greely (USAG-FGA)
3rd Wing (3WG)
US Army Corps of Engineers – Alaska (USACE-AK)

External DOD
FEMA Region 10 DCE

Other Federal
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- USCG District 17
- FEMA Region 10
- TSA

Department of Justice
- US Attorney

Department of Transportation
- FAA

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Amateur Radio Emergency Services (ARES)
Civil Air Patrol
American Red Cross

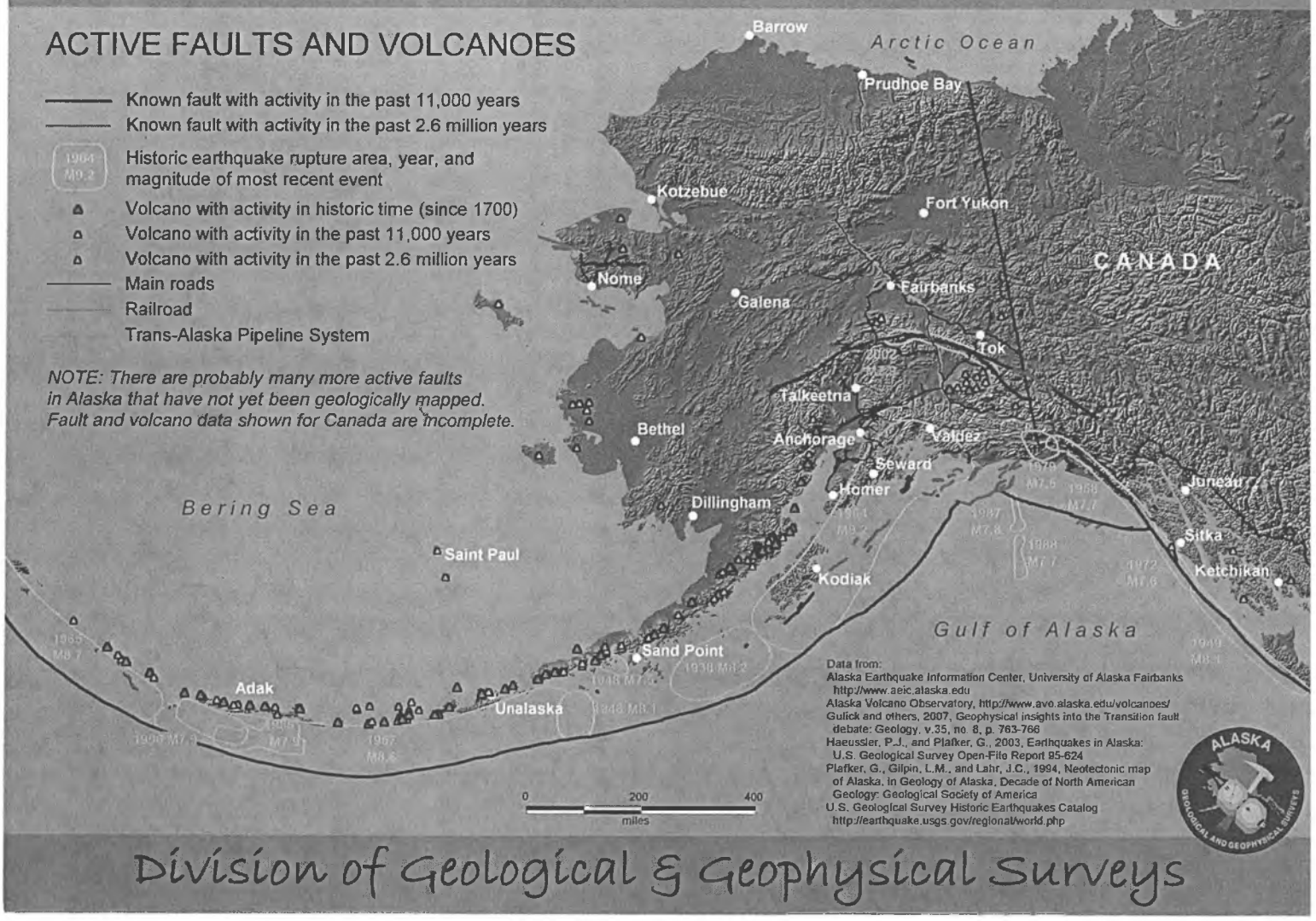
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Questions?

www.ready.alaska.gov

ALASKA

ACTIVE FAULTS AND VOLCANOES



Division of Geological & Geophysical Surveys

ACTIVE FAULTS AND VOLCANOES IN ALASKA

Requires Letter Postage

Eleven percent of the world's recorded earthquakes have occurred in Alaska, including seven of the ten largest in the United States and three of the ten largest in the world. About 2,000 earthquakes are recorded in Alaska every month.

Since 1900, Alaska has had an average of:

- A "great" earthquake (magnitude 8 or larger) every 13 to 15 years
- A magnitude 7 to 8 earthquake every 1 to 2 years
- About 6 magnitude 6 to 7 earthquakes per year
- About 50 magnitude 5 to 6 earthquakes per year
- About 340 magnitude 4 to 5 earthquakes per year

This map shows faults that have been active in historic time or show geologic evidence of activity during the past 11,000 years (Holocene), and faults that show evidence of activity during approximately the preceding 2.6 million years (Pleistocene). Rupture area boundaries delineate the approximate extent of the initial epicenter and aftershocks of large earthquakes recorded since 1900. Considering the high rate of seismicity in Alaska, with earthquakes occurring in most areas of the state, there are probably many more active faults that have not yet been geologically mapped.

Alaska has more than 50 volcanoes that have been active during historic time (since about 1700). These volcanoes in Alaska make up well over three-quarters of U.S. volcanoes that have erupted in the past two hundred years. An additional ~90 volcanoes in Alaska show evidence of activity during the Holocene or Pleistocene epochs.

DGGS- and University of Alaska-affiliated web sites about earthquake and volcano hazards in Alaska:

Alaska Seismic Hazards Safety Commission
http://seismic.alaska.gov

Alaska Volcano Observatory
http://avo.alaska.edu

Alaska Earthquake Information Center
http://www.aeic.alaska.edu

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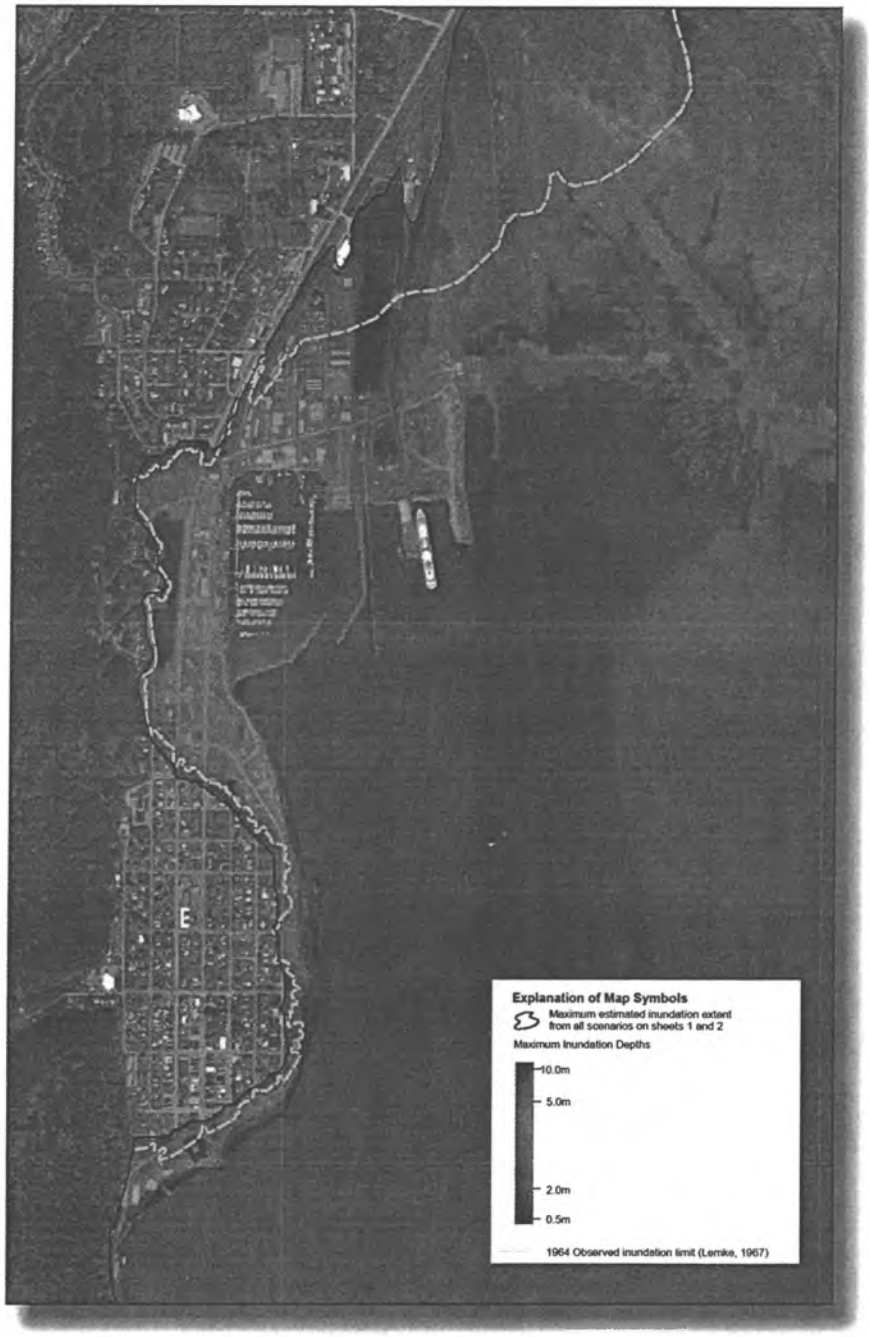
Map and graphics by Rod Combellick, revised October 2010

Alaska Department of NATURAL RESOURCES

Report of Investigations 2010-1

TSUNAMI INUNDATION MAPS OF SEWARD AND NORTHERN RESURRECTION BAY, ALASKA

by
E.N. Suleimani, D.J. Nicolsky, D.A. West, R.A. Combellick, and R.A. Hansen



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DEPARTMENT OF NATURAL RESOURCES
DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS
2010

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2010

This DGGS Report of Investigations is a final report of scientific research.
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Tsunami inundation maps of Seward and northern Resurrection Bay, Alaska

by
E.N. Suleimani[1], D.J. Nicolsky[1], D.A. West[1], R.A. Combellick[2], and R.A. Hansen[1]

Abstract

The purpose of this study is to evaluate tsunami hazard for the community of Seward and northern Resurrection Bay area, Alaska. This report will provide guidance to local emergency managers in tsunami hazard assessment. We used a numerical modeling method to estimate the extent of inundation by tsunami waves generated from earthquake and landslide sources. Our tsunami scenarios included a repeat of the tsunami of the 1964 Great Alaska Earthquake, as well as tsunami waves generated by two hypothetical Yakataga Gap earthquakes in northeastern Gulf of Alaska, hypothetical earthquakes in Prince William Sound and Kodiak asperities of the 1964 rupture, and local underwater landslides in Resurrection Bay. Results of numerical modeling combined with historical observations in the region are intended to help local emergency officials with evacuation planning and public education for reducing future tsunami risk.

INTRODUCTION

Alaska has the greatest earthquake and tsunami potential among the U.S. states. Figure 1 shows one of the most seismically active regions of the state, where the Pacific Plate is subducting under the North American Plate. This subduction zone, known as the Alaska–Aleutian megathrust zone, makes the adjacent coastal areas especially hazardous with regard to tsunami exposure. The coseismic crustal movements that characterize this area have a high potential for producing vertical sea floor displacements, which are highly tsunamigenic. Historic tsunamis that were generated by earthquakes on the Alaska–Aleutian subduction zone have resulted in widespread damage and loss of life along the Alaskan Pacific coast and other exposed locations around the Pacific Ocean. Large seismic events occurring in the vicinity of the Alaska Peninsula, Aleutian Islands, and Gulf of Alaska have a very high potential for generating both local and Pacific-wide tsunamis. Tsunamis originating in Alaska can travel across the Pacific Ocean and impact coastal areas hours after they are generated. However, these waves are considered to be a near-field hazard for Alaska, and can reach Alaskan coastal communities within minutes of the earthquake. Therefore, saving lives and property depends on how well a community is prepared, which makes it essential to estimate the potential flooding of the coastal zone in the case of a local or distant tsunami.

On March 27, 1964, the Prince William Sound area of Alaska was struck by the largest earthquake ever recorded in North America. This magnitude M_w9.2 megathrust earthquake generated the most destructive historic tsunami in Alaska and, farther south, impacted the west coast of the United States and Canada. Of the 131 fatalities associated with this earthquake, 122 were caused by tsunami waves (Lander, 1996). Although tragic, the number of deaths was fortunately far smaller than in the case of the 2004 Indian Ocean tsunami due to low population density on the Alaska coast. In addition to the major tectonic tsunami that was generated by displacement of the ocean floor between the trench and the coastline, more than 20 local tsunamis were generated by submarine and subaerial landslides in coastal Alaska. Local tsunamis caused most of the damage and accounted for 76 percent of tsunami fatalities. Also, they arrived almost immediately after the shaking was felt, leaving no time for warning or evacuation. The community of Seward in Resurrection Bay (fig. 2) suffered from the combined effects of local landslide-generated waves and the major tectonic tsunami that propagated from the main earthquake rupture zone in the Gulf of Alaska. The earthquake triggered a series of slope failures offshore of Seward, which resulted in landsliding of part of the coastline into the water, along with the loss of the port facilities. The town sustained great damage, and 12 people perished due to the tsunamis. During a future earthquake, underwater slides could be triggered almost instantaneously and tsunami waves could arrive without warning, as they did in 1964. Local tsunamis were responsible for most of the damage in Seward during the 1964 earthquake, thus the future potential of similar events must be evaluated for comprehensive inundation mapping.

To help mitigate the risk that earthquakes and tsunamis pose to Alaska coastal communities, the Alaska

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Tsunami Mapping Team (ATMT) was created. It consists of personnel with the Geophysical Institute (GI) of the University of Alaska Fairbanks and the Alaska Division of Geological & Geophysical Surveys (DGGS). The ATMT participates in the National Tsunami Hazard Mitigation Program (NTHMP) by evaluating and mapping potential inundation of selected parts of the Alaska coastline using numerical modeling of tsunami wave dynamics. The communities are selected for inundation modeling in coordination with the Alaska Division of Homeland Security and Emergency Management (DHSEM) with consideration for location, infrastructure, availability and quality of bathymetric and topographic data, and community involvement.

The production of tsunami evacuation maps consists of several stages. First, we construct hypothetical tsunami scenarios on the basis of the parameters of potential underwater earthquakes and landslides. Next, we perform model simulations for each of the source scenarios. The results are compared with any observations from historical tsunamis in the region, if such data exist. Finally, numerical results and historical observations are combined to develop a realistic "worst case" inundation line for every community on a map. This inundation line encompasses the maximum extent of flooding based on model simulations of all source scenarios and historical observations, and becomes a basis for local tsunami hazard planning and creation of evacuation maps.

The Seward and Resurrection Bay tsunami inundation maps described in this report represent the results of the ongoing effort of state and federal agencies to produce inundation maps for many Alaska coastal communities.

In this report, we generally provide both metric and English units of measure. However, where we quote existing data, we report the data in the original units of measure without conversion. To convert kilometers to miles, multiply by 0.6214.

PROJECT BACKGROUND: REGIONAL AND HISTORICAL CONTEXT

SETTING

The town of Seward is near the northwestern corner of Resurrection Bay, about 200 km south of Anchorage (fig. 2). During the construction of the Alaska Railroad

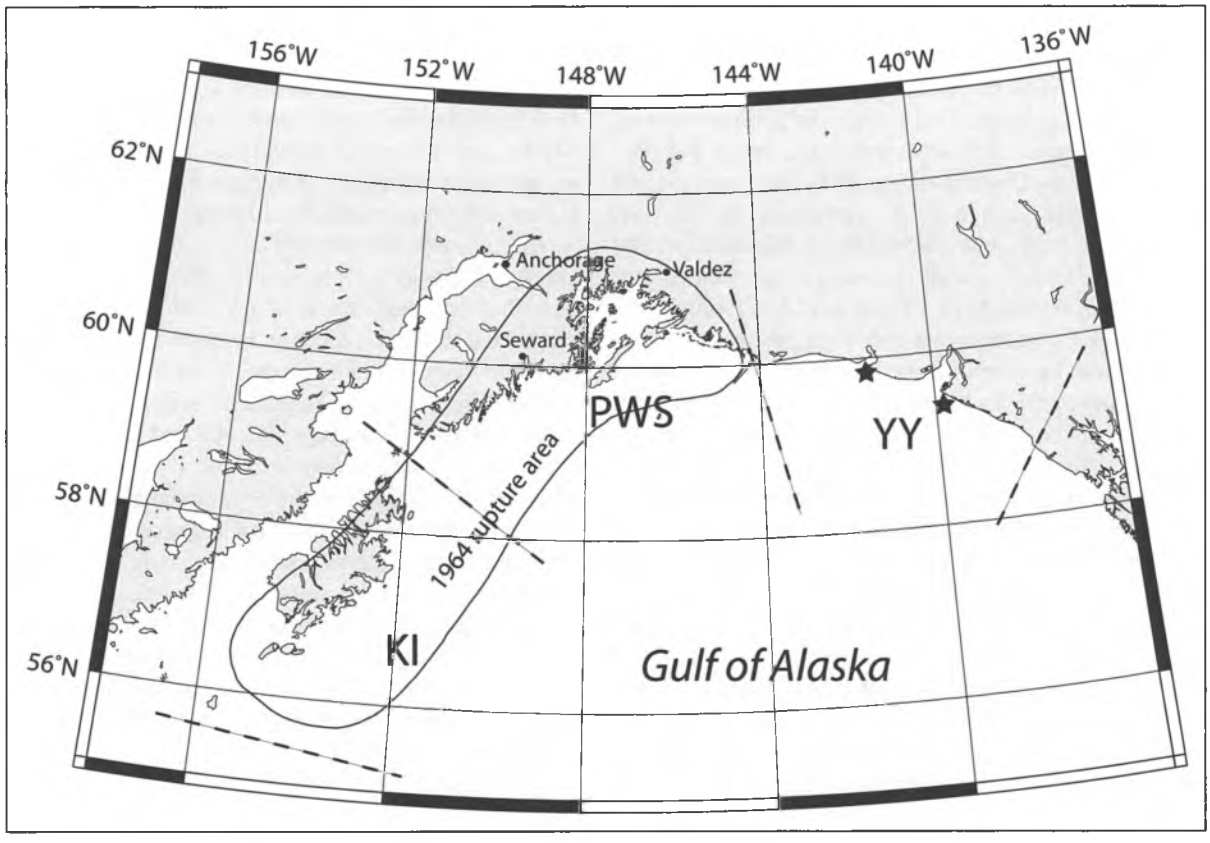


Figure 1. Map of southcentral Alaska with rupture zone of the 1964 Great Alaska Earthquake and segments of the Alaska–Aleutian megathrust: the Prince William Sound (PWS), the Kodiak Island (KI) and the Yakataga–Yakutat (YY) segments. Stars indicate epicenters of two earthquakes of September 1899.

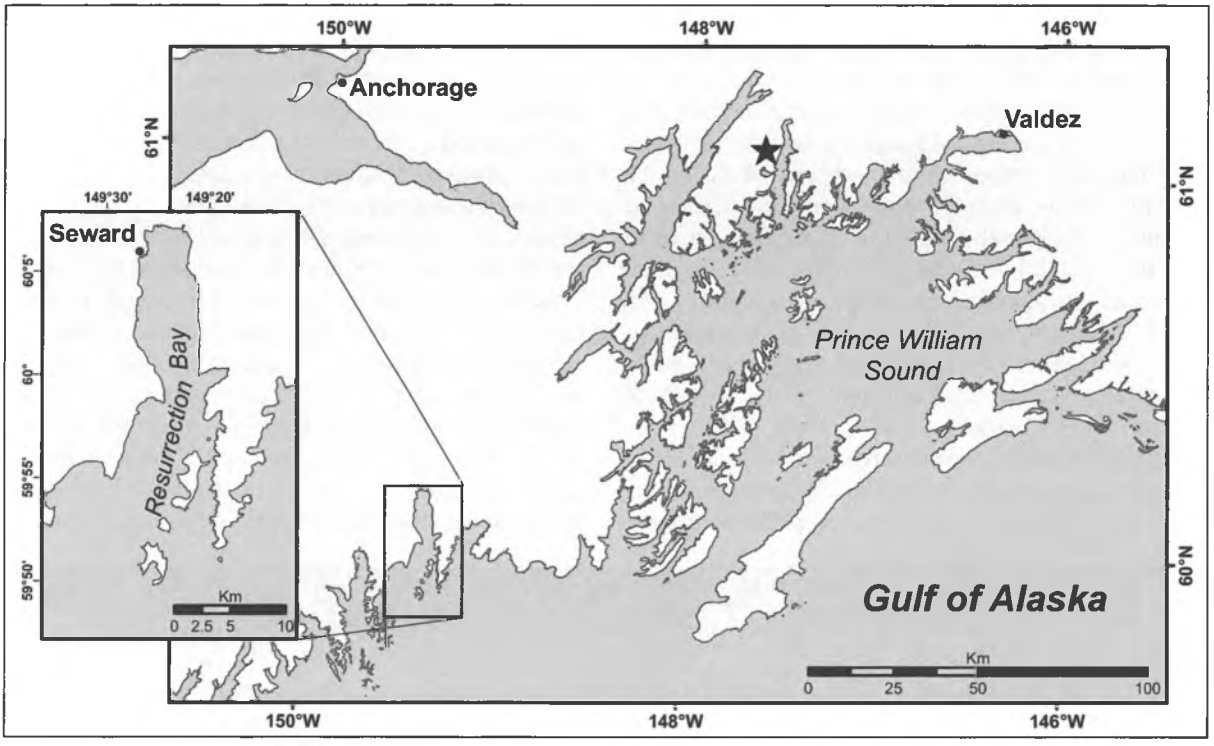


Figure 2. Location of Seward in Resurrection Bay. Star indicates initial epicenter of the 1964 Great Alaska Earthquake.

between 1915 and 1923, Seward became an ocean terminus and supply center for interior Alaska. The economy of Seward has long been dominated by transportation and supply services. At the time of the 1964 earthquake, the economy of Seward was based on shipping, and was heavily dependent on the city's railroad, harbor, and port operations. Seward was severely impacted by the 1964 earthquake and tsunami waves. The loss of harbor facilities from the earthquake and resultant offshore slope failures near the Seward waterfront devastated the economic base of the town (Lemke, 1967).

Seward has grown considerably since the 1964 earthquake. Its economy is more diversified and includes tourism, commercial fishing, and fish processing, as well as oil and gas development. Still, much of the economic activity and infrastructure is located on or near the coast, ports, and harbors. As an ice-free harbor, Seward is an important supply center for Interior Alaska and a port for the state ferry system. Every year, more than 320,000 cruise ship passengers visit the port city (Alaska Division of Community Advocacy, 2005). Figure 3 presents a sequence of Seward photos, taken before and after the 1964 tsunami, and then recently, in 2005. The red line indicates the maximum extent of inundation caused by the 1964 tsunami waves. The bottom image makes it clear that much of the economic and industrial base has been rebuilt in the area inundated by the 1964 tsunami.

Seward is built mostly on the alluvial fan of Lowell Creek. Lowell Point, Tonsina Point, and the area at the mouth of Fourth of July Creek (fig. 4) are also alluvial fans that extend into the bay as fan deltas (Lemke, 1967). The entire head of Resurrection Bay is a fjord-head delta, formed by Resurrection River. Haeussler and others (2007) use the term 'bathtub' to describe a flat depression in the middle of the bay extending north to south (fig. 4). The deepest part of the bathtub is approximately 300 m below sea level. Prior to the 1964 earthquake, the average offshore slopes in the vicinity of Seward ranged from 10 to 20 degrees, decreasing to 5 degrees at the depth of about 200 m (Lemke, 1967). Today, that same area has an average slope of about 25 degrees (Lee and others, 2006). A natural barrier formed by Caines Head and a glacial sill divide the bay into two deep basins, separated by a narrow 'neck' with maximum depth above the sill at 195 m. This sill inhibits sediment transport by tidal currents to the southern part of the bay (Haeussler and others, 2007). Our study focuses on the northern basin of Resurrection Bay, north of the sill area (fig. 4).

TSUNAMI WAVES IN RESURRECTION BAY, ALASKA, ON MARCH 27, 1964

The M_w9.2 Alaska earthquake of March 27, 1964, at Seward was characterized by strong ground motion that lasted 3–4 minutes. During the shaking, a section of the waterfront slid into the bay, taking with it docks and other harbor facilities. At the same time, fuel tanks fractured and oil ignited. Both local, landslide-generated waves

and distant, tectonically generated waves inundated the Seward shoreline and caused tremendous damage (Lemke, 1967). Damage from the strong ground motion alone was minor compared to tsunami-related destruction. As a result of regional tectonic deformation, the Resurrection Bay area subsided about 3.5 feet (1.1 m), which resulted in low-lying coastal areas being inundated at high tide. Thirteen people were killed and five injured in Seward as a combined result of the earthquake and tsunami waves. Eighty-six houses were totally destroyed and 269 were heavily damaged. According to Lemke (1967), the total cost to repair public and private facilities was estimated at $22 million ($153 million in 2009 dollars).

Several types of waves were observed in Resurrection Bay on March 27, 1964: landslide-generated waves, a tectonic tsunami wave train, and probably seiches (Wilson and Tørum, 1968), all resulting in a complicated wave pattern. The Seward tide gauge was positioned on a dock that collapsed into the bay as a result of massive submarine slope failures. The instrument was heavily damaged, and the record was lost. Although the sequence of waves was reconstructed from observations provided by eyewitnesses, there are uncertainties in the time estimates of wave arrivals (Wilson and Tørum, 1968). An initial drawdown of water was observed at the Seward waterfront about 30 seconds after the ground started to shake. At the same time, fuel tanks ruptured, leaked, and subsequently exploded; the tanks slid into the bay, and the receding water was covered with burning oil. The highest wave at Seward was about 6–8 m high, observed about 1.5–2 minutes after the shaking began. The tectonic tsunami wave, covered with burning oil, came into the bay about 25 minutes after the earthquake, spanning



Figure 3. Imagery of downtown Seward: top – aerial photo taken before the earthquake of March 27, 1964 (photo by the U.S. Army Corps of Engineers, mosaic by the USGS); middle - aerial photo taken one day after the earthquake of March 27, 1964 (photo by the U.S. Army Corps of Engineers, mosaic by the USGS); bottom – a recent satellite image of Seward (Digital Globe, 2005). Red line indicates the maximum extent of inundation caused by the 1964 tsunami waves.

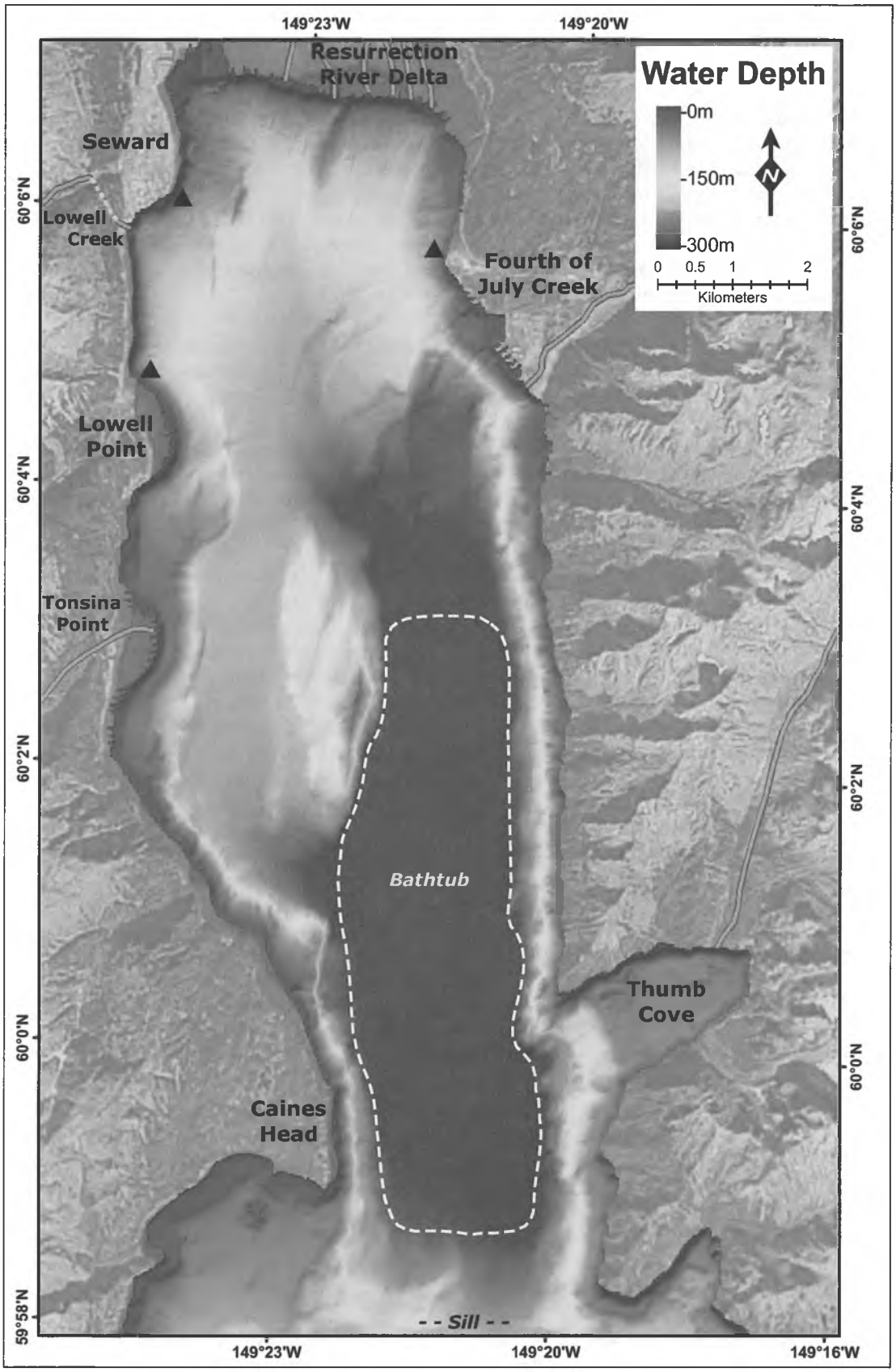


Figure 4. Bathymetry of Resurrection Bay, showing major fan deltas and creeks.

the entire width of the bay (Wilson and Tørum, 1968). This wave was similar in height to the initial landslide-generated waves but extended farther inland toward the river delta at the head of the bay than the local waves. Lemke (1967) summarized results of geologic investigations that were conducted in the Resurrection Bay area following the earthquake, and delineated the maximum observed tsunami inundation in downtown Seward and at the head of Resurrection Bay (fig. 5). The maximum inundation line at the city of Seward represents the combined effects from both the local landslide-generated waves and the major tectonic tsunami, while the observations of maximum runup at the head of the bay delineate the area that was flooded only by seismically generated waves.

Several researchers conducted geologic investigations in the Resurrection Bay area right after the earthquake (Lemke, 1967; Wilson and Tørum, 1968; Plafker and others, 1969; Shannon and Hilts, 1973). From these studies, it was concluded that strong ground motion during the earthquake caused several submarine slope failures along the Seward waterfront and other areas in upper Resurrection Bay. Hampton and others (2002) described the triggering mechanism as dynamic forces imposed by large seismic accelerations that added to the downslope component of the gravitational force on the steep slopes of the Lowell Creek and Resurrection River deltas. Hampton and others (2002) note that the stability of the sediment was also decreased by the low tidal level at the time of the earthquake, and by the rapid drawdown of water following the initial slope failure, which prevented the pore water from draining from the sediment quickly enough to maintain hydrostatic stability. The underwater slope failures generated large waves that were observed during ground shaking (Wilson and Tørum, 1968). The major factors that contributed to the total volume and aerial extent of the slide material were the long duration of ground motion (3 to 4 min), the configuration of underwater slopes, and the type of sediment forming these slopes—unconsolidated and fine-grained materials (Lemke, 1967). Hampton and others (1996) added that high artesian pressure within aquifers of the delta, combined with the extra load caused by waterfront artificial fill and shoreline development, also contributed to the slope failures. The authors summarized all the environmental loads in Resurrection Bay and concluded that although it was a unique combination of conditions, most of them had been documented separately during slope failures in other fjords.

REGIONAL SEISMOTECTONICS

Resurrection Bay occupies an area of very high seismic activity in southcentral Alaska (fig. 1). Tectonic regime is dominated by the convergence of the Pacific and North American plates, which interact along the Aleutian Megathrust (Page and others, 1991). The convergence rate is approximately 56 mm/yr (2.2 in/yr) (DeMets and others, 1990). Resurrection Bay is close to the northeast end of the Aleutian Megathrust, where the megathrust is strongly coupled and has a shallow dip angle of about 7 degrees. This zone has the potential to produce some of the largest earthquakes in the world, as demonstrated by the magnitude M_w9.2 Great Alaska Earthquake of 1964 (fig. 1). These plate motions also have the potential to drive significant seismicity in both the overriding plate and the subducting slab (Doser and Brown, 2001).

Freymueller and others (2000) used GPS measurements of the crustal motions to study the deformation of the region and model the plate interactions. They found that under the eastern portion of the Kenai Peninsula and in Prince William Sound, the plates are nearly completely locked, while under the western portion of the Kenai Peninsula the plates are freely slipping. This correlates with Doser and Brown's (2001) findings that the central and southern Kenai Peninsula has been seismically quiet at the $M_w > 5$ level since the 1964 event, while the Prince William Sound area has continued to have seismic activity similar to that occurring before the 1964 earthquake.

Figure 6 plots seismicity in southcentral Alaska with locations taken from the Alaska Earthquake Information Center catalog. The events with moment magnitude less than 6 are shown as small dots and color-coded according to depth, and the red box indicates the location of the region of interest. Prior to installation of the seismic network in Alaska in the early 1970s, only relatively larger events were reliably located ($M > \approx 6$). After installation of the network, events of much smaller sizes were regularly located.

Shennan and others (2008) presented geologic evidence of six prehistoric great earthquakes in the Kenai Peninsula area of southcentral Alaska in the past 4,000 years (seven including 1964), based on radiocarbon ages of tidal marsh deposits at Girdwood. Their evidence indicates that recurrence intervals for great earthquakes in this area range from a minimum of 180–720 years to a maximum of 790–920 years. On the basis of all published paleoseismic data for the region, Carver and Plafker (2008) calculated that the average median recurrence interval for great earthquakes in the Prince William Sound segment of the eastern Aleutian seismic zone over this period is 589 years.

According to the segmentation model of Nishenko and Jacob (1990), southcentral Alaska includes three segments of the megathrust: the Yakataga–Yakutat (YY), Prince William Sound (PWS), and Kodiak Island (KI) segments (fig. 1). The YY segment at the eastern end of the megathrust represents a complex collision zone where the Yakutat microplate moves northwest toward

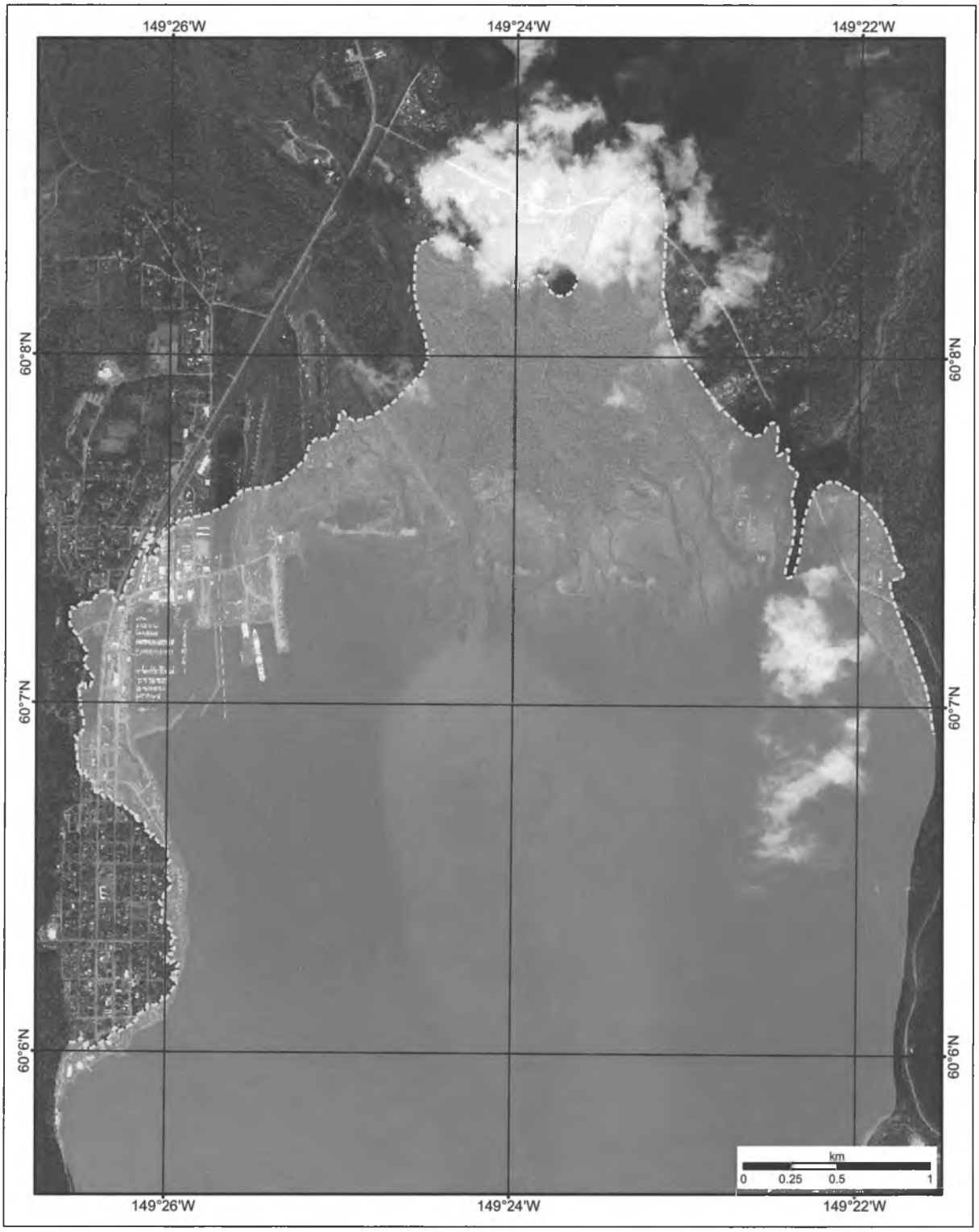


Figure 5. Maximum observed tsunami runup in downtown Seward and at the head of Resurrection Bay in 1964 (from Lemke, 1967).

central Alaska at 48 mm/yr (Carver and Plafker, 2008). This segment translates the predominantly strike-slip motion east of it to shallow-dipping subduction to the west (Nishenko and Jacob, 1990). The interaction between the Yakutat block and the Pacific and North American plates is complex and not well characterized. The southern and eastern boundaries of the Yakutat block are well defined, but a collection of distributed fold and thrust zones, splay faults, and regions of mountain building complicates the northern and western edges of the block. Plafker and Thatcher (2008) reevaluated the mechanisms of the two great Yakutat Bay earthquakes of September 1899 (fig. 1) and showed that coseismic deformation was mostly uplift and onshore, which explained the absence of tsunami in the Gulf of Alaska. There were several local tsunamis observed in bays and fjords that were triggered by submarine slides and collapses of glacier walls. Plafker and Thatcher (2008)

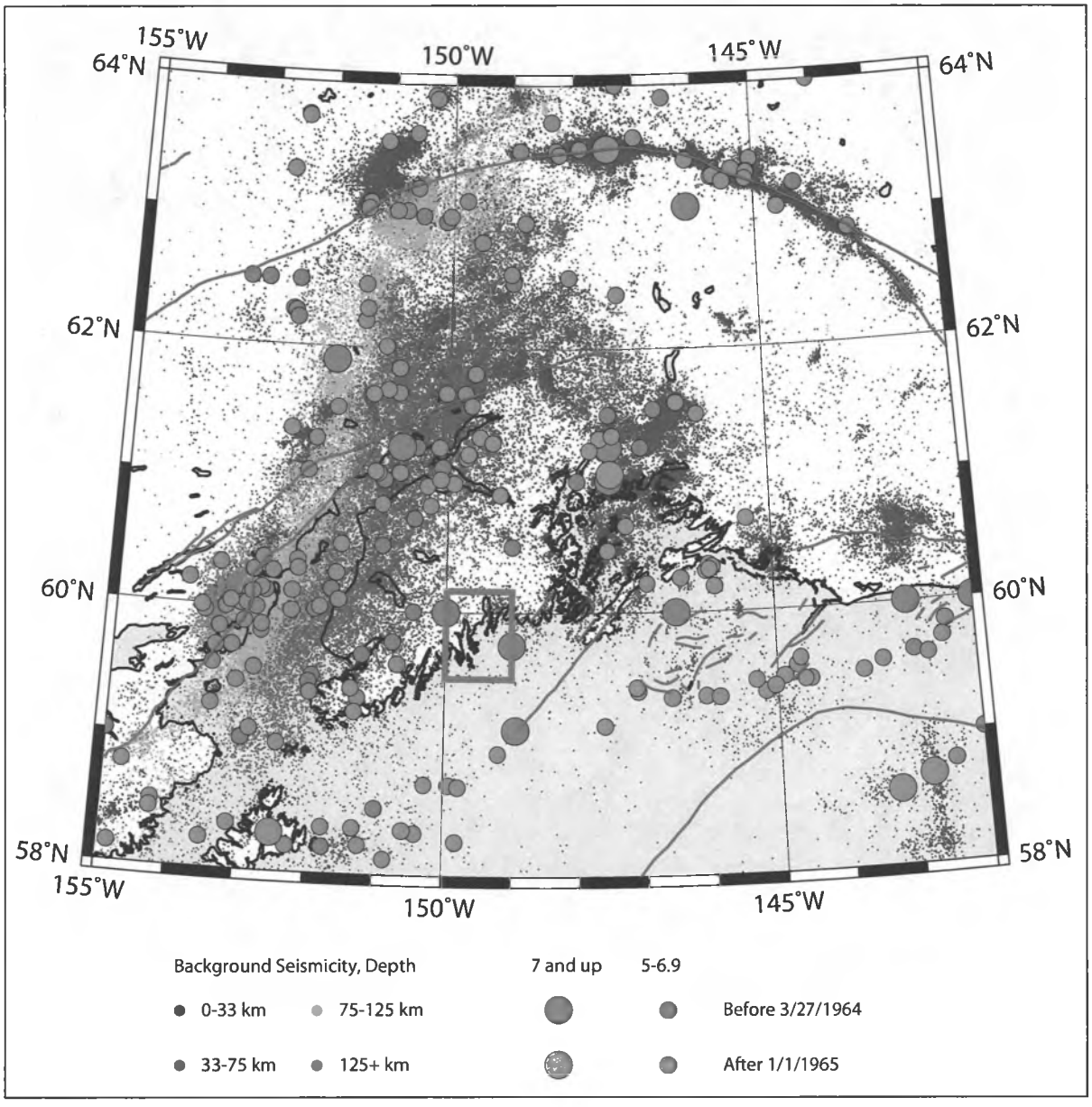


Figure 6. Earthquakes in southcentral Alaska, from the Alaska Earthquake Information Center catalog. The red rectangle delineates the computational grid of 8-arc-second resolution surrounding Resurrection Bay. Small dots correspond to earthquakes with magnitude less than 5. Large circles show significant earthquakes (magnitude 5 and greater) before (purple) and after (light blue) the Great Alaska Earthquake of March 27, 1964. The main shock and aftershocks of this event are not included in the plot.

concluded that the 1899 earthquake sequence most likely did not fill the offshore portion of the Yakataga seismic gap between the 1964 rupture area and the focal area of the 1899 earthquakes. This finding suggests that the YY segment has a high potential for a future tsunamigenic earthquake.

In the paleoseismic study of regional land subsidence at Kenai Peninsula sites, Hamilton and Shennan (2005) estimated coseismic subsidence during the 1964 earthquake and two earlier events. It was shown that the earthquake dated to ~1500–1400 cal. yr BP produced more than two times the subsidence caused by the 1964 earthquake. By comparing the Kenai Peninsula sites with other sites around Cook Inlet, the authors found that each of the three great earthquakes in the study had a unique pattern of coseismic subsidence. This result demonstrates that understanding the most recent great earthquake in the area is not sufficient for comprehensive tsunami hazard assessment in southcentral Alaska, and detailed studies of multiple great earthquakes are required. The recent work by Shennan and others (2008) tests the hypothesis that in some seismic cycles megathrust segments can combine, as proposed in the segmentation model by Nishenko and Jacob (1990), and produce earthquakes greater than any in the recorded history. The paper presents paleoseismic evidence that earthquakes ~900 and ~1,500 yr BP simultaneously ruptured three adjacent segments of the Aleutian Megathrust: the PWS and KI segments, and the Yakutat microplate (the YY segment). The rupture area of these earthquakes was calculated to be 23,000 km^2 greater than that of the 1964 earthquake, with a 15 percent increase in seismic moment. The authors suggested that increase in seismic moment is less significant than increased tsunami potential of this multi-segment rupture, due to coseismic uplift over a large area of shallow continental shelf off the Yakataga coast. We built a hypothetical tsunami source function for the extended rupture and performed a numerical modeling experiment to estimate the impact of tsunami waves generated by this event at Seward. The source function and modeling results are described in section 4 of "Methodology and data."

LANDSLIDE TSUNAMI HAZARD IN RESURRECTION BAY

Resurrection Bay is a deep glacial fjord, typical of many in southcentral and southeastern Alaska. Kulikov and others (1998) analyzed tsunami catalog data for the North Pacific coast and showed that this region has a long recorded history of tsunami waves generated by submarine and subaerial landslides, avalanches, and rockfalls. The authors also found that, in the majority of cases, tectonic tsunamis that arrive in bays and fjords from the open ocean have relatively small amplitudes, but a great number of local landslide-generated tsunamis have much larger wave amplitudes. For example, as a result of the 1964 earthquake, about 20 local submarine and subaerial landslide tsunamis were generated in Alaska (Lander, 1996). Following the earthquake, Seward was the only place hit by both landslide-generated tsunamis and a major tectonic tsunami (Haeussler and others, 2007), while several other communities experienced only locally generated waves (Plafker and others, 1969). Kulikov and others (1998) also noted that, due to the sparse population of the area, the actual number of historical landslide tsunami events is unknown, and probably much greater than the number of events observed or recorded. Bornhold and others (2001) addressed the problem of estimation of hazard from landslide-generated tsunami waves for the coast of Alaska and British Columbia. They outlined specific features of long-term prediction of landslide-generated tsunamis at selected sites, and developed an approach for estimating tsunami hazard. The long-term approach consists of two steps: (1) analysis of historical events and verification of model results with runup observations at the site, and (2) numerical simulation of hypothetical tsunami scenarios. Although for many communities historical observations do not exist, Seward is an exception. The effects of the 1964 earthquake and tsunami waves in Resurrection Bay, including wave amplitudes and extent of inundation, are well documented (Lemke, 1967; Wilson and Tørum, 1968) and are ideal for numerical modeling studies.

Tsunamis caused by submarine slope failures are a serious hazard in glacial fjords of coastal Alaska where rapidly deposited sediments accumulate on steep underwater slopes (Lee and others, 2006). Bornhold and others (2001) identify earthquakes, extreme low tides, and construction activities in ports and harbors as the most common triggering mechanisms for underwater slope failures. Estimation of landslide tsunami risk for a coastal community requires assessment of locations of potential underwater failures using high-resolution bathymetry, actual physical parameters of the underwater materials, and an adequate numerical model. The most probable locations of unstable sediment bodies in Resurrection Bay are the underwater slopes of the Resurrection River delta, and abnormally steep submarine slopes located elsewhere in the bay (Lee and others, 2006).

Engineering studies conducted after the 1964 earthquake (Lemke, 1967; Coulter and Migliaccio, 1966; Shannon and Hilts, 1973) showed that additional onshore and submarine landslides can be expected along the Seward waterfront in the event of another large earthquake, and that sediment from the Resurrection River and smaller creeks will continue to accumulate on underwater slopes of Resurrection Bay. These studies also concluded that underwater slope failures have not

improved slope stability, meaning that the same slopes could fail again during a large earthquake. Moreover, some of the streams draining into Resurrection Bay, such as Lowell Creek and Fourth of July Creek, have been rerouted by humans. These creeks are now depositing sediments in new locations, which may lead to new unstable sediment accumulations and future submarine slides.

The recent results of sediment chemistry monitoring in Port Valdez, located in a glacial fjord setting similar to that of Resurrection Bay (fig. 2), demonstrated high sediment accumulation rates of about 1.5 cm/yr at the head of the fjord (Savoie and others, 2006). Sediment could be released not only by the ground shaking due to an earthquake, but also by other triggering events, such as extreme low tide conditions and construction activities. Because short-term prediction of landslide tsunamis is not practical for tsunami hazard assessment (Bornhold and others, 2001), we will use the long-term approach for estimating local tsunami hazard at Seward. The most essential components of this approach are numerical modeling of historical landslide tsunami events, and simulation of future hypothetical underwater slope failures.

METHODOLOGY AND DATA

GRID DEVELOPMENT AND DATA SOURCES

To support inundation modeling of coastal areas in Alaska, we use a series of nested telescoping grids, or digital elevation models (DEMs), as input layers for tsunami inundation modeling and mapping. These grids of increasing resolution allow us to propagate waves, generated by both distant and local sources, to Resurrection Bay. In order to propagate a wave from its source to various coastal locations we use embedded grids, placing a large, coarse grid in deep water and coupling it with smaller, finer grids in shallow water areas. This embedding technique allows us to dramatically increase resolution in the area where inundation calculations are performed, and save computational resources by using lower resolution grids in the deep ocean region. The extent of each grid used for Seward mapping is shown in figure 7 and table 1. The coarsest resolution 2-arc-minute grid (see table 1 for grid spacing) spans the Gulf of Alaska, while the highest resolution 15 m grid is restricted to upper Resurrection Bay. This grid is used for Seward inundation mapping; it also includes Lowell Point and Fourth of July Point (fig. 4). In this grid, the seamlessly combined bathymetric and topographic data allow for calculation of tsunami inundation of previously dry land.

The grids used for modeling were gathered from three sources:

15-m Grid: This "high resolution" grid contains bathymetric and topographic data merged into one DEM. It was developed by Labay and Haeussler (2008) from the following input surveys:

- Low-altitude LIDAR (Light Detection and Ranging) topography collected for the Kenai Watershed Forum in 2006
- U.S. Army Corps of Engineers (USACE) harbor soundings for the Seward City Marina and surroundings collected in 2006
- Multibeam bathymetric surveys of Resurrection Bay, conducted by NOAA's National Ocean Service (NOS) in 2001

Survey data were first adjusted to a common Mean High Water vertical datum before being combined into one ESRI point feature class. Where available, the more recent USACE harbor data were used in place of 2001 NOS survey data to represent the significant reconstruction of the harbor infrastructure between 2001 and 2006. Significant gaps between the survey areas were then filled in using interpolation routines. Topographic data in this grid are a combination of the 2006 LIDAR collection in the northern part of the bay, and the 10-m USGS DEM in the rest of the area, which was not covered by

Table 1. Nested grids used in the model to compute propagation of tsunami waves generated in the Gulf of Alaska to the city of Seward. The 15-m grid is used to compute the inundation.

Resolution	Spacing along longitude at 60°N	Spacing along latitude	West–East boundaries	North–South boundaries
2 arc-minutes	1,850 m	3,700 m	138°00'W – 169°00'W	52°00'N – 63°00'N
24 arc-seconds	370.5 m	741 m	147°00'W – 155°00'W	55°00'N – 62°00'N
8 arc-seconds	123.5 m	247 m	149°00'W – 150°00'W	59°30'N – 60°10'N
3 arc-seconds	48.5 m	97 m	149°14'W – 149°37'W	59°42'N – 60°10'N
15 meters	15 m	15 m	149°16'W – 149°27'W	59°57'N – 60°09'N

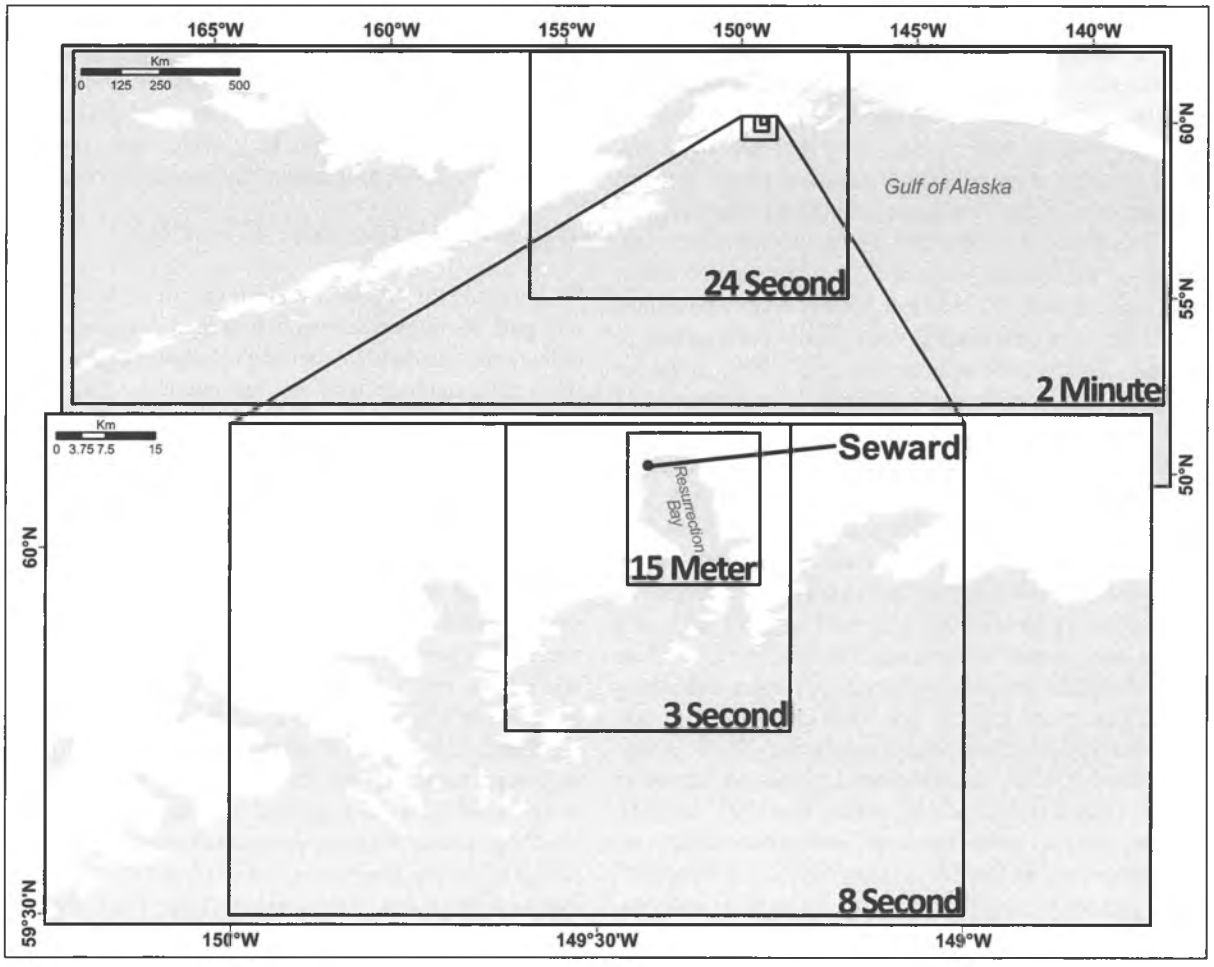


Figure 7. Telescoping embedded numerical grids for calculation of tsunami propagation and runup.

LIDAR. The northern section of the bay contains the most significant population and infrastructure centers. The resulting seamless dataset was exported and delivered in ESRI digital raster and ASCII xyz format with 15 m resolution.

3-Arc-Second, 8-Arc-Second and 24-Arc-Second Grids: Angie Venturato of the Pacific Marine Environmental Laboratory, National Oceanic & Atmospheric Administration (PMEL/NOAA) constructed these grids using bathymetry collected from NOS survey and chart data as well as shoreline data from USACE and Alaska Railroad surveys. These input surveys represent a variety of collection methods over a wide timescale from 1972 to 2004. Root mean squared error (RMSE) applies to systematic and random errors in the dataset and is used to define the vertical accuracy of these grids. The accuracy of bathymetric soundings is generally expected to be within 2 percent of depth.

The surveys were first converted into ESRI-compatible point data formats before depths were adjusted to Mean High Water from their respective origin vertical datums. The surveys were then clipped to a standard shoreline vector before being merged through the creation of a triangular irregular network (TIN). This compiled TIN dataset was used to export directly from ArcView 3.2 software into ASCII xyz format.

2-Arc-Minute Grid: This grid was created by Robert Kamphaus of PMEL/NOAA. Bathymetry for the Gulf of Alaska level extent was extracted directly from the publicly available ETOPO2 data set (NOAA, National Geophysical Data Center).

One of the challenges in near-field modeling of tsunami waves generated by a historic earthquake is to account for coseismic and post-seismic tectonic land changes, and also for a difference between the datum of the numerical grid and the stage of tide at the time of the earthquake. The high-resolution numerical grid of combined bathymetry and topography data for Resurrection Bay by Labay and Haeussler (2008) was referenced to the tidal datum of Mean High Water (MHW). Accord-

ing to observations (Lemke, 1967), tide was low at the time of the main shock. Low tide was one of the major factors that contributed to the large scale of landsliding, but at the same time helped to lessen the amount of damage from the first tectonic wave that arrived on low tide. Figure 8 is a predicted water-level plot at Seward on the day of the earthquake, obtained from NOAA tide calculator. It shows that the first tectonic wave arrived on the local minimum of the tidal curve, which corresponds to 0.175 m below Mean Lower Low Water (MLLW). The time mark 20:00 actually corresponds to 7 pm local time in Seward on March 27, 1964, since the State of Alaska moved to a different time zone in 1983 (one hour ahead).

Different tidal datums and tectonic land changes at Seward are demonstrated in figure 9. We call tidal range (TR) the difference between MHW and MLLW, and 'tide' is the sea level at the time of the earthquake. The landmass in the Seward area experienced coseismic subsidence (CS) of about 1.15 m (Lemke, 1967); as a result, many areas that were never flooded by tides before the earthquake are now under water. Larsen and others (2003) analyzed relative sea level changes from tide gauge records at 15 sites along the Pacific–North American plate boundary in southcentral Alaska, to determine vertical crustal motions in the period from 1937 to 2001. In several years immediately following the earthquake, the Seward site showed oscillatory uplift, and then uplift rates increased steadily thereafter. From their analysis, the total postseismic uplift (PU) at Seward could be estimated at about 20 cm. The following equation therefore provides the relationship between the water depth in Resurrection Bay at the time of the earthquake, H_{EQ}, and the present water depth, H_{now}, which was measured in 2001 by NOAA multibeam bathymetry survey:

$$H_{EQ} = H_{now} - TR - tide - CS + PU$$

By using the adjusted vertical datum in the bathymetry grid, the numerical model will reproduce the effects of tsunami inundation occurring at Seward under conditions close to those that were present at the time of the 1964 earthquake.

NUMERICAL MODEL OF TSUNAMI WAVE PROPAGATION AND RUNUP

Recently, NOAA published a technical memorandum that outlines major requirements for numerical models used in inundation mapping and tsunami forecasting, and describes a procedure for model evaluation (Synolakis and others, 2007). There are two major components in this process. The first is model validation, which is ensuring that the model solves equations of motion correctly by comparing model results with known solutions. This is achieved through analytical and laboratory benchmarking. The second component is model verification, which is testing the model, using observations of real events through field data benchmarking. The numerical

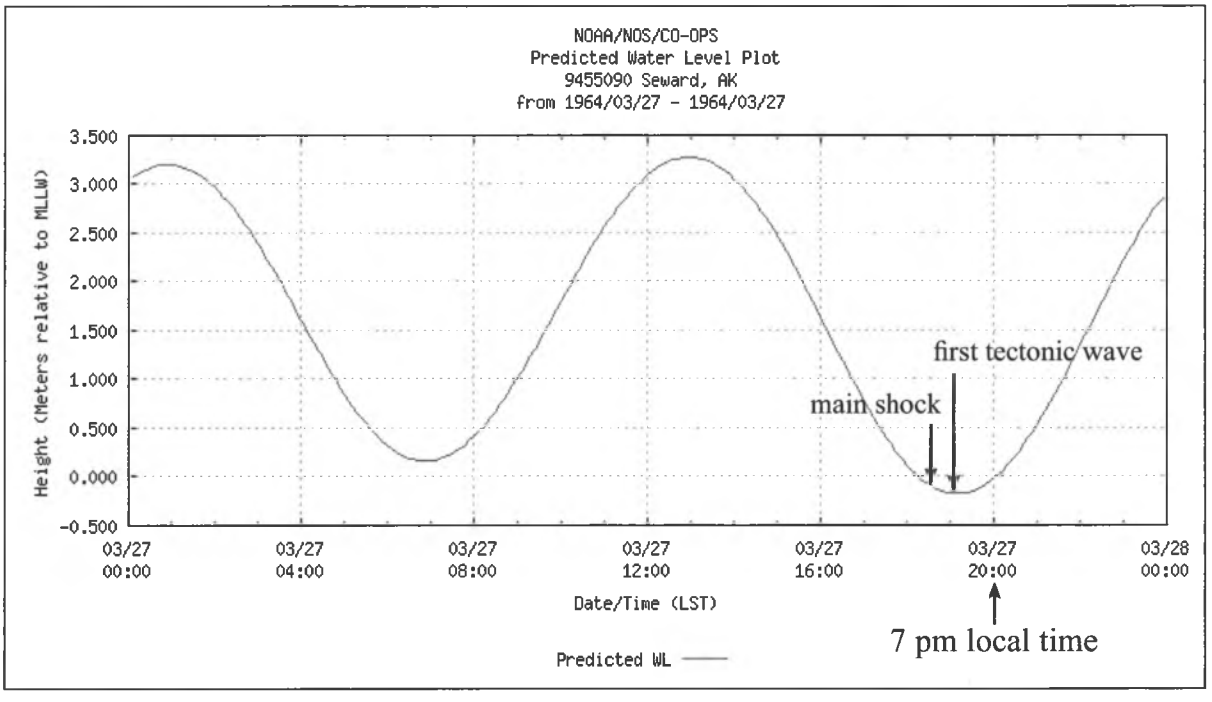


Figure 8. Predicted water level plot for Seward on March 27, 1964. Time is Local Standard Time (UTC-9); arrows indicate times of the main shock of the 1964 earthquake, and arrival of the first tectonic wave.

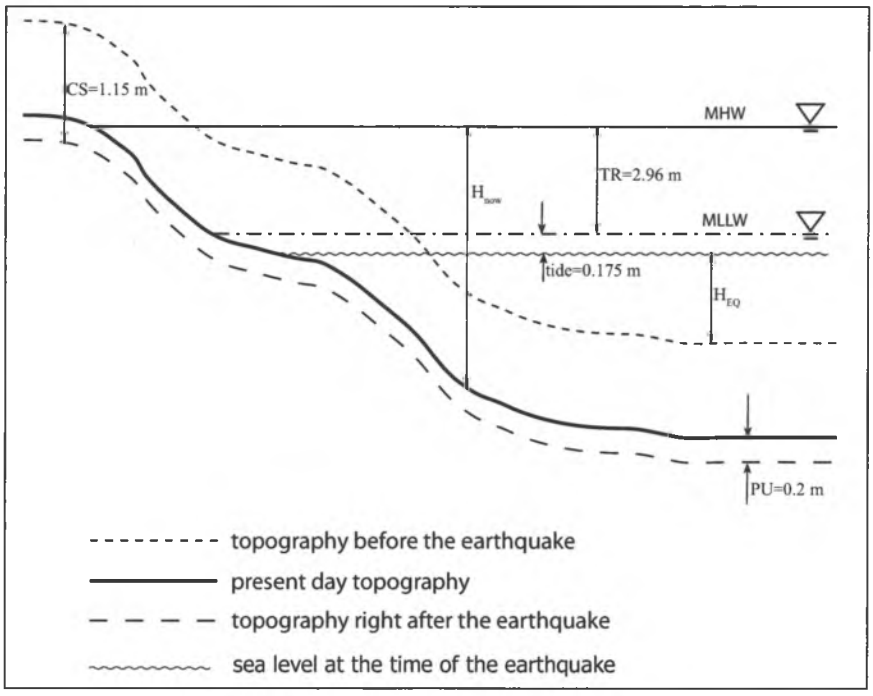


Figure 9. A diagram that relates different tidal datums and vertical tectonic land changes during and after the 1964 earthquake.

model currently used by AEIC for tsunami inundation mapping has been validated through a set of analytical benchmarks, and tested against laboratory and field data (Nicolsky and others, in press). The model solves nonlinear shallow water equations using a finite-difference method on a staggered grid. For any coarse–fine pair of computational grids, we apply an explicit-in-time numerical scheme as follows. First, we compute the water flux (WF) in a coarse-resolution grid. These values of WF are used to define the WF on a boundary of the fine-resolution grid. Consequently, the sea surface height (SSH) and then the WF are calculated in the fine-resolution grid. Finally, the SSH computed in the fine-resolution grid is used to define the SSH within the area of the coarse-resolution grid that coincides with the fine grid. Despite the fact that developed nested grids decrease the total number of grid cells and preserve an accuracy of computations within certain regions of interest, real life simulations are still prohibitive if parallel computing is not implemented. We use Portable Extensible Toolkit for Scientific computation (PETSc) which provides sets of tools for the parallel numerical solution of shallow-water equations. In particular, each computational grid listed in table 1 can be subdivided between an arbitrary number of processors. The above-mentioned passing of information between WF and SSH is implemented efficiently using PETSc subroutines.

We assess hazard related to tectonic and landslide-generated tsunamis in Resurrection Bay by performing model simulations for each hypothetical earthquake and landslide source scenario. In the output of the numerical model, each of the grid points has either a value of 0 where no inundation occurs or 1 if seawater reaches the grid point at any time. The inundation line approximately follows the 0.5 contour between these 0 and 1 point values but was adjusted visually to accommodate obstacles or local variations in topography that are not represented by the DEM. Although the location of the inundation line has an accuracy of approximately plus or minus 15 m horizontally relative to the grid spacing, the true location accuracy is unknown because the lines are the result of a complex modeling process whose accuracy depends on many factors. These factors include suitability of the earthquake source model, accuracy of the bathymetric and topographic data, and the adequacy of the numerical model in representing the generation, propagation, and run-up of tsunami waves. We did not attempt to adjust the modeled inundation limits to account for these uncertainty factors.

There are several limitations of the model. It does not take into account the periodic change of sea level due to tides. We conducted all model runs using bathymetric data that correspond to Mean High Water (MHW), with the exception of numerical modeling of the 1964 tsunami for the purpose of model validation. Those runs were conducted using the stage of tide at the time of the earthquake, approximately Mean Low Water. For the generation mechanism, we modeled earthquakes and landslides as potential sources of tsunami waves. In this region it was important to include landslide tsunami sources, because underwater landslides and the resulting tsunamis caused a significant portion of the damage in Resurrection Bay during the 1964 Great Alaska Earthquake.

NUMERICAL MODEL OF LANDSLIDE-GENERATED TSUNAMI WAVES

To simulate tsunami waves produced by multiple underwater slope failures in Resurrection Bay on March 27, 1964, we used a three-dimensional numerical model of a viscous underwater slide with full interactions between the deforming slide and the water waves that it generates. This model was initially proposed by Jiang and LeBlond (1992). Fine and others (1998) improved the model by including realistic bathymetry, and by correcting errors in the governing equations. The model's assumptions and applicability in simulating underwater mudflows are discussed by Jiang and LeBlond (1992, 1994) in their formulation of the viscous slide model. The model uses long-wave approximation for water waves and the deforming slide, which means that the wavelength is much greater than the local water depth, and the slide thickness is much smaller than the characteristic length of the slide along the slope (Jiang and LeBlond, 1994). Assier-Rzadkiewicz and others (1997) argued that the long-wave approximation could be inaccurate for steep slopes, which are slopes greater than 10 degrees. Rabinovich and others (2003) studied the validity of the long-wave approximation for slopes greater than 10 degrees and found that for a slope of 16 degrees the possible error was 8 percent, and for the maximum slope in their study (23 degrees), the possible error was 15 percent. Based on this analysis, for the average pre-earthquake offshore slopes that ranged from 10 to 20 degrees in the vicinity of Seward, the possible error introduced by a slide moving down these higher gradient slopes could be around 10 percent.

The advantage of this vertically integrated model, which includes two horizontal dimension effects, is its ability to simulate real landslide tsunami events using high-resolution numerical grids based on multibeam bathymetry data. Although model runs require the use of high-performance computing, the computational times are still reasonable. This model was successfully applied to simulate tsunami waves in Skagway Harbor, Alaska, generated by a submarine landslide on November 3, 1994 (Fine and others, 1998; Thomson and others, 2001). The results of numerical simulations were in good agreement with the tide gauge record in Skagway Harbor, one of the numerous fjords in southeastern Alaska. Rabinovich and others (2003) simulated potential underwater landslides in British Columbia fjords with settings similar to Resurrection Bay, and demonstrated that this model can be used for tsunami-hazard assessment.

TECTONIC TSUNAMI SOURCES

SOURCE FUNCTIONS OF THE 1964 TSUNAMI

The 1964 Great Alaska Earthquake generated one of the most destructive tsunamis ever observed in Alaska and the northwestern Pacific coast. This major tectonic tsunami was generated in the trench and upper plate fold and thrust belt area of the subduction zone (Plafker and others, 2000) and affected many communities in Alaska. Both the Prince William Sound and the Kodiak Island segments ruptured in the 1964 earthquake, producing the area of surface deformation of about 285,000 km^2 (Plafker, 1969). Christensen and Beck (1994) demonstrated that there were two areas of high moment release, representing the two major asperities of the 1964 rupture zone: the PWS asperity with an average slip of 18 m, and the KI asperity with an average slip of 10 m. Analysis of historical earthquake data in PWS and KI segments (Nishenko and Jacob, 1990) showed that the KI segment produced both large and great earthquakes more frequently and also independently of the PWS segment.

The 1964 tsunami was studied in depth by several investigators (Plafker, 1967; Wilson and Tørum, 1968; Lemke, 1967); observed inundation patterns for a number of Alaska communities are available for model calibration. We use a displacement of the ocean surface that results from an underwater earthquake as the initial condition for calculation of tsunami propagation. The amplitude of this initial disturbance is one of the major factors that affect the runup amplitudes along the shoreline. The fault parameters required to compute sea floor deformation are location of the epicenter, area, dip, rake, strike, and amount of slip on the fault. In all model runs, the initial topography was modified to account for residual seismic deformation of land due to the earthquake. We assumed that the initial displacement of the ocean surface from the equilibrium position was equal to vertical displacement of the ocean floor due to the earthquake rupture process. The model does not take into account the propagation of the moving rupture along the fault. We assumed here that the bottom movement was instantaneous. The model propagates the initial sea surface displacement from the source to coastal locations through a set of embedded grids of increasing resolution.

In this study we used two coseismic deformation models of the 1964 earthquake (Johnson and others, 1996; Suito and Freymueller, 2009) to generate the initial sea surface disturbance caused by vertical displacements of the sea floor during the earthquake. The following abbreviations will be referenced throughout this report: JDM, for deformation model by Johnson and others (1996) and SDM, for deformation model by Suito and Freymueller (2009).

A detailed analysis of the 1964 rupture zone was presented by Johnson and others (1996) through joint inversion of far-field tsunami waveforms and geodetic data. The authors derived a detailed slip distribution for the 1964 earthquake, which has eight subfaults representing the Kodiak asperity and nine subfaults in the Prince

William Sound asperity. One subfault was assigned to represent the Patton Bay fault, although contribution of this fault to the far-field tsunami waveforms was negligible. We used the equations of Okada (1985) to calculate distribution of coseismic uplift and subsidence resulting from this slip distribution. Then we used the derived surface deformation (fig. 10) as the initial condition for the tsunami propagation model. The source function based on JDM was previously applied to calculation of 1964 tsunami inundation in Kodiak and Kachemak Bay communities. The results are described in Suleimani and others (2002, 2005).

Plafker (1967) gives a detailed description of the motion observed on the Patton Bay fault during the Great Alaska Earthquake of 1964. He provides a full report of surface rupture and fault motion, as well as several pieces of evidence suggesting that the fault continues on the ocean floor well past the region where it is currently mapped. Holdahl and Sauber (1994) applied Plafker's description to construct their model of the Patton Bay fault, which was used in an inversion of geodetic data. Johnson and others (1996) used the results of Holdahl and Sauber to augment their joint inversion of geodetic and tsunami data. These two studies used only the mapped extent of the fault, approximately 72 km, despite significant evidence that the fault may extend much farther to the southwest.

Suito and Freymueller (2009) developed a new coseismic deformation model of the 1964 earthquake, which is based on a three-dimensional viscoelastic model, incorporating a realistic geometry with an elastic slab having very low dip angle. This coseismic model is not based on an inversion, but it resembles the recently published inversion model (Ichinose and others, 2007) and past proposed models (Holdahl and Sauber, 1994; Johnson and others, 1996; Santini and others, 2003). The main difference between JDM and SDM is that the SDM predicts slightly higher slip near the downdip end of the rupture to explain horizontal displacements. Additionally, the rupture in the SDM is assumed to occur at greater depths than in the JDM. As a result, the deeper subfaults in the SDM produce smoother variations of sea floor deformation than in the JDM. Both models use the Patton Bay fault to explain the excessive uplift at Montague Island (Plafker, 1967). It is assumed in the JDM that the extent of the splay fault was not much larger than its subaerial outcrop on Montague Island. In contrast, the SDM assumes that the Patton Bay splay fault extended much farther to the west than previously assumed by Holdahl and Sauber (1994) and Johnson

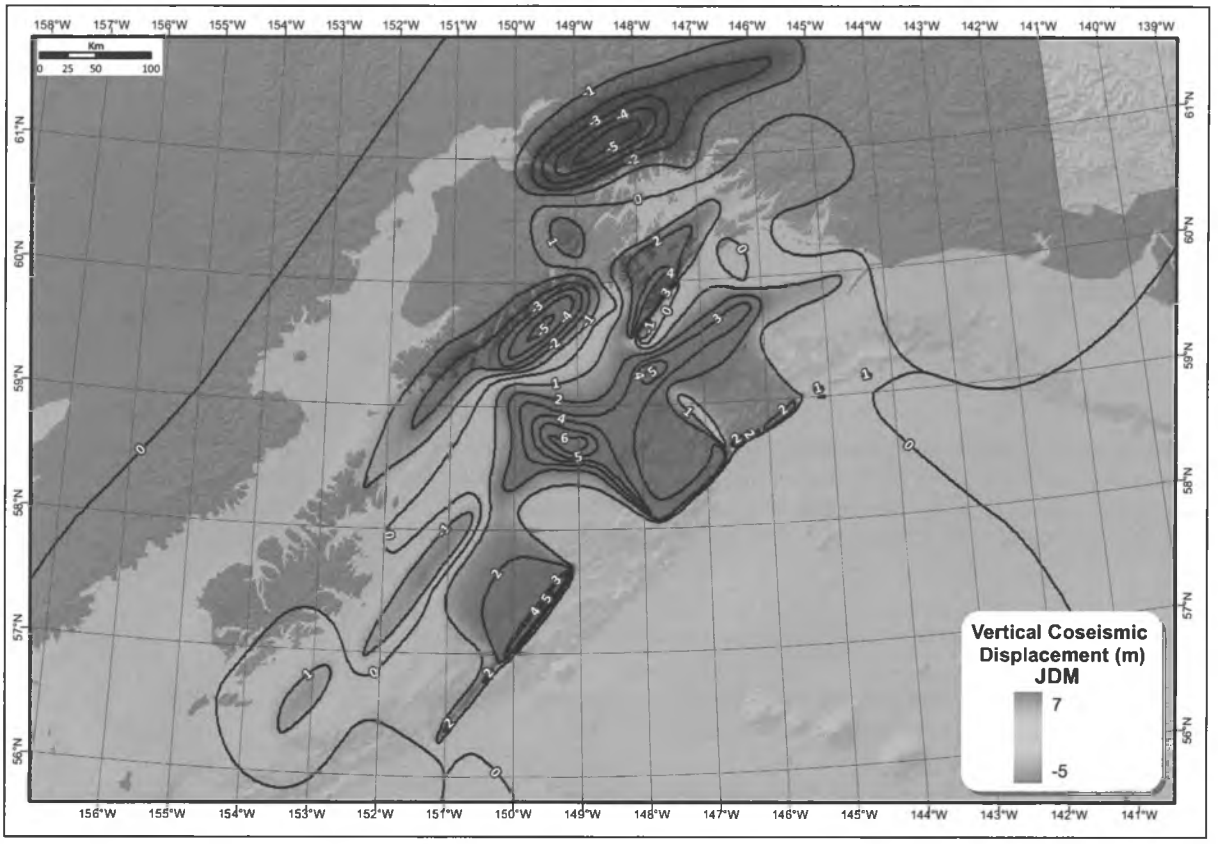


Figure 10. Source function of the 1964 tsunami based on Johnson and others (1996) (JDM).

and others (1996). Although the Patton Bay fault slipped approximately 10 m at the southwestern tip of Montague Island, there have been no comprehensive submarine surveys documenting the extent of that splay fault. Suito and Freymueller (2009), however, found that they could not fit all the GPS data accurately unless they extended the fault past the end of the Kenai Peninsula.

Results of numerical modeling of Seward inundation using the JDM source function vastly overestimate the observed 1964 inundation (see "Modeling results", section 1), therefore we use SDM in the tsunami scenarios that represent the 1964 event.

EXTENDED 1964 RUPTURE

A recent study by Shennan and others (2008) presents geologic evidence that the Prince William Sound and Kodiak Island segments of the 1964 rupture area and a portion of the Yakutat microplate may rupture simultaneously (see discussion in "Regional seismotectonics"). In order to evaluate whether this event would make a plausible future tsunami scenario for Seward, we have constructed a source function of the extended 1964 rupture. We applied the following constraints based on the hypothetical earthquake model of Shennan and others (2008):

- The extended source function includes three segments of the Aleutian Megathrust: the PWS, KI, and YY segments (fig. 1);
- The rupture area is about 23,000 km^2 greater than that of the 1964 earthquake;
- The total seismic moment is 15 percent greater than that of the 1964 earthquake;
- The new source function produces coseismic vertical uplifts along the Gulf of Alaska coastline segment between the Copper River basin and Yakataga, to match the coseismic deformation pattern to paleoseismic data (Shennan and others, 2008).

We have constructed a rupture model for the Yakataga–Yakutat segment using the constraints described above. The model consists of four subfaults with the fault parameters listed in table 2. We calculated coseismic deformations produced by this segment using Okada's algorithm (Okada, 1985), and then superposed them with the 1964 coseismic deformations produced by the SDM. The resulting coseismic deformation pattern for the extended 1964 rupture is shown in figure 11.

Results of numerical modeling of Seward inundation using the extended 1964 rupture model are not different from the inundation caused by the 1964 deformation model. Waves generated by the uplift of the sea floor in the area of Yakutat block arrive at Resurrection Bay much later than the wave generated in the PWS segment that arrives first and produces the maximum inundation zone.

TECTONIC TSUNAMI SCENARIOS

Scenario 1. Repeat of the 1964 event: Source function based on coseismic deformation model by Suito and Freymueller (2009) (SDM).

This source function represents the entire rupture area of the 1964 earthquake, with vertical coseismic deformations derived from the SDM (fig. 12).

Christensen and Beck (1994) demonstrated that there were two areas of high moment release, representing the two major asperities of the 1964 rupture zone: the Prince William Sound asperity with an average slip of 18 m, and the Kodiak asperity with an average slip of 10 m. The results of joint inversion of tsunami and geodetic data from the 1964 earthquake (Johnson and others, 1996) support the division of the rupture zone into two different segments, the Kodiak block and the Prince William Sound (PWS) block. These zones have different recurrence intervals, with estimates of the recurrence interval for the Kodiak segment being as low as 60 years (Johnson and others, 1996). Therefore we consider these two segments of the 1964 rupture area to be separate hypothetical tsunami source scenarios. We also consider a third hypothetical event involving the rupture of the Pamplona deformation zone, which represents another source of tsunami waves capable of reaching Resurrection Bay.

Scenario 2. Modified 1964 event: Prince William Sound asperity of the SDM.

This source function represents the Prince William Sound asperity from the deformation model by Suito and Freymueller (2009). Vertical coseismic deformations for this scenario are shown in figure 13.

Table 2. Fault parameters for the Yakataga–Yakutat segment

Lat [deg. N]	Lon [deg. W]	Depth [km]	Length [km]	Width [km]	Strike [deg.]	Dip [deg.]	Rake [deg.]	Slip [m]
59.17	144.12	1	50.1	190	256	12	90	15
59.36	143.23	3	51.1	141	250.4	10	90	15
59.54	142.42	5	47.8	114.8	245.8	6	90	15
59.94	141.21	5	79.7	99.6	237.8	8	90	15

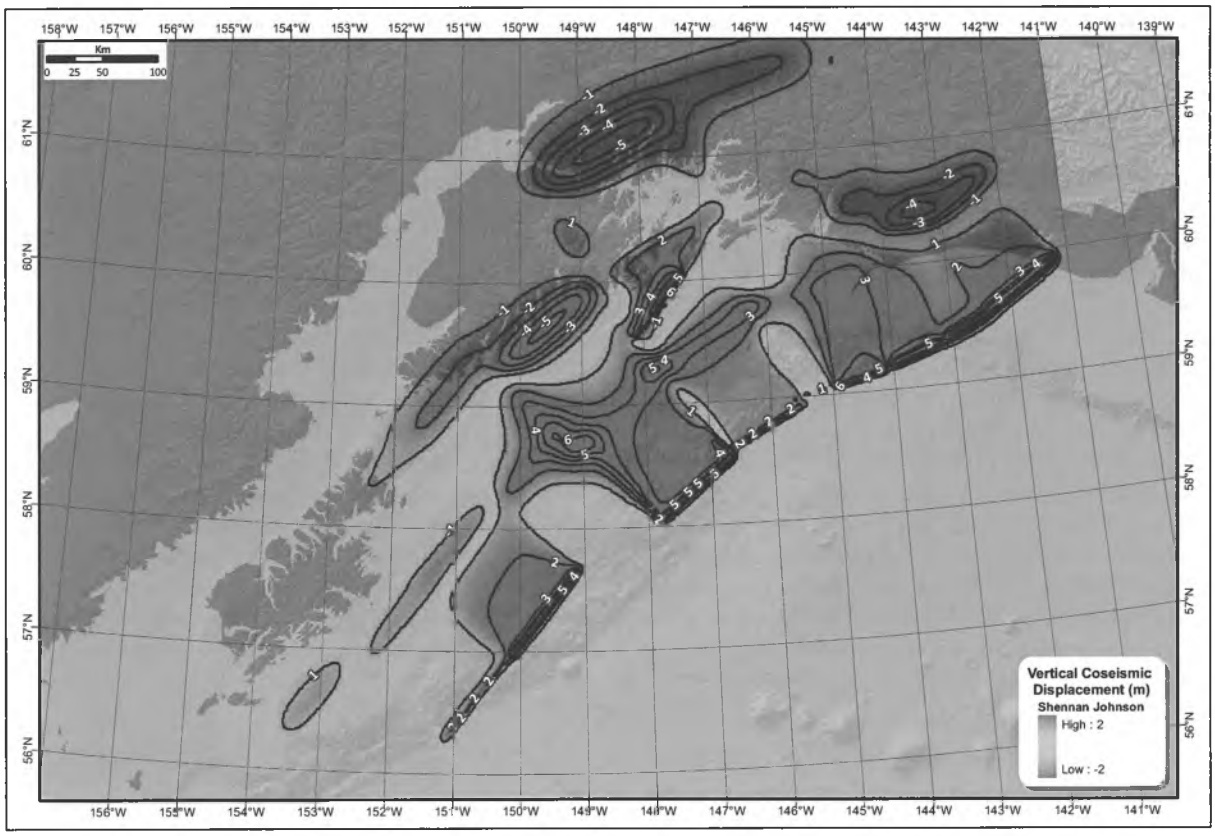


Figure 11. Vertical coseismic displacements for the extended 1964 rupture model.

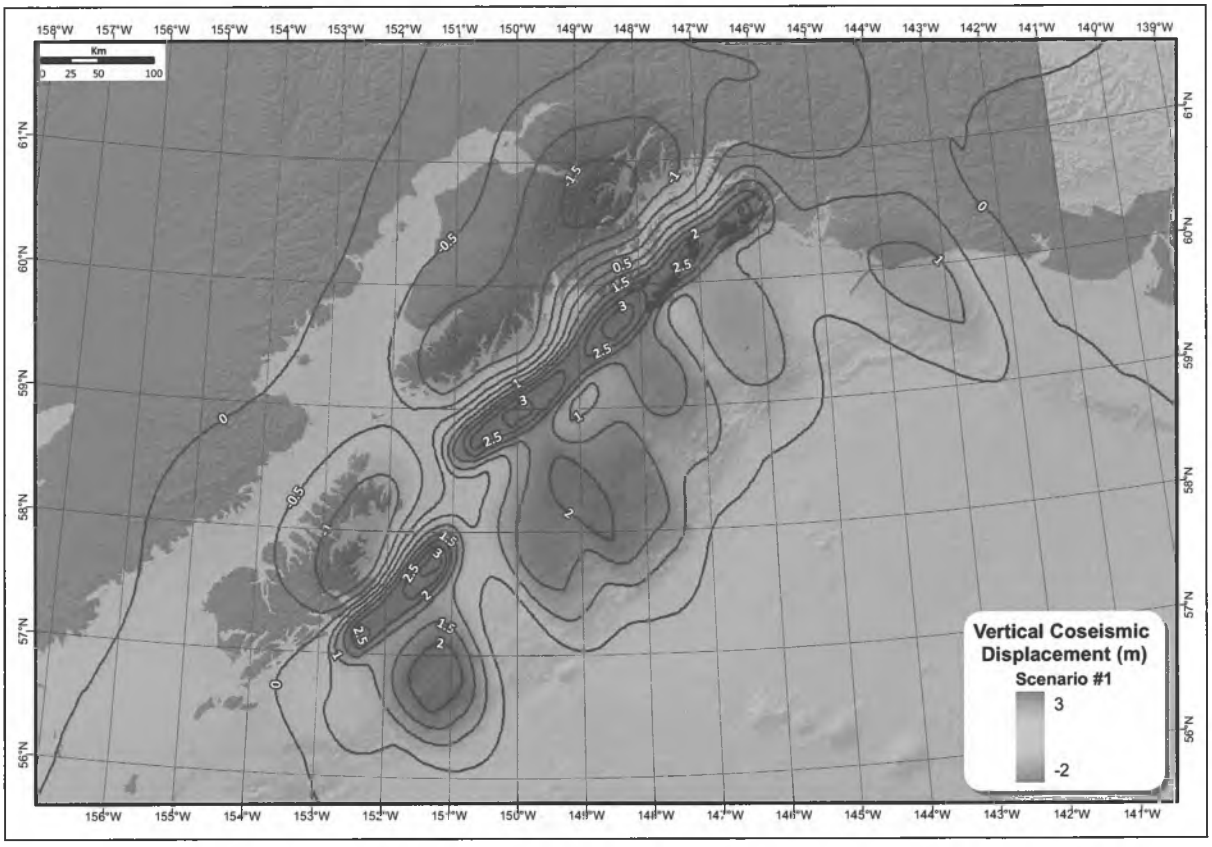


Figure 12. Scenario 1. Source function of the 1964 tsunami based on Suito and Freymueller (2008) (SDM).

Scenario 3. Modified 1964 event: Kodiak asperity of the SDM.

This source function represents the Kodiak asperity from the deformation model by Suito and Freymueller (2009). Vertical coseismic deformations for this scenario are shown in figure 14.

Scenario 4. Hypothetical event: Rupture of the Pamplona zone between the Yakutat block and the North American Plate.

This is a hypothetical earthquake that ruptures the Pamplona zone between the Malaspina fault and the Aleutian megathrust at the northwestern edge of the Yakutat block in a thrust event (fig. 15).

The Pamplona zone is a region of distributed fold and thrust features near the northwestern edge of the Yakutat block (fig. 15). There is a trend of moderate to strong historic seismicity in the area between the location of the 1979 M_w7.2 St. Elias earthquake and the end of the 1964 rupture zone (shown in fig. 16). This seismic zone is aligned with the Malaspina thrust fault and is well oriented to accommodate convergence between the Yakutat block and North American plate. Sauber and others (1997) identified this as the region most likely to rupture and fill the Yakataga seismic gap. Sauber and Molnia (2004) showed that the retreat of glaciers in the Wrangell Mountains increases the likelihood of seismic release on thrust faults in the region. We consider a hypothetical M_w ~8.8 event with fault parameters detailed in table 3. The vertical coseismic deformations for this scenario are shown in figure 17.

The Kodiak inundation mapping study (Suleimani and others, 2002) includes a scenario that represents a distant tsunami source, the Cascadia subduction zone rupture. The results of numerical modeling demonstrated that the major part of the tsunami energy will be directed west and southwest, toward Hawaii, and a very limited amount toward coastlines of Alaska. In this study, we performed numerical simulation of tsunami waves generated by a M_w9.2 earthquake in the Cascadia subduction zone. The results were consistent with those in the Kodiak report. Since this scenario produced negligible inundation at Seward, we did not include it in the list of tectonic scenarios.

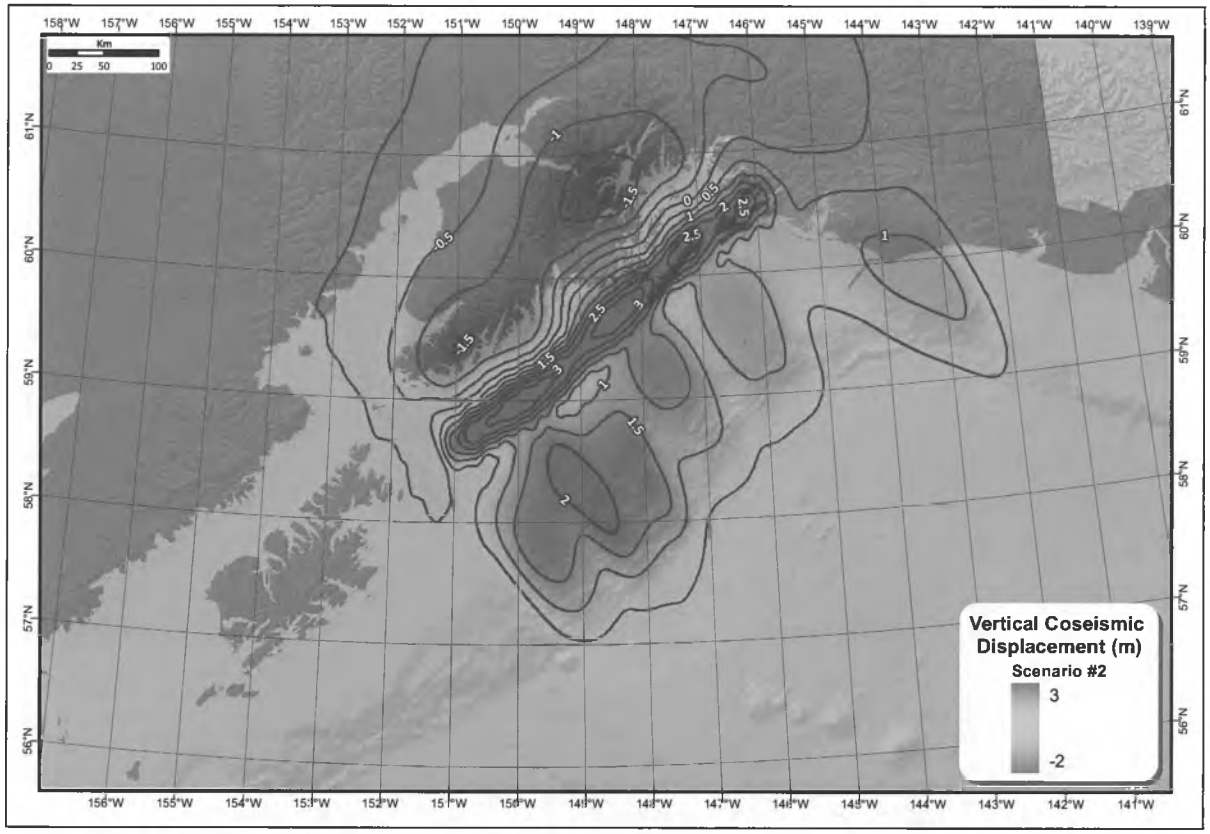


Figure 13. Scenario 2. Prince William Sound asperity of SDM.

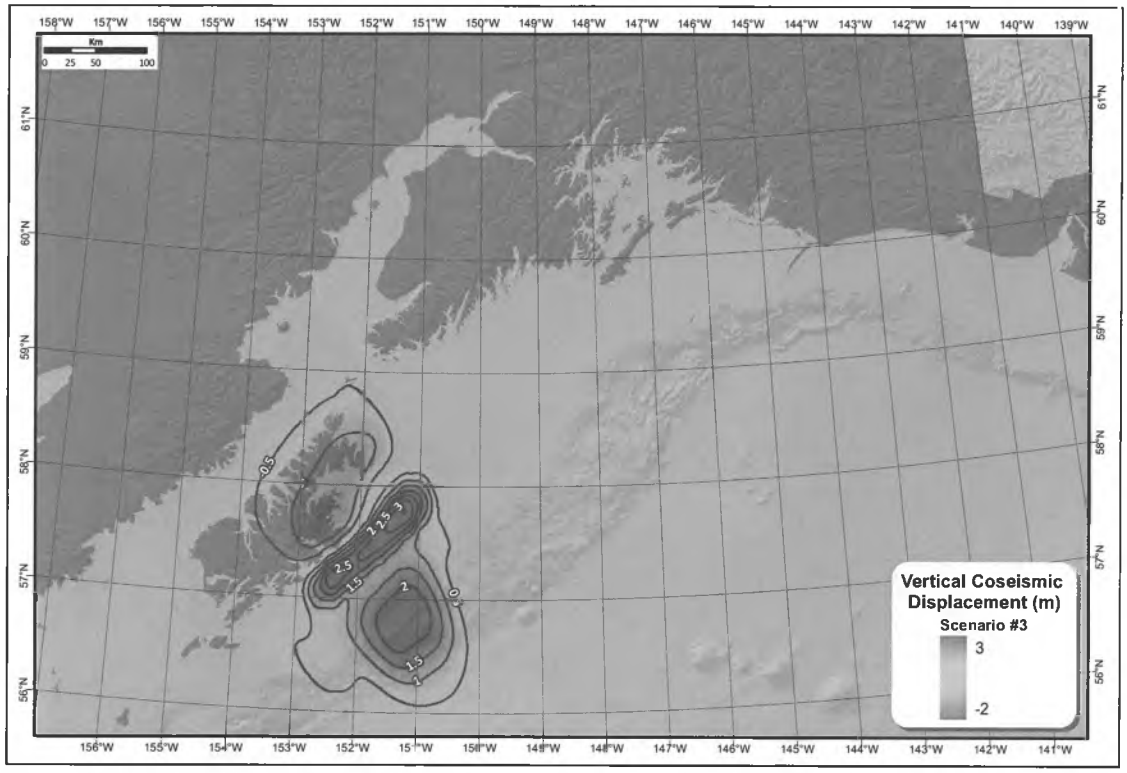


Figure 14. Scenario 3. Kodiak asperity of SDM.

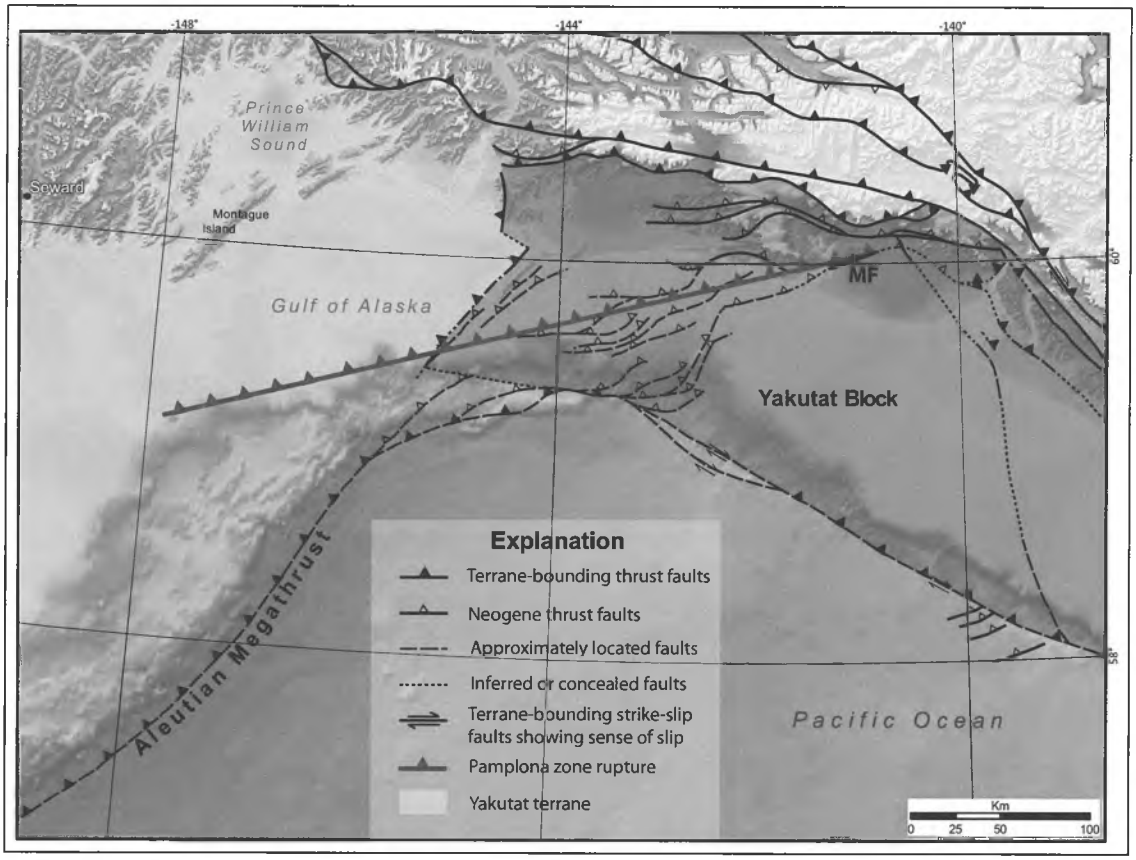


Figure 15. Geologic setting of the Yakutat block with major faults, from Plafker and Thatcher (2008). The hypothetical Pamplona zone rupture (Scenario 4) is shown by a purple line; Malaspina fault is indicated by "MF."

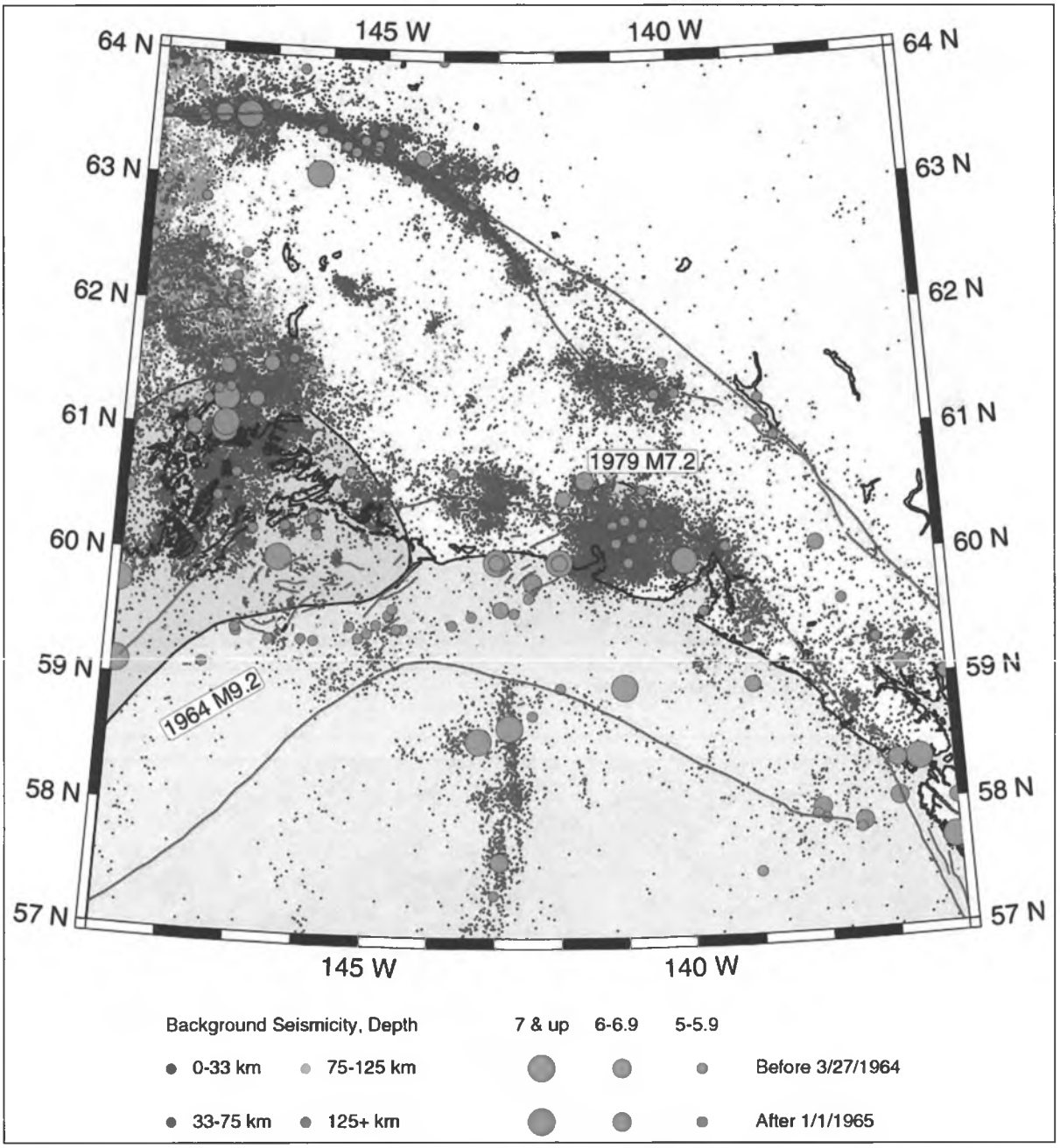


Figure 16. Earthquakes in the vicinity of the Yakutat block, from the Alaska Earthquake Information Center catalog. Major faults are shown by red lines; areas shaded in beige are rupture zones of the 1964 Great Alaska Earthquake and the 1979 earthquake. Small dots correspond to earthquakes with magnitude greater than 1 and less than 5. Large circles show significant earthquakes (magnitude 5 and greater) before (purple) and after (light blue) the great Alaska earthquake of March 27, 1964. The main shock and aftershocks of this event are not included in the plot.

Table 3. Fault parameters for scenario 4.

Lat [deg. N]	Lon [deg. W]	Depth [km]	Length [km]	Width [km]	Strike [deg.]	Dip [deg.]	Rake [deg.]	Slip [m]
60.05	140.83	5	410	175	255	12	90	10

LANDSLIDE TSUNAMI SOURCES

MULTIPLE SUBMARINE SLOPE FAILURES IN RESURRECTION BAY DURING THE 1964 EARTHQUAKE

Studies by Lee and others (2006) and Haeussler and others (2007) provided analysis of pre- and post-earthquake bathymetric data and high-resolution sub-bottom profiles of Resurrection Bay and showed convincing evidence of massive submarine landsliding during the 1964 earthquake. They utilized a 2001 NOAA high-resolution multibeam bathymetric survey of Resurrection Bay to study the morphology and depth changes of the fjord bottom. A shaded relief map derived from this bathymetric data shows a variety of seafloor features related to submarine slides. Lee and others (2006) identified remains of the Seward waterfront that failed in 1964 as a result of strong ground shaking. These remains are visible as blocky debris extending offshore from Seward for about 750 m (fig. 18). The authors also identified dispersed debris flows that correspond to failures of the Resurrection River delta, and they concluded that the 1964 earthquake could potentially have triggered different failure types simultaneously. Haeussler and others (2007) concluded that several failures initiated along the fjord walls at relatively shallow depths, and the mass flows produced by these failures transported most of the material as far as 6 to 13 km into the bathtub (see fig. 4), covering the entire basin with a flow deposit. The authors created a bathymetric difference grid that shows depth changes in the bay resulting from the 1964 slope failures. The estimated total volume of slide material is 211 million cubic meters. A map of the slide thickness, derived from the bathymetric difference grid, is shown in figure 19. The first numerical modeling study of local tsunamis in Resurrection Bay (Suleimani and others, 2009) utilized these findings and concluded

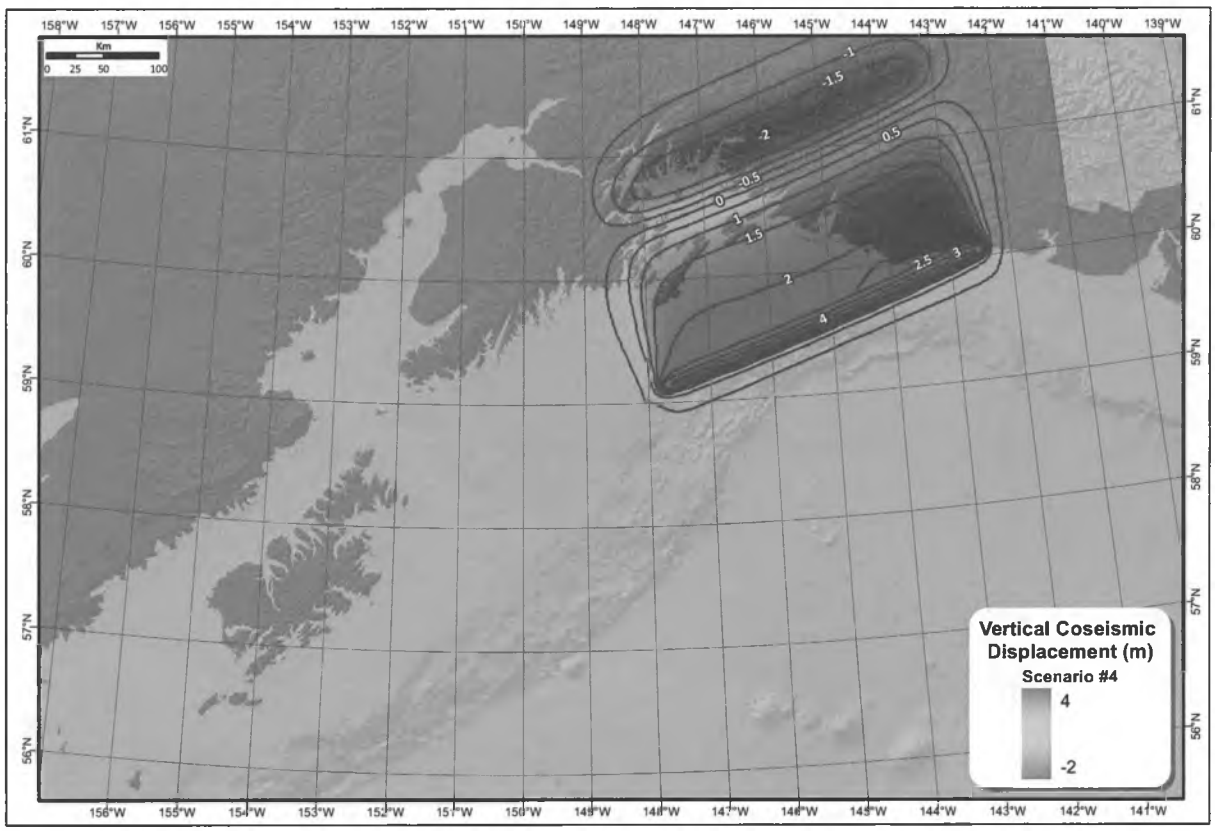


Figure 17. Scenario 4. Pamplona zone deformation model.

that the waves observed at the Seward waterfront and in several other locations in Resurrection Bay resulted from multiple submarine slope failures. Suleimani and others (2009) conducted a numerical experiment to investigate how individual underwater slides contributed to observed tsunami amplitudes in the bay. They showed that slides in the northern part of the bay were the major contributors to the tsunami amplitudes at Seward, and that the contribution from other slide complexes was negligible.

LANDSLIDE TSUNAMI SCENARIOS

Scenario 5. Waves generated by three major underwater slide complexes of the 1964 earthquake – Seward downtown slide, Lowell Point slide, and Fourth of July slide.

Figure 20 shows three slide complexes in the upper bay that were the major contributors to the locally generated waves that inundated Seward (Suleimani and others, 2009). The slide thicknesses were derived by Haeussler and others (2007) from the bathymetric difference grid. This distribution of the slide material serves as an initial condition for tsunami simulation. The total volume for these three slide complexes was approximately 80.6 million cubic meters.

Scenario 6. Hypothetical event: Simultaneous underwater slope failures at four locations where sediment accumulated since 1964.

The bathymetric difference grid derived by Haeussler and others (2007) shows four major areas in upper Resurrection Bay where sediment accumulated since 1964: (1) a new location of sediment deposition from the rerouted Lowell Creek; (2) and (3) accumulation areas at the fjord head delta; and (4) a new location of sediment deposition from the rerouted Fourth of July Creek (fig. 21). The total volume of sediments in all locations is approximated at 6.5 million cubic meters. We assume that the slope failures occur at the same time, and that the failure surfaces correspond to the post-earthquake bottom of Resurrection Bay. This means that the volume of the failed material will be equal to the volume of sediments accumulated after the 1964 earthquake.

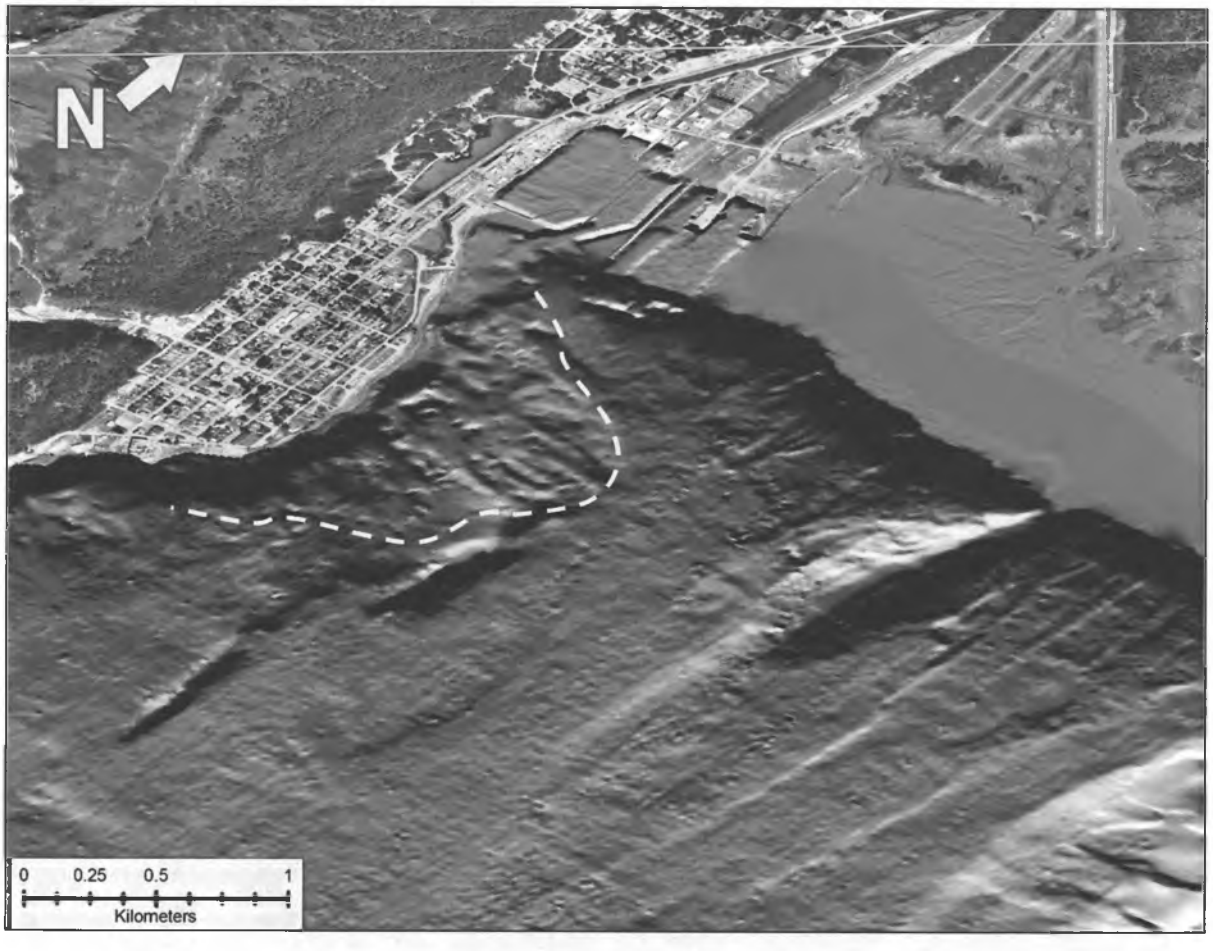


Figure 18. Oblique image of Seward downtown, with offshore shaded-relief bathymetry. Dashed white lines indicates the approximate margin of debris resulting from a submarine landslide that was triggered by the 1964 earthquake.

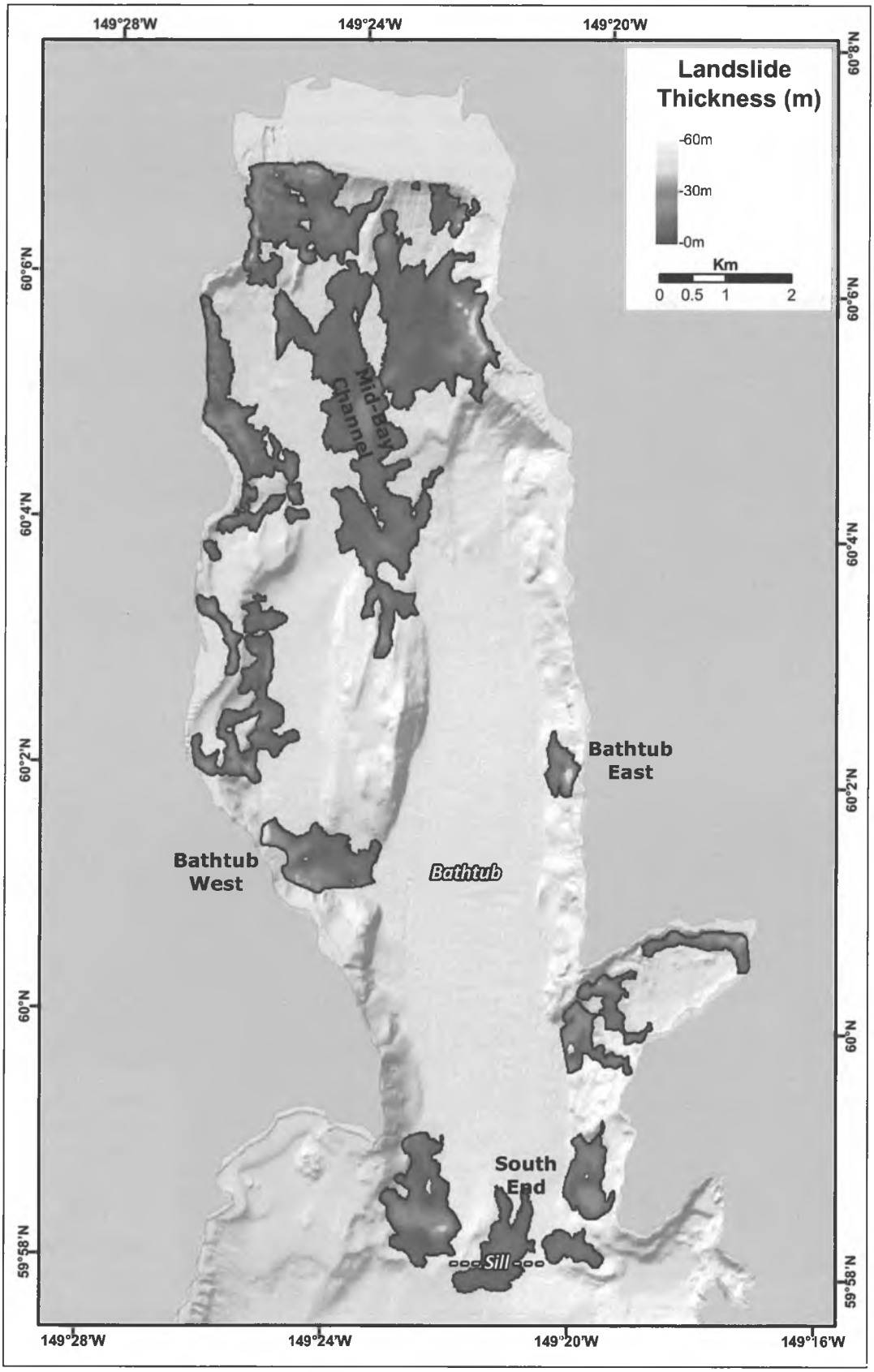


Figure 19. Distribution of initial thickness of the sliding mass.

Scenario 7. Hypothetical event: Simultaneous underwater slope failures at four locations where sediment accumulated since 1964, with added sediment volumes.

Recent coring surveys conducted in Resurrection Bay (Clark Alexander, oral commun.) provide information on morphology of slide deposits and on sediment accumulation rates in the fjord. One of the cores was taken offshore at the fjord head delta front (fig. 21), and its Pb-210 and Cs-137 isotope profiles suggest that this area did not fail during the 1964 earthquake. This core also shows the highest accumulation rate among other cores in Resurrection Bay, about 2 cm per year. We base this second hypothetical landslide scenario on the same areas of sediment accumulation shown in figure 21, with an addition of extra volume of sediments that will

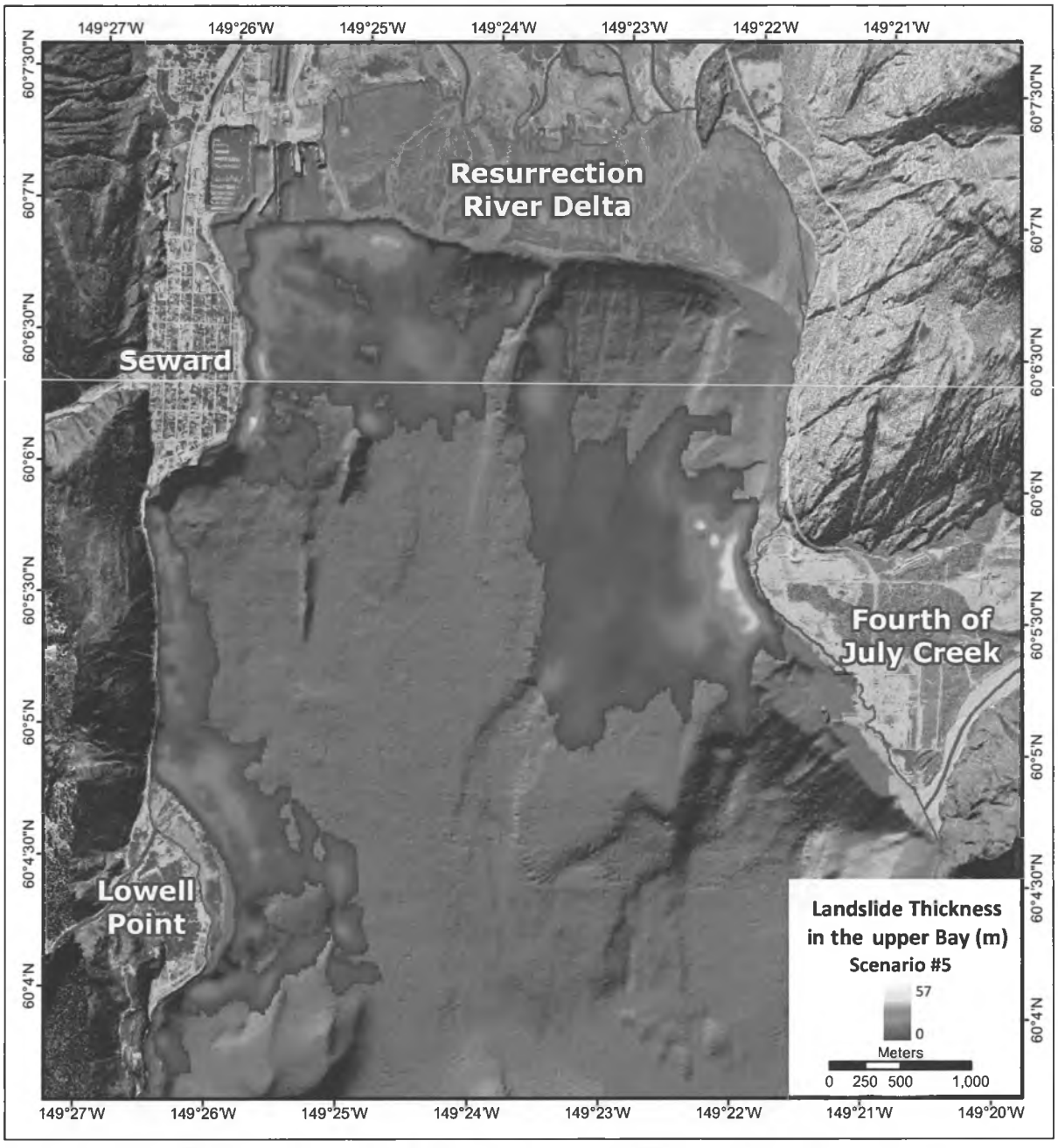


Figure 20. Scenario 5. The three major slides of the 1964 earthquake-triggered massive slope failures in Resurrection Bay, which produced the greatest contribution to tsunami amplitudes at Seward. Other submarine landslides triggered in Resurrection Bay in 1964 produced negligible effects.

be accumulated over decades. Also, future earthquakes can release lower layers of sediment that remained intact during the 1964 earthquake. Since it is not possible to predict potential failure surfaces without comprehensive slope stability analysis, we account for that additional failing mass by adding extra volume to the existing accumulated volume. This hypothetical scenario includes four slides, with the total volume approximately 100 million cubic meters.

MODELING RESULTS

NUMERICAL MODELING OF THE 1964 TSUNAMI IN RESURRECTION BAY: MODEL VERIFICATION

In this section, we compare results of inundation modeling of the 1964 tsunami in Resurrection Bay with observations collected shortly after the event. Because the source of local waves in Resurrection Bay ceased at the end of ground shaking (Wilson and Tørum, 1968),

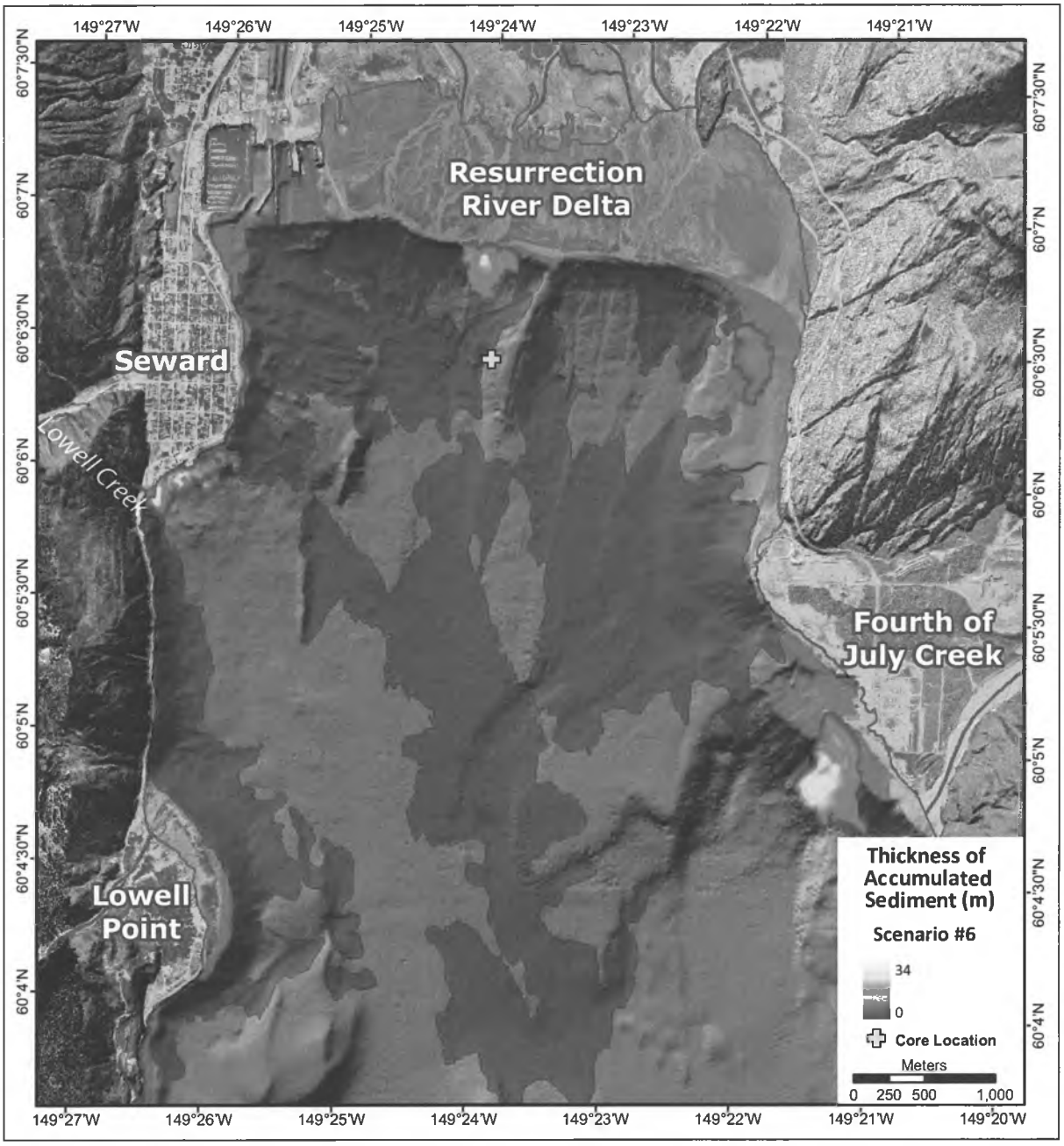


Figure 21. Scenario 6. Accumulation areas with thicknesses and location of the S2G1 core studied by Clark Alexander (oral commun.). Brown areas indicates the original positions of landslide masses released during the 1964 earthquake.

about 20 minutes before the arrival of the tectonic tsunami, we can assume that these events are independent and model them separately. The union of inundation areas computed independently for tectonic and landslide-generated waves will be compared to the observed composite inundation pattern.

The numerical grid used in inundation modeling covers the northern part of Resurrection Bay (fig. 20). We assume that the slides were initially at rest, then triggered by ground shaking at $t = 0$, and moved thereafter only under the force of gravity. At the southern open boundary of the grid, we specify the radiation boundary condition for the water waves. The boundary condition for the slide mass allows the slide to leave the computational domain without reflection. The moving boundary condition at the shoreline allows for wetting and drying of land. Shannon and Hilts (1973) conducted a subsurface geotechnical investigation of materials that failed in Resurrection Bay during the 1964 earthquake. They found that the density of the slide material ranged from $2.0 g/cm^3$ to $2.11 g/cm^3$. We do not have any measurements of the slide viscosity, but sensitivity studies by Rabinovich and others (2003) demonstrated that the influence of kinematic viscosity on tsunami wave heights is small. We assume slide density of $\rho = 2.0 g/cm^3$ and slide viscosity of $\mu = 0.05 m^2/s$. The upper and lower surfaces of the slide mass are defined by the initial slide thickness distribution (fig. 20). The slide thicknesses are added to the bathymetry values in order to define the pre-earthquake depths in Resurrection Bay. Although it is possible that individual slides were triggered at different times after the initial ground shaking, there is no independent evidence to support this hypothesis. Therefore we assume in the model that all slides start moving at the same time.

The recent numerical study by Suleimani and others (2009) confirms the observations that Seward was inundated by locally generated waves within 5 minutes of the main shock. We run numerical simulation of landslide tsunamis for 5 minutes of physical time with a time step $\Delta t = 0.01$ seconds. The yellow line in figure 22 delineates the observed inundation area at Seward downtown. The inundation line was digitized from the U.S. Army Corps of Engineers aerial photo of Seward that was taken one day after the earthquake (Lemke, 1967). The maximum observed extent of inundation at the head of the bay is shown by a yellow line in figure 23. This line, digitized from a geologic map (Plate 1, Lemke, 1967), documents the maximum runup from one or more waves, therefore representing the composite inundation pattern. Green lines in figures 22 and 23 show calculated extent of inundation from 1964 local landslide-generated tsunami waves at Seward and at the head of the bay, respectively. The results show little inundation in the delta area at the head of the bay, and significant inundation in downtown Seward. This can be explained by directionality of the waves that were induced by the slides (fig. 20), and by topographic changes that have occurred since 1964. Suleimani and others (2009) showed that the highest observed wave at the Seward waterfront was generated by the Fourth of July Creek slope failure. The same wave traveled as an edge wave at the head of the bay. Simulated locally generated waves did not cause much inundation in the harbor area, because the topographic data reflect the present conditions. There were significant changes to the harbor area since 1964, and the new topographic data set includes breakwaters that did not exist in 1964.

Figures 22 and 23 also show calculated extent of inundation from a tectonic tsunami. The blue line corresponds to the tectonic wave that was modeled using JDM, and the purple line corresponds to the wave modeled using SDM. The tectonic wave produced by JDM penetrates deeper inland and completely inundates the airport. These results vastly overestimate inundation of the airport area after the 1964 Great Alaska Earthquake (fig. 23). The wave associated with SDM produces an inundation zone that matches observations very well. In Seward downtown, the wave associated with JDM also penetrates deeper inland than the wave associated with SDM (fig. 22). The landslide-generated waves travel farther inland in the downtown area than the SDM-produced waves, but do not produce much inundation in the harbor area. This can be explained by the fact that the harbor area has substantially changed since 1964, and this primarily affected the modeling results for shorter wave lengths, that is, for landslide-generated waves. The union of inundation areas computed independently for tectonic and landslide-generated waves is in good agreement with observations.

RESULTS OF HYPOTHETICAL TSUNAMI SCENARIOS

We performed numerical calculations for all scenarios described above. In every case, the initial water disturbance propagated through the set of embedded grids of increasing resolution. In a final grid of 15m resolution, where bathymetric and topographic data are combined in a continuous data set, we computed the extent of inundation using a moving boundary condition.

Sheet 1 shows inundation limits for all tectonic scenarios. Scenarios 1 and 2 (SDM and the Prince William Sound asperity of SDM) represent a source model of the 1964 earthquake and both predict high inundation. The inundation area that corresponds to the entire 1964 rupture zone coincides almost entirely with the inundation zone that corresponds to the Prince William Sound asperity alone. That allows us to conclude that the largest tectonic waves of the 1964 Alaska tsunami observed at



Figure 22. Observed 1964 inundation line (from Lemke, 1967) and calculated inundation lines from tectonic and landslide sources at Seward.

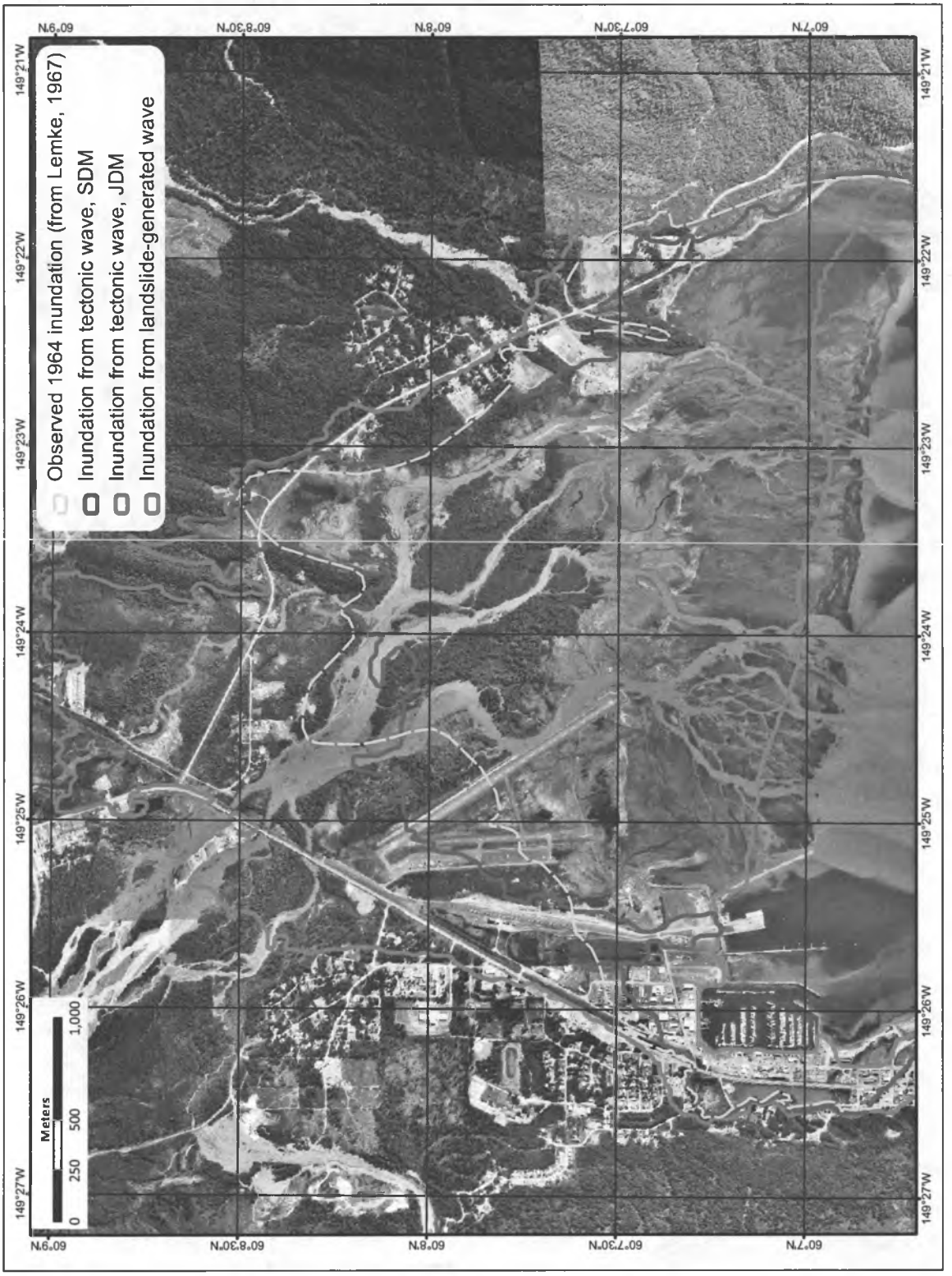


Figure 23. Observed 1964 inundation line (from Lemke, 1967) and calculated inundation lines from tectonic and landslide sources at the head of Resurrection Bay.

Seward were generated by sea floor displacements above the Prince William Sound asperity of the 1964 rupture. The numerical results for Scenarios 3 and 4 (the Kodiak asperity of SDM and the Pamplona zone rupture) predict only moderate inundation, with the Pamplona inundation zone being larger than the Kodiak zone.

Sheet 2 displays inundation lines calculated for the hypothetical landslide scenarios 5–7. The largest inundation area corresponds to a scenario that involves three major slide complexes of the 1964 slope failure. This scenario was calculated using MHW datum.

Sheet 3 shows the maximum composite calculated extent of inundation for all scenarios, and the maximum composite flow depths over dry land. For easier visual reference, on the scale for flow depths we indicated the values of 0.5 m, which approximately corresponds to knee height, and 2 m, which is just above the average person's body height. In several areas in the northeastern section of the tidal flats, the mapped 1964 inundation limit (Lemke, 1967) extends beyond the maximum estimated inundation. We did not adjust the maximum calculated inundation extent in these areas to match the 1964 limit, because the observed inundation line there obviously was not georeferenced well, crossing areas of very high elevations.

TIME SERIES AND OTHER NUMERICAL RESULTS

To provide more accurate assessment of tsunami hazard for any particular community, we have supplemented the inundation maps with information about the calculated time history of the tsunami wave action in the region. The time of arrival of the first wave, the maximum wave amplitude, and duration of the wave action are important factors that should be considered by emergency managers during evacuation planning.

Appendix 1 contains plots of sea level and velocity time series for all scenarios at a number of locations in Resurrection Bay, shown in figure A1-1. The zero time corresponds to the epicenter origin time, and zero water level corresponds to the post-earthquake MHW level. Since velocity magnitude is calculated as water flux divided by water depth, the velocity value becomes physically meaningless when water depth is less than 10 cm. Therefore, we plot velocity values only for water depths greater than 10 cm. Also, for each scenario we provide plots of maximum flow depths in inundation areas and plots of maximum drag force. At each grid point that corresponds to initially dry land, the flow depth is computed at every time step during the tsunami propagation time interval (8 hours), and the maximum value is kept.

Tsunami flow depth is one of the important indicators of potential damage, and must be differentiated from runup height (Synolakis and Bernard, 2006). For use in engineering applications, the flow depths must be supplemented with the momentum flux, which is proportional to the drag force (Yeh, 2006). We calculate drag force as a product of water depth and velocity squared. The plot of maximum drag force for Scenario 1 (repeat of 1964 tectonic waves, SDM) is shown in figure 24. The maximum values occur during the drawdown of the long tectonic wave, mostly affecting the boat harbor area between the jetties, and the shallow intertidal zone. Figure 25 shows drag force for Scenario 5 (repeat of 1964 landslide-generated waves). Because landslide-generated waves are shorter than tectonic waves, the maximum values occur in the generation area, where the slide starts moving down the slope.

SOURCES OF ERRORS AND UNCERTAINTIES

The hydrodynamic model that was used to calculate tsunami propagation and runup is a nonlinear flux-formulated shallow water model (Nicolsky and others, in press). It passed the major analytical, laboratory and field benchmarks that are required for models used in production of tsunami inundation maps (Synolakis and others, 2007).

The source mechanism remains the biggest unknown in the problem of tsunami modeling. Since the initial condition for the modeling is determined by the displacement of the ocean bottom, the largest source of errors is the earthquake model. When the tsunami is generated in the vicinity of the coast, the direction of the incoming waves, their amplitudes, and times of arrival are determined by the initial displacements of the ocean surface in the source area, because the distance to the shore is too small for the waves to disperse. Therefore, the near-field inundation modeling results are especially sensitive to the fine structure of the tsunami source. The modeling process is subject to many more errors when the complexity of the source function is combined with the proximity of the coastal zone.

The 15-m resolution of the inundation modeling is limited by the resolution of the topographic and bathymetric data used for the grid construction. This resolution is high enough to describe major relief features, seawalls, jetties, and other marine structures, although very small topographic features, buildings, and other facilities cannot be accurately resolved by the existing model.

SUMMARY

We present the results of numerical modeling of earthquake-generated tsunami waves for the Seward area and northern Resurrection Bay, Alaska. We considered several tectonic and landslide scenarios and provided an estimate of maximum credible tsunami inundation. These results are useful for state and local emergency managers to identify areas that should be evacuated in

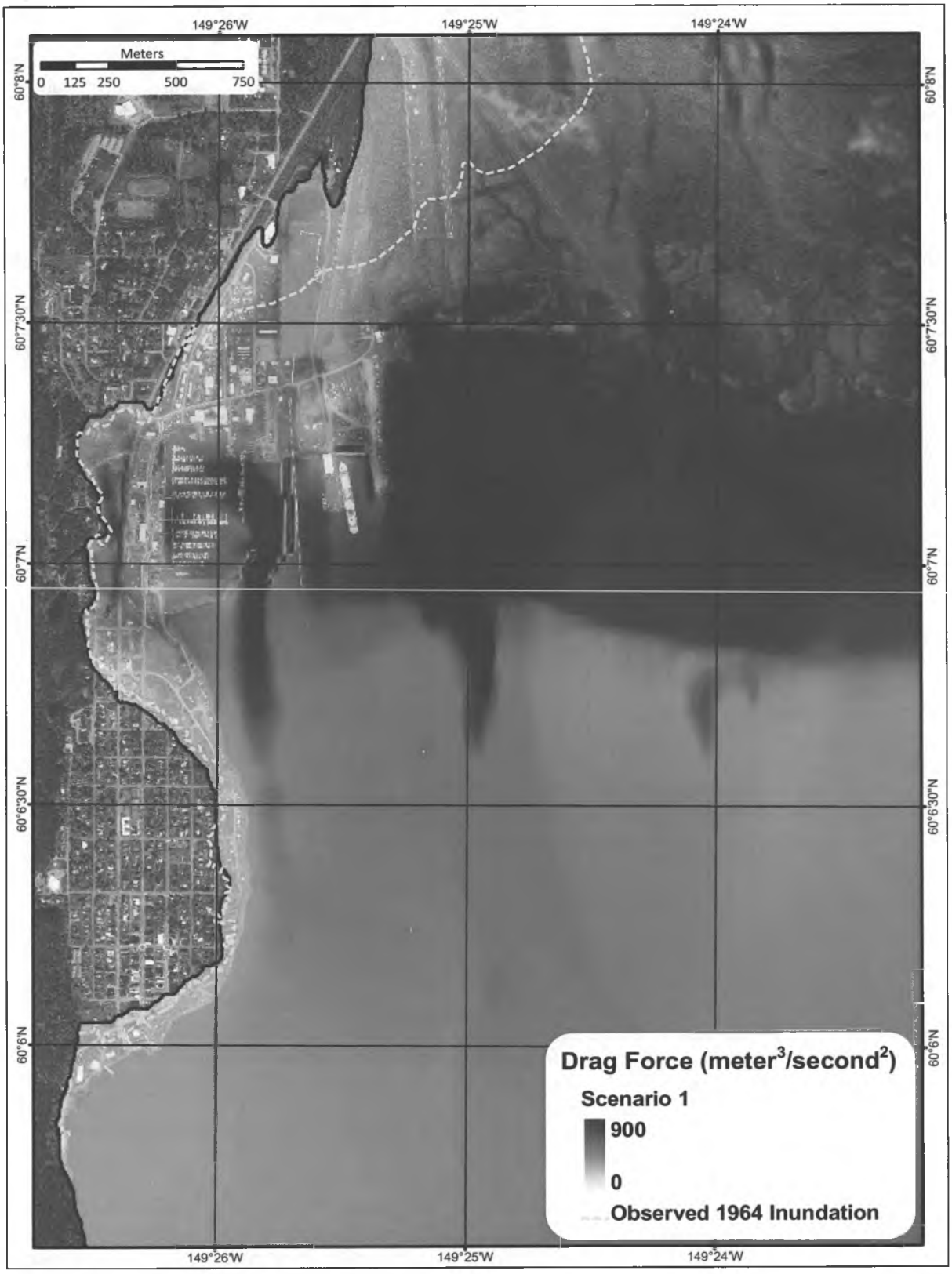


Figure 24. Maximum calculated drag force in the areas of Seward downtown, harbor, and airport for Scenario 1.



Figure 25. Maximum calculated drag force in the areas of Seward downtown, harbor, and airport for Scenario 5.

the event of a major tsunamigenic earthquake. Because of the uncertainties inherent in this type of modeling, these results are not intended for land-use regulation.

ACKNOWLEDGMENTS

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Appendix A

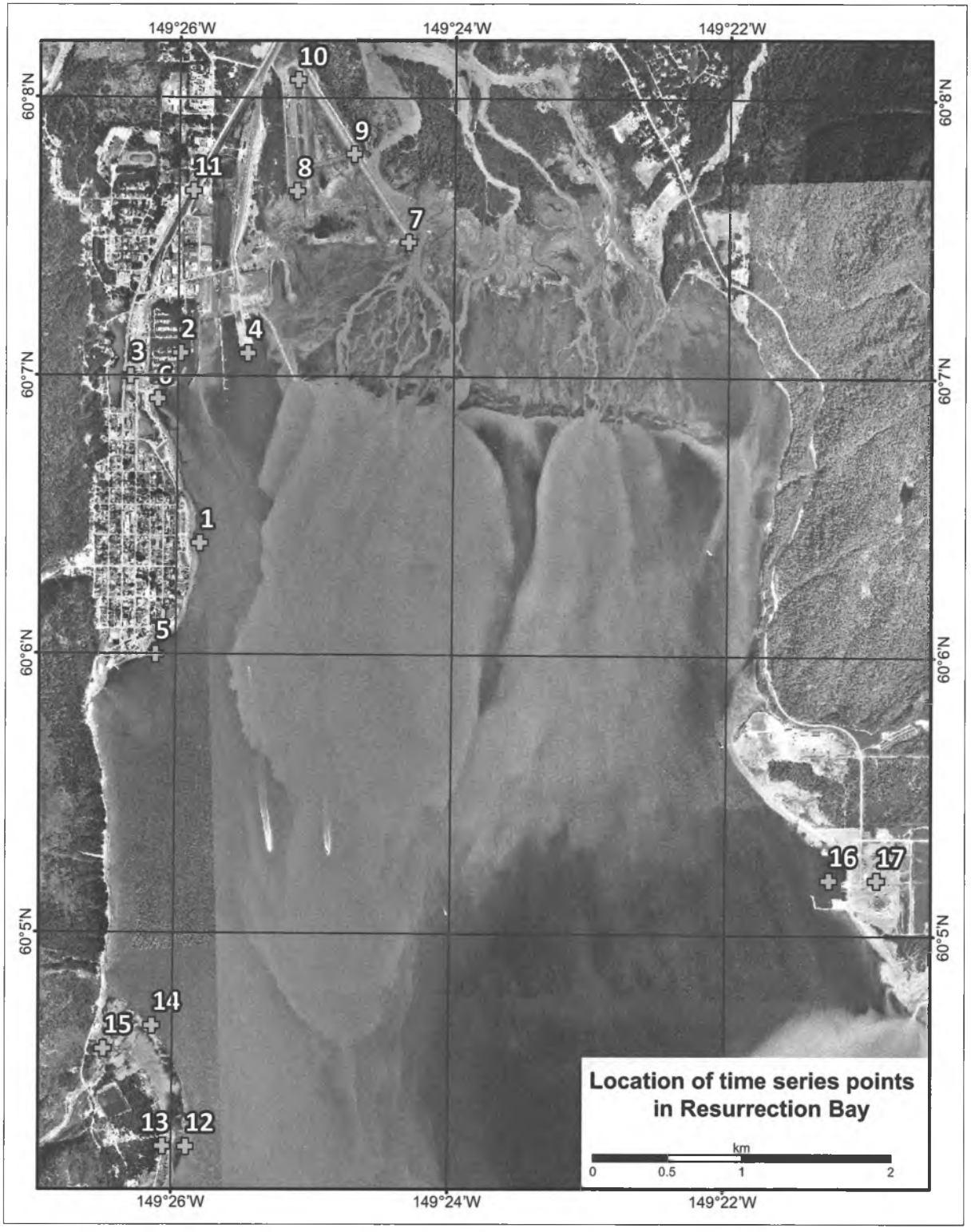
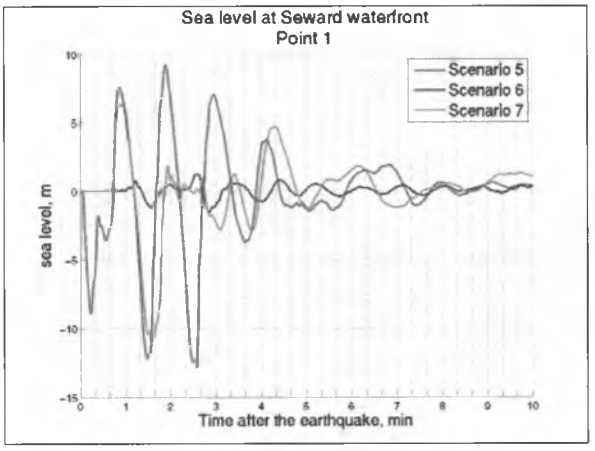
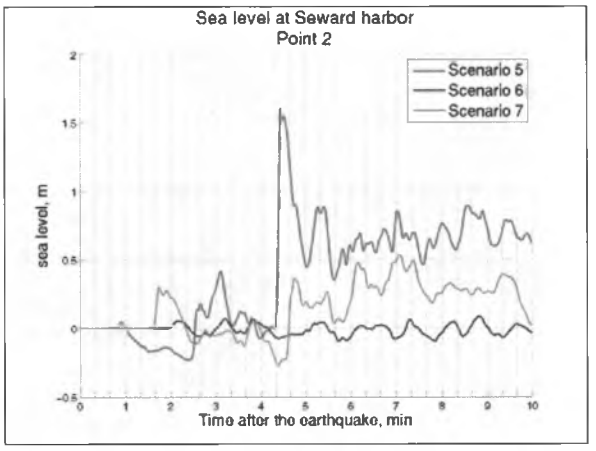
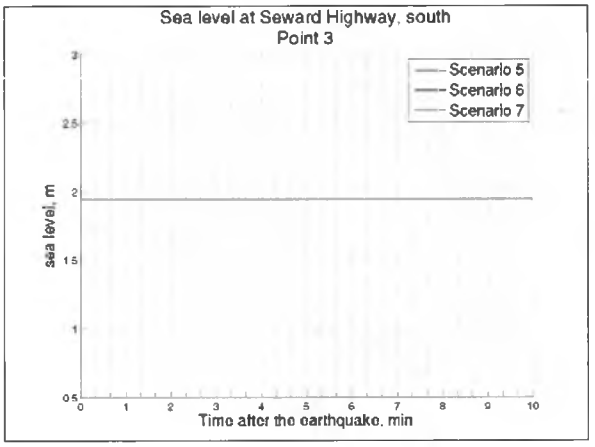
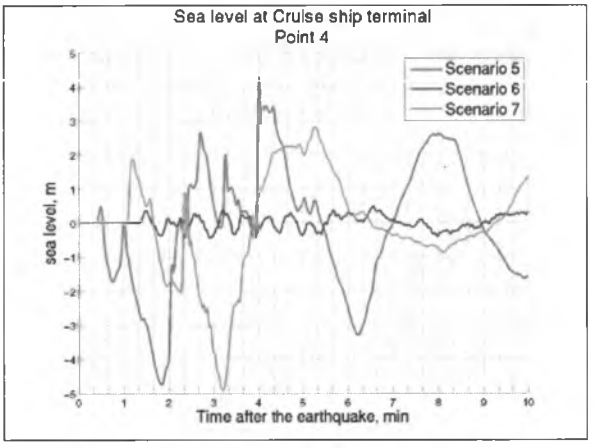


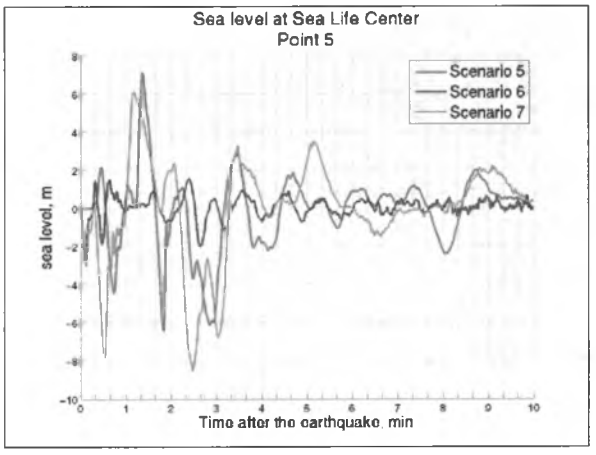
Figure A1-1. Locations of time series points.

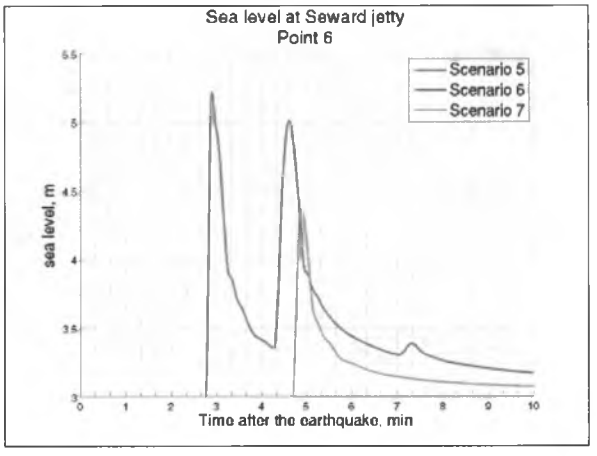

Sea level at Seward waterfront
Point 1
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

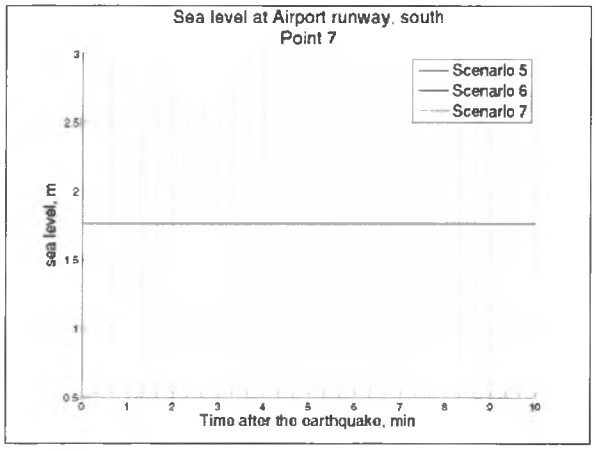

Sea level at Seward harbor
Point 2
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

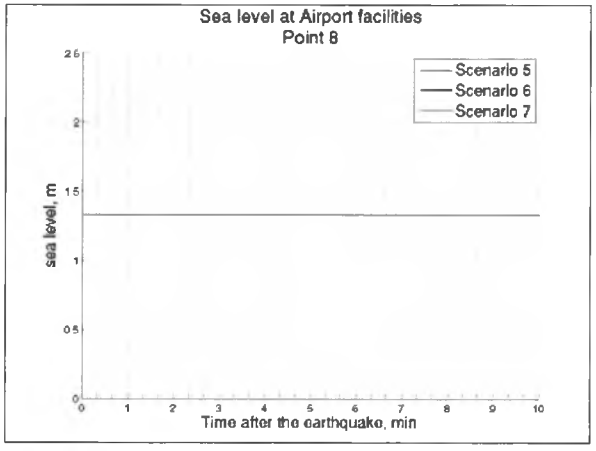

Sea level at Seward Highway, south
Point 3
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

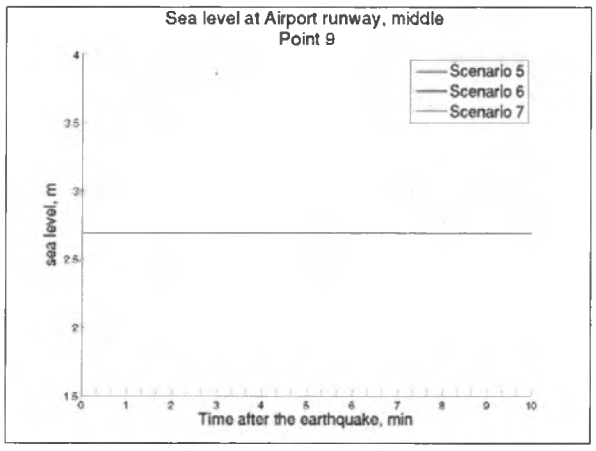

Sea level at Cruise ship terminal
Point 4
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

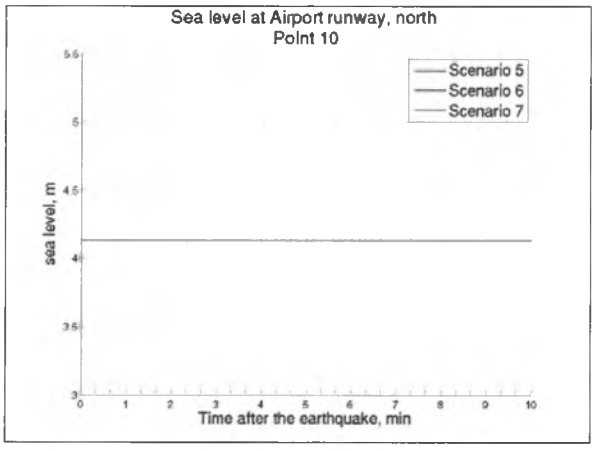

Sea level at Sea Life Center
Point 5
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

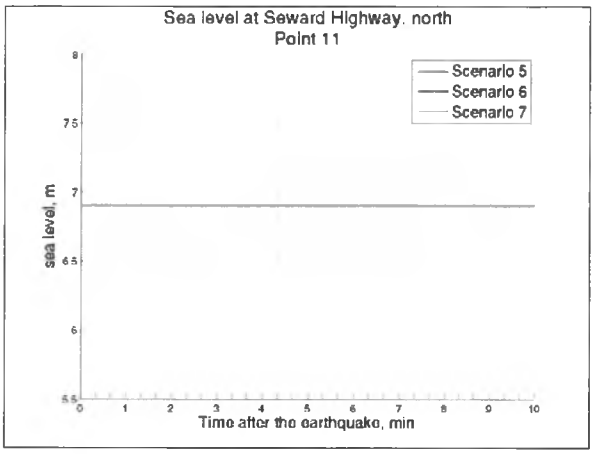

Sea level at Seward jetty
Point 6
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

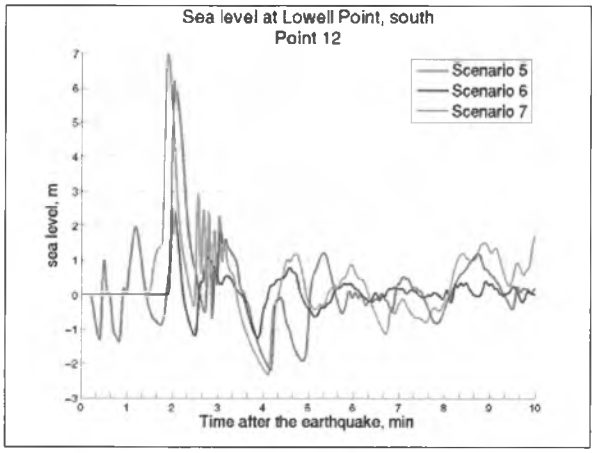

Sea level at Airport runway, south
Point 7
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

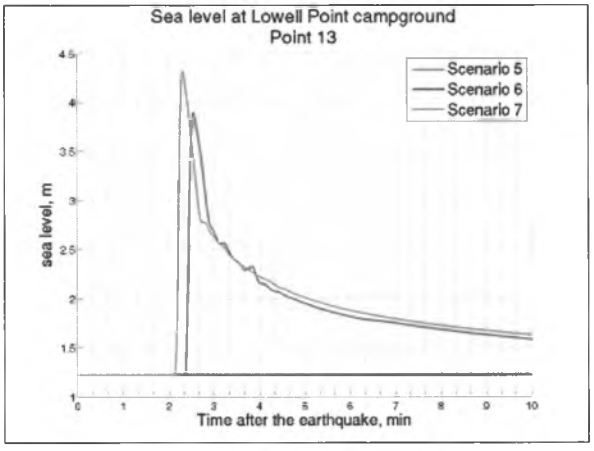

Sea level at Airport facilities
Point 8
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

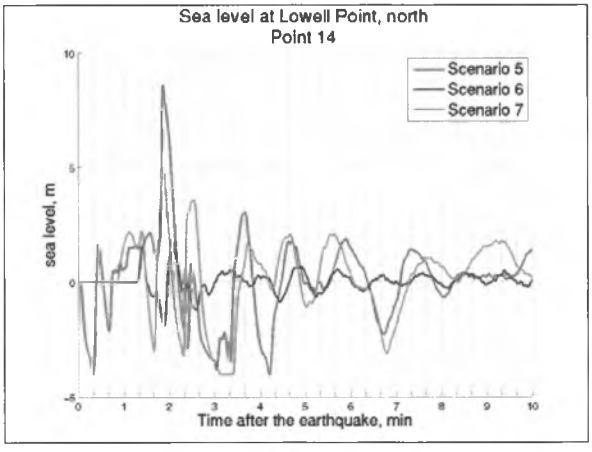

Sea level at Airport runway, middle
Point 9
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

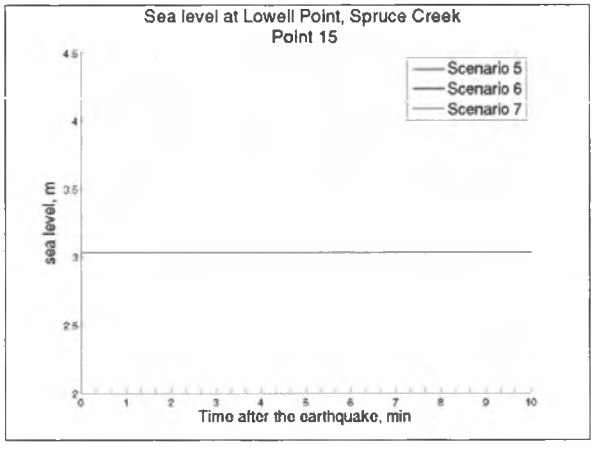

Sea level at Airport runway, north
Point 10
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

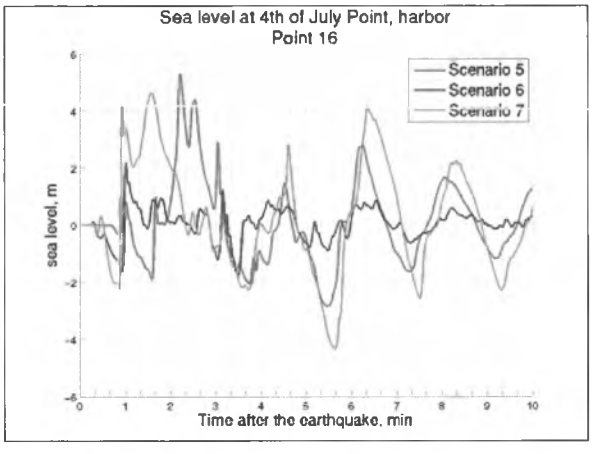

Sea level at Seward Highway, north
Point 11
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

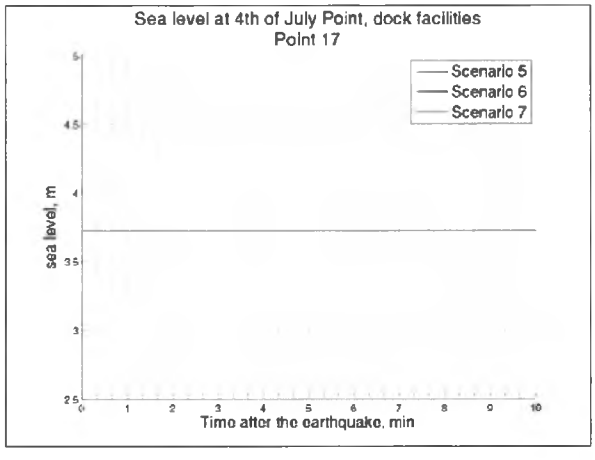

Sea level at Lowell Point, south
Point 12
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

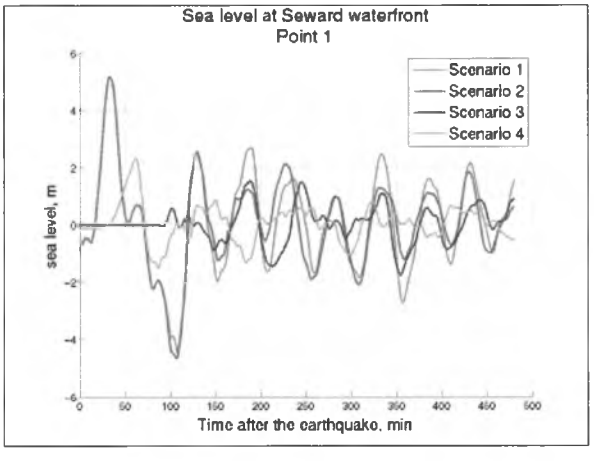

Sea level at Lowell Point campground
Point 13
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

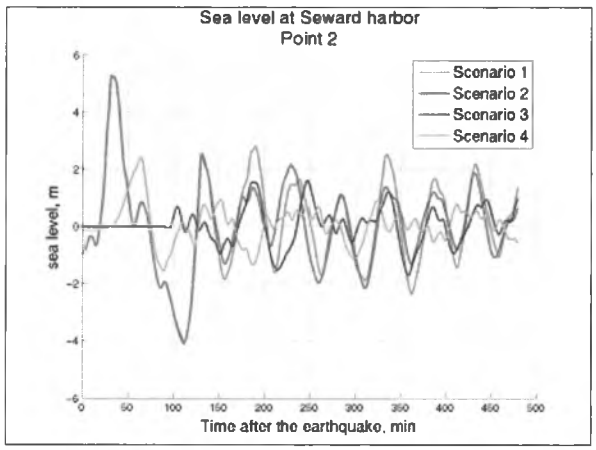

Sea level at Lowell Point, north
Point 14
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

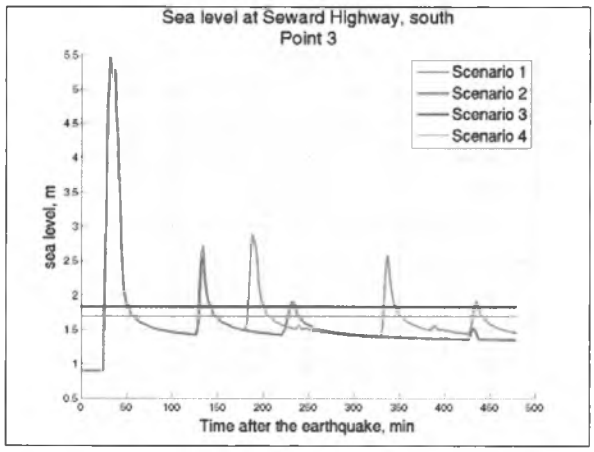

Sea level at Lowell Point, Spruce Creek
Point 15
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

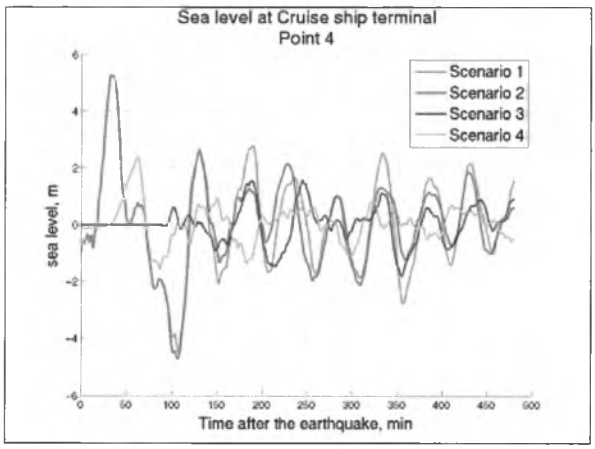

Sea level at 4th of July Point, harbor
Point 16
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

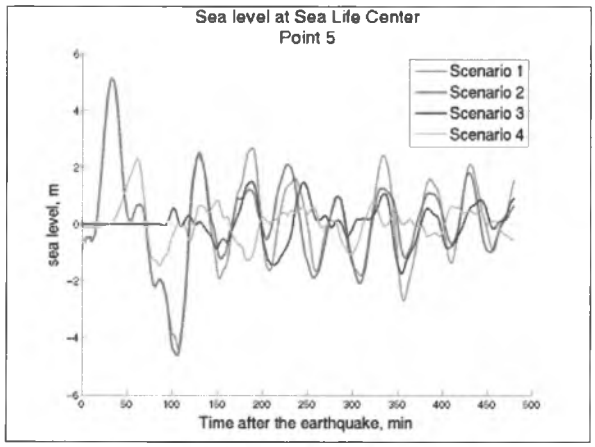

Sea level at 4th of July Point, dock facilities
Point 17
Scenario 5
Scenario 6
Scenario 7
sea level, m
Time after the earthquake, min

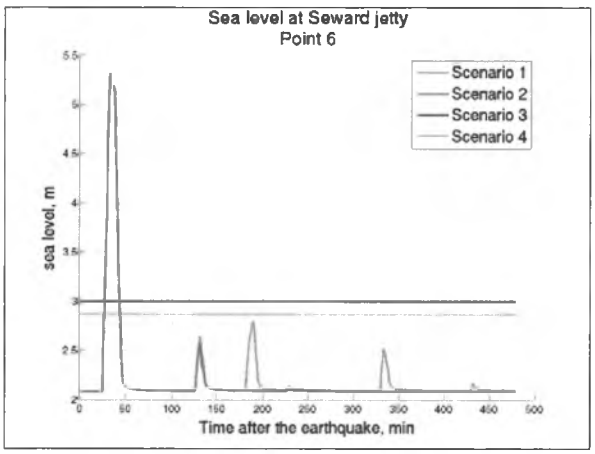

Sea level at Seward waterfront
Point 1
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

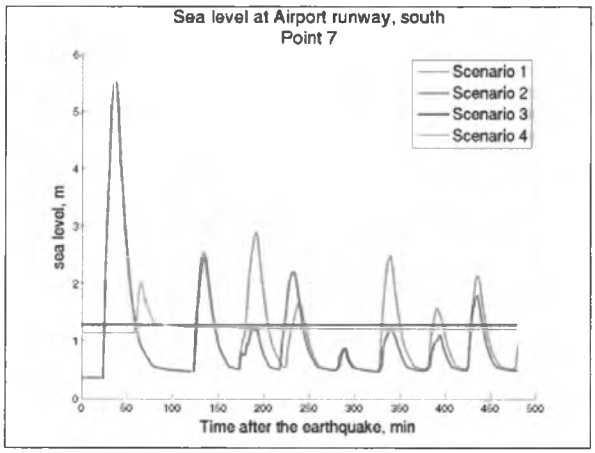

Sea level at Seward harbor
Point 2
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

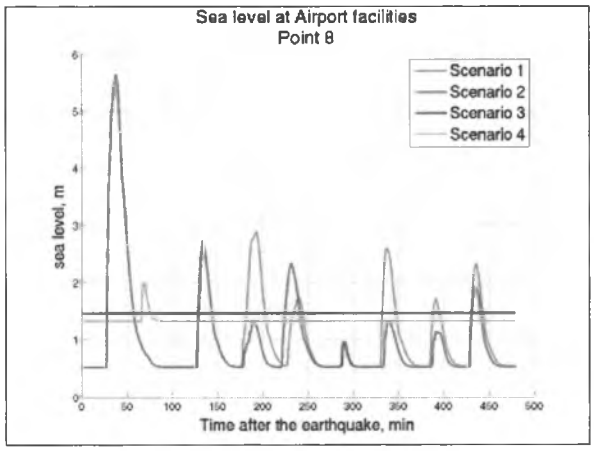

Sea level at Seward Highway, south
Point 3
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

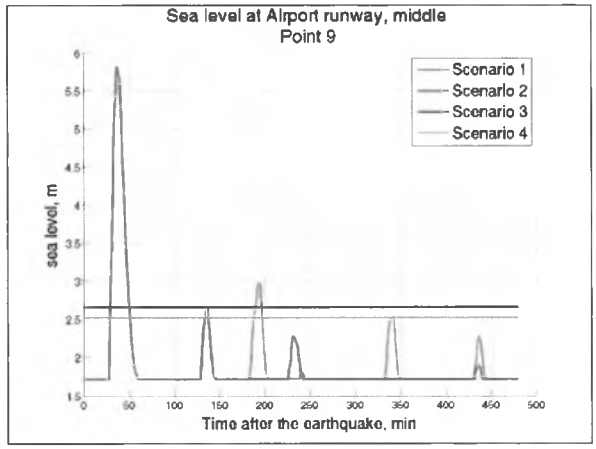

Sea level at Cruise ship terminal
Point 4
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

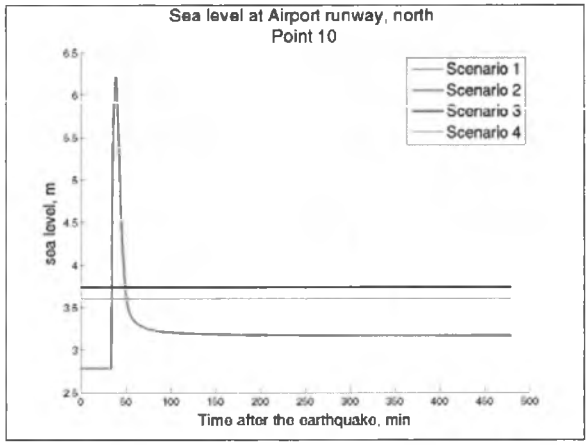

Sea level at Sea Life Center
Point 5
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

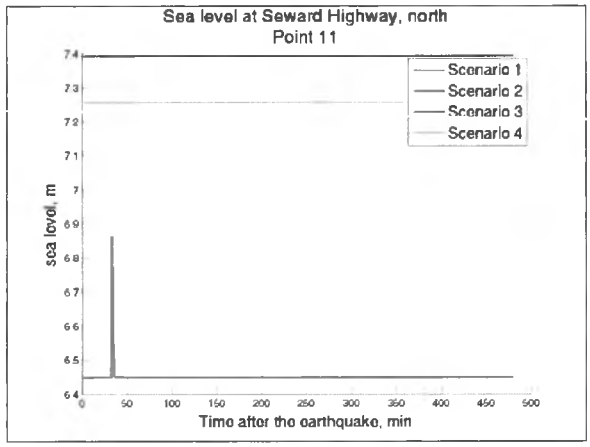

Sea level at Seward jetty
Point 6
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

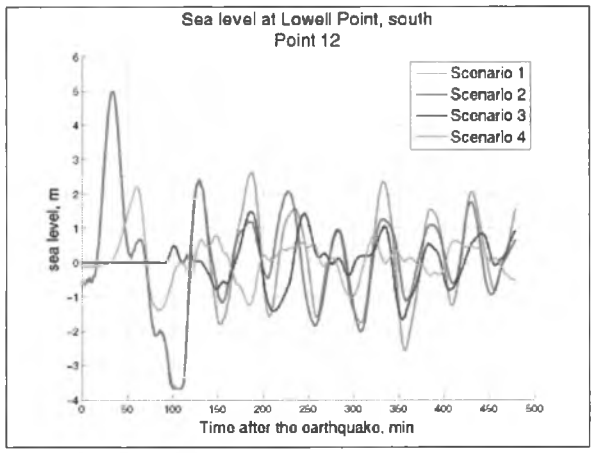

Sea level at Airport runway, south
Point 7
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

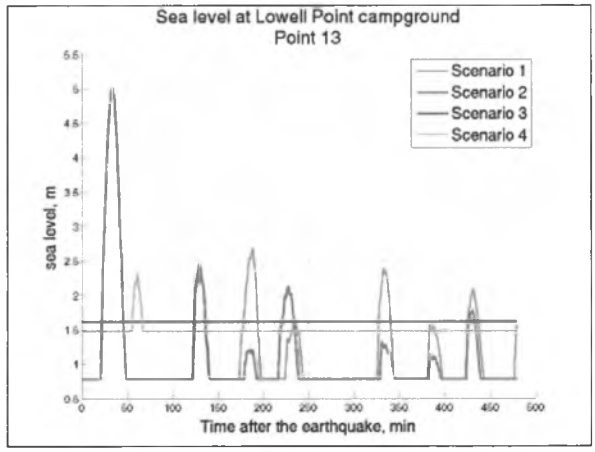

Sea level at Airport facilities
Point 8
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

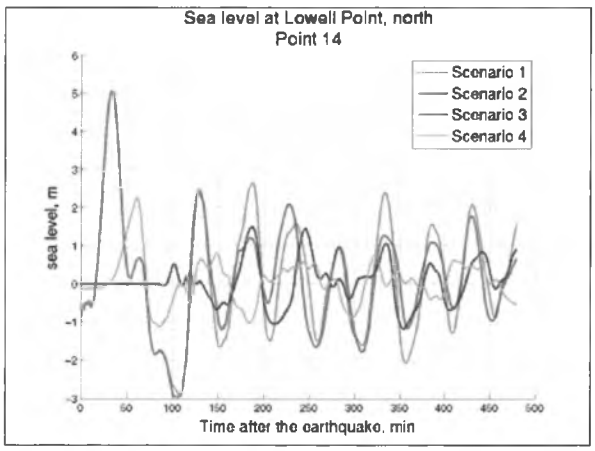

Sea level at Airport runway, middle
Point 9
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

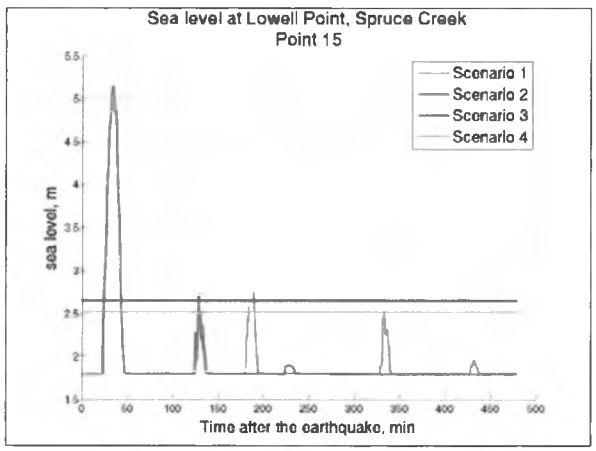

Sea level at Airport runway, north
Point 10
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

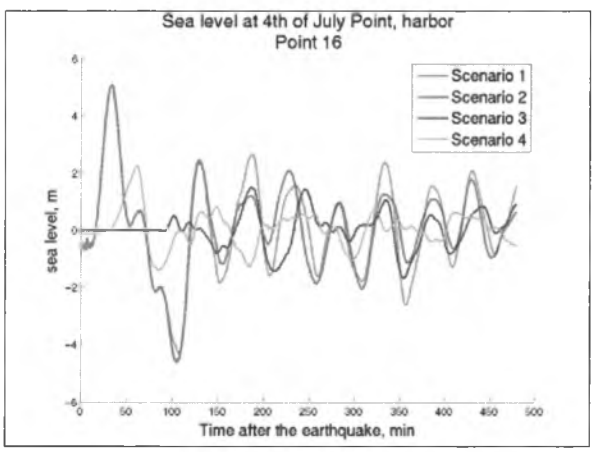

Sea level at Seward Highway, north
Point 11
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

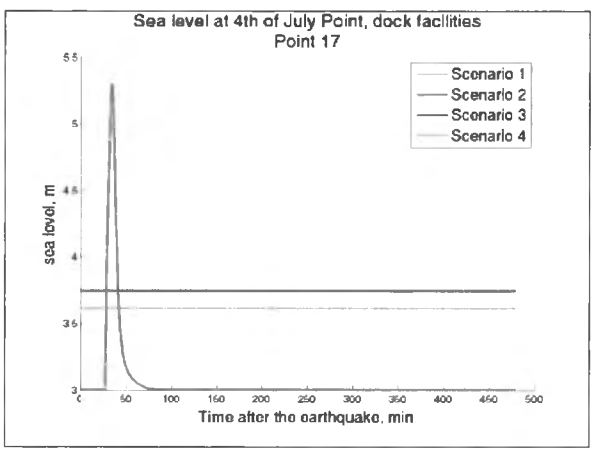

Sea level at Lowell Point, south
Point 12
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

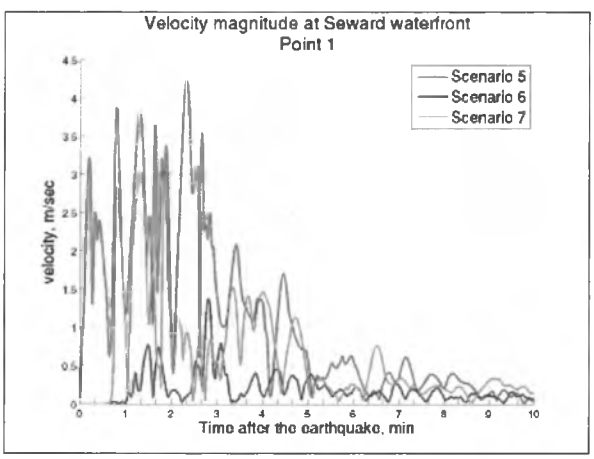

Sea level at Lowell Point campground
Point 13
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

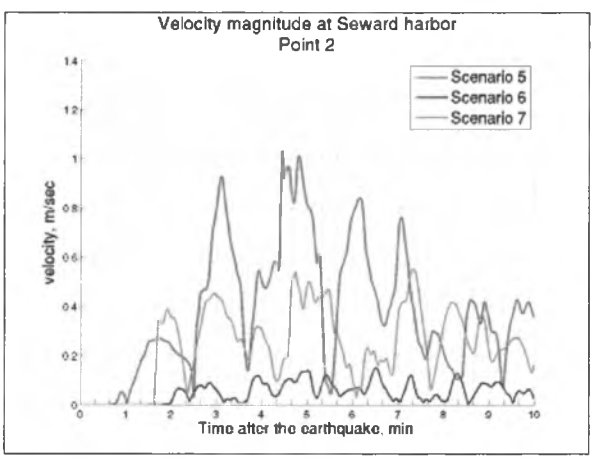

Sea level at Lowell Point, north
Point 14
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

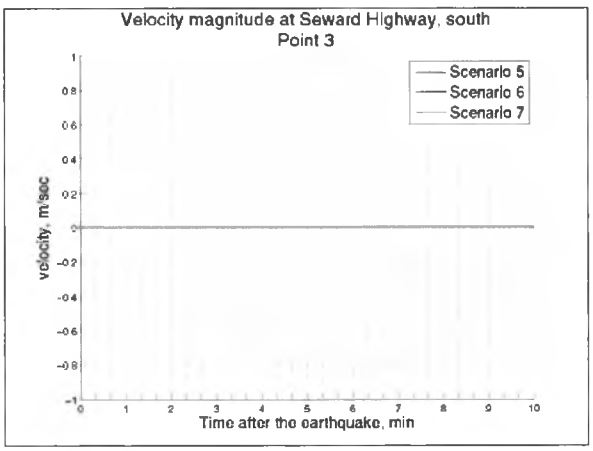

Sea level at Lowell Point, Spruce Creek
Point 15
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

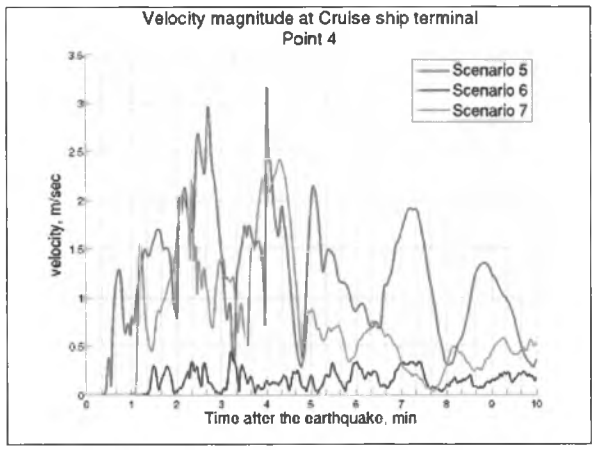

Sea level at 4th of July Point, harbor
Point 16
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

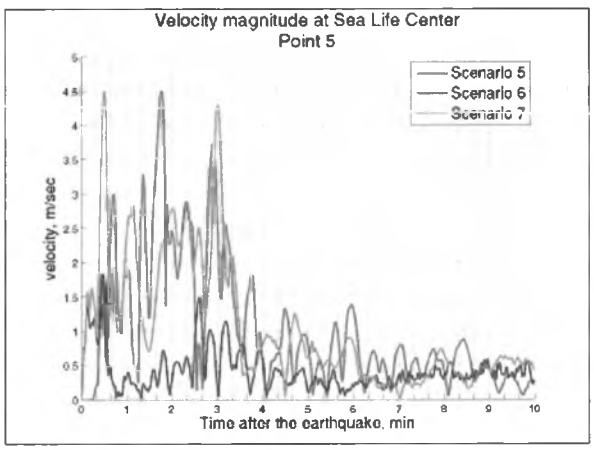

Sea level at 4th of July Point, dock facilities
Point 17
Scenario 1
Scenario 2
Scenario 3
Scenario 4
sea level, m
Time after the earthquake, min

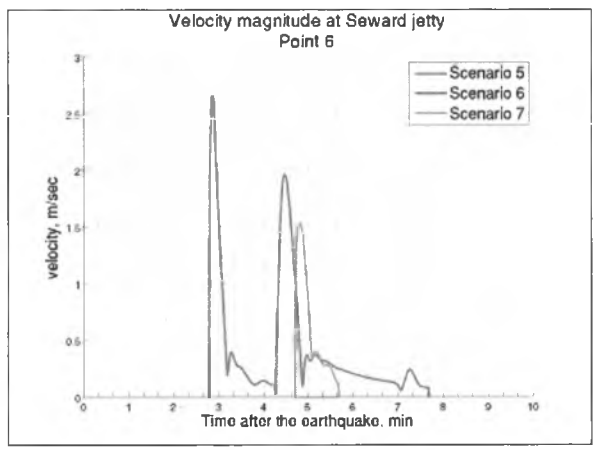

Velocity magnitude at Seward waterfront
Point 1
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

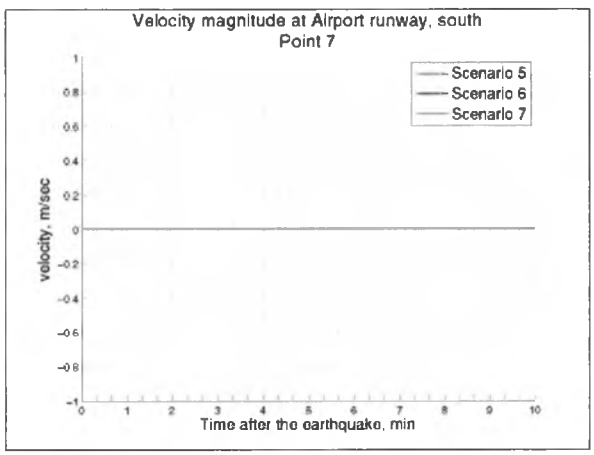

Velocity magnitude at Seward harbor
Point 2
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

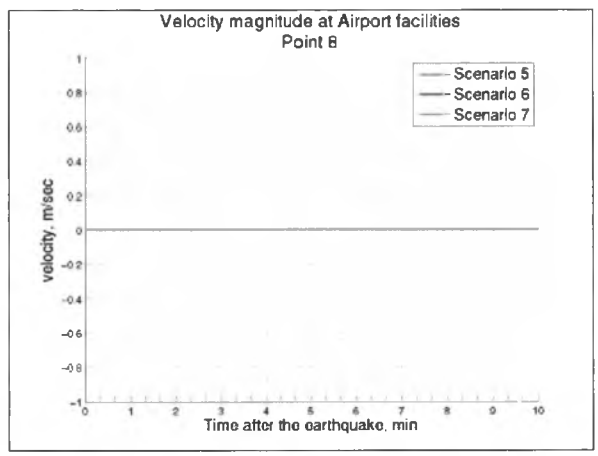

Velocity magnitude at Seward Highway, south
Point 3
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

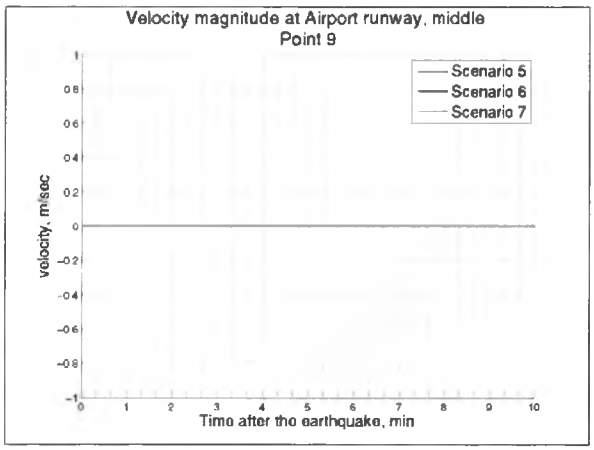

Velocity magnitude at Cruise ship terminal
Point 4
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

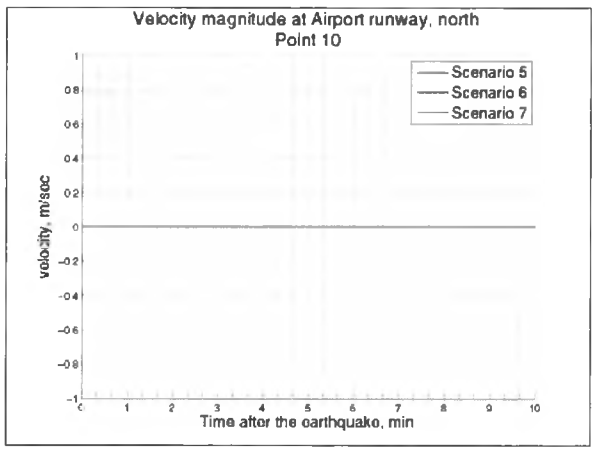

Velocity magnitude at Sea Life Center
Point 5
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

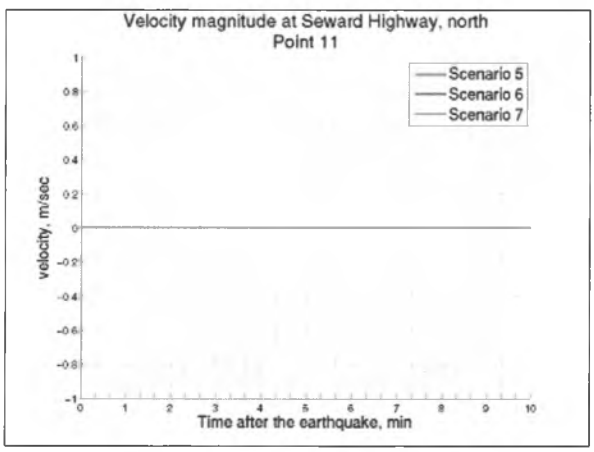

Velocity magnitude at Seward jetty
Point 6
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

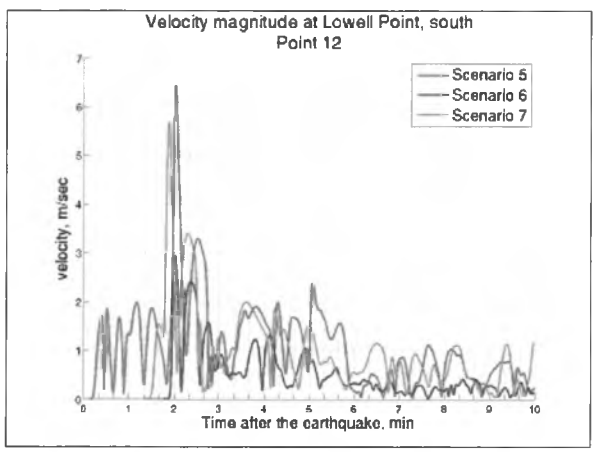

Velocity magnitude at Airport runway, south
Point 7
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

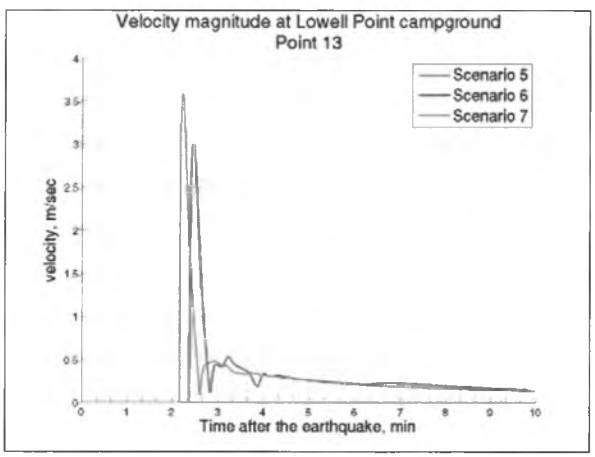

Velocity magnitude at Airport facilities
Point 8
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

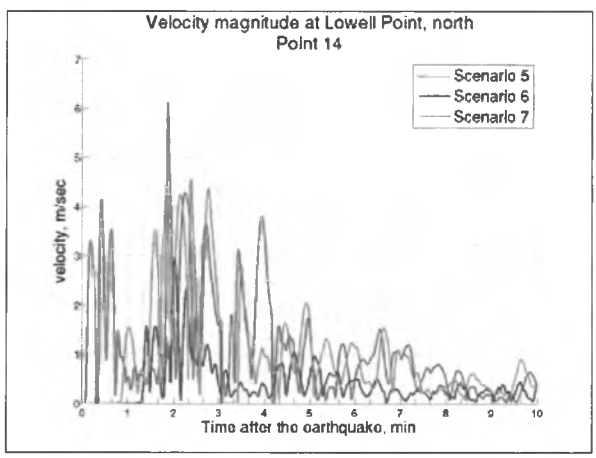

Velocity magnitude at Airport runway, middle
Point 9
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

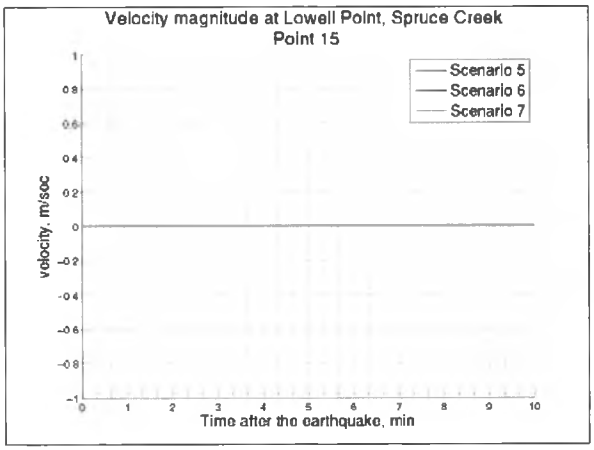

Velocity magnitude at Airport runway, north
Point 10
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

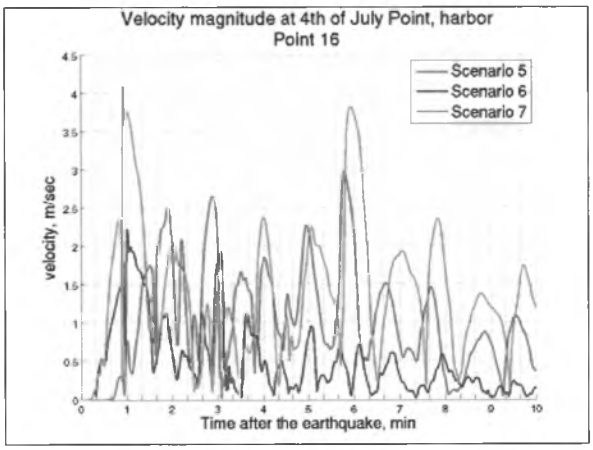

Velocity magnitude at Seward Highway, north
Point 11
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

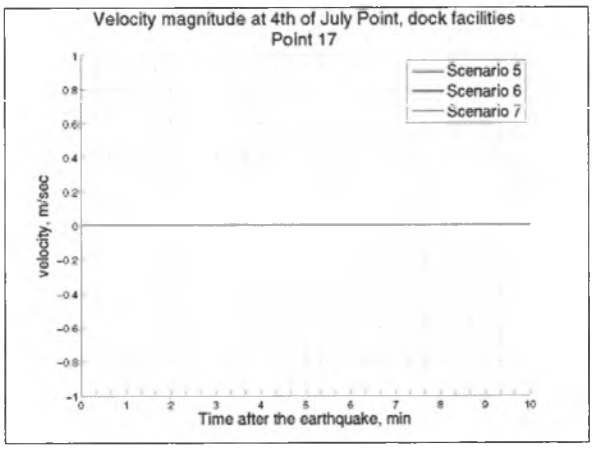

Velocity magnitude at Lowell Point, south
Point 12
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

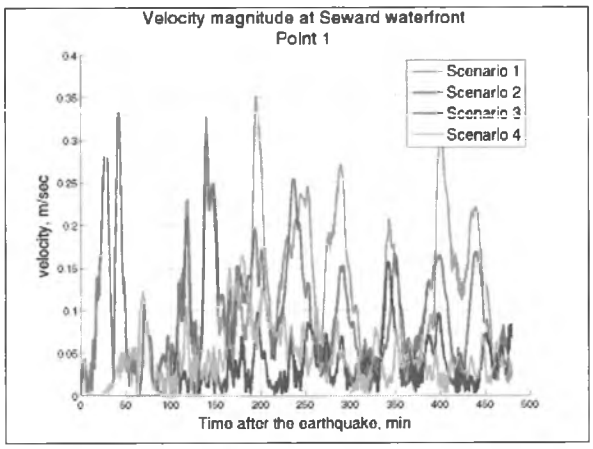

Velocity magnitude at Lowell Point campground
Point 13
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

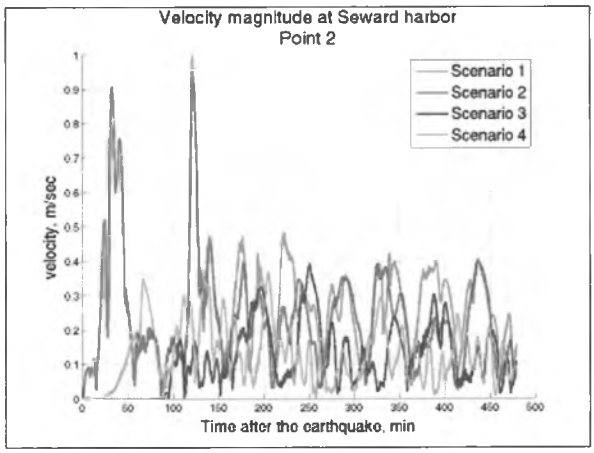

Velocity magnitude at Lowell Point, north
Point 14
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

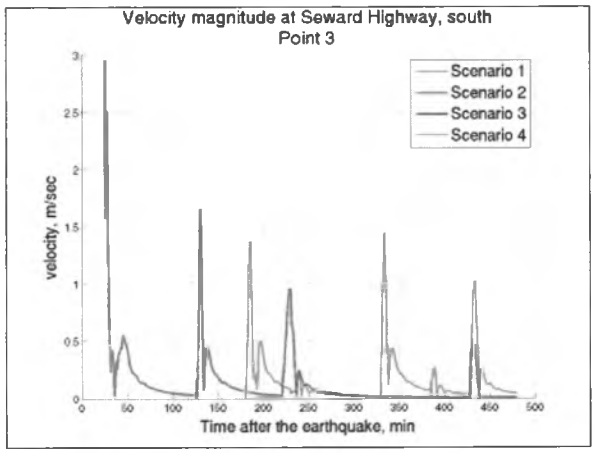

Velocity magnitude at Lowell Point, Spruce Creek
Point 15
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

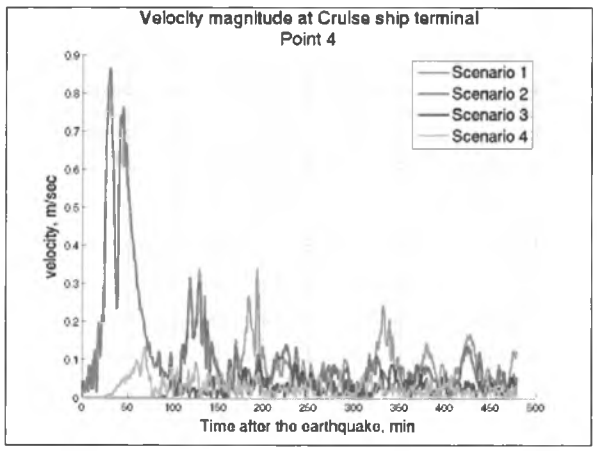

Velocity magnitude at 4th of July Point, harbor
Point 16
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

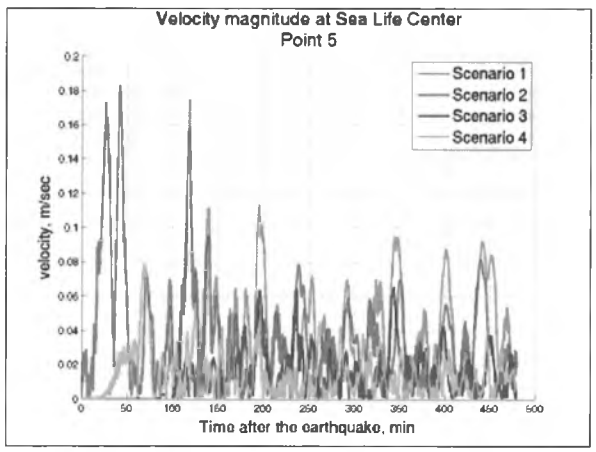

Velocity magnitude at 4th of July Point, dock facilities
Point 17
Scenario 5
Scenario 6
Scenario 7
velocity, m/sec
Time after the earthquake, min

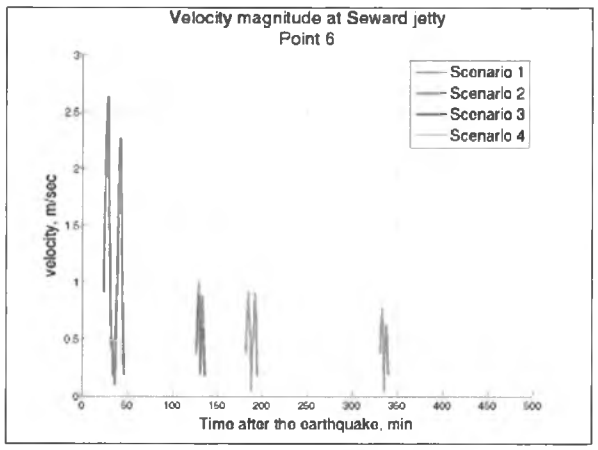

Velocity magnitude at Seward waterfront
Point 1
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

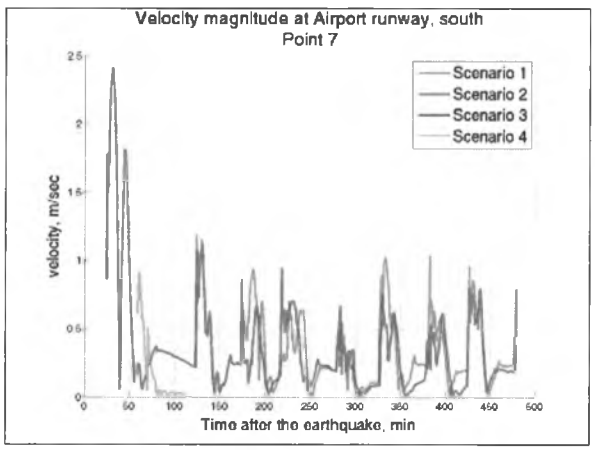

Velocity magnitude at Seward harbor
Point 2
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

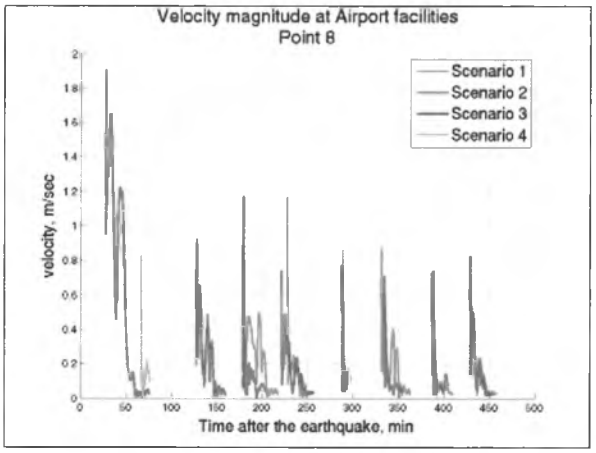

Velocity magnitude at Seward Highway, south
Point 3
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

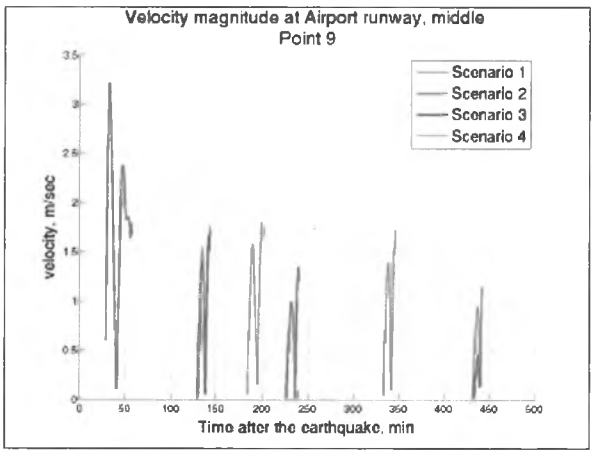

Velocity magnitude at Cruise ship terminal
Point 4
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

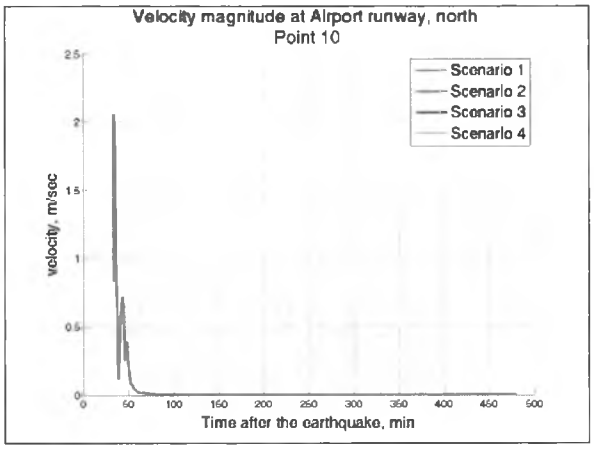

Velocity magnitude at Sea Life Center
Point 5
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

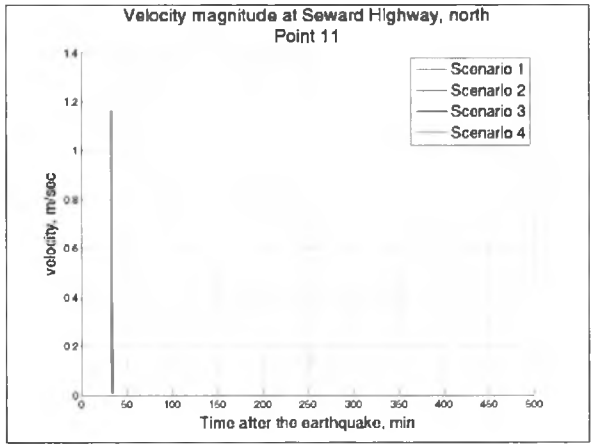

Velocity magnitude at Seward jetty
Point 6
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

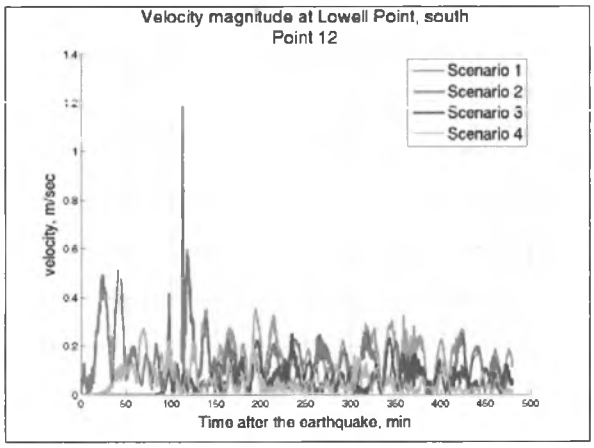

Velocity magnitude at Airport runway, south
Point 7
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

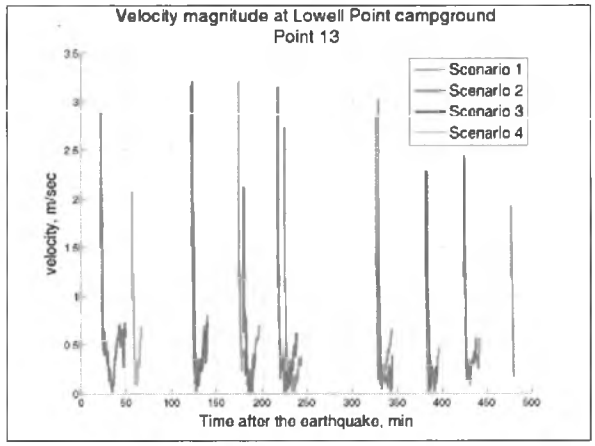

Velocity magnitude at Airport facilities
Point 8
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

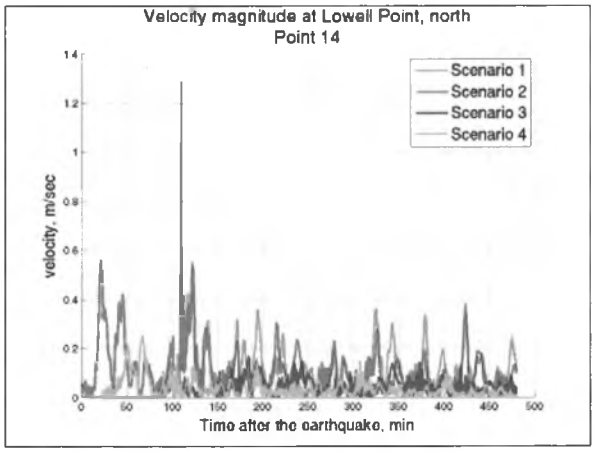

Velocity magnitude at Airport runway, middle
Point 9
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

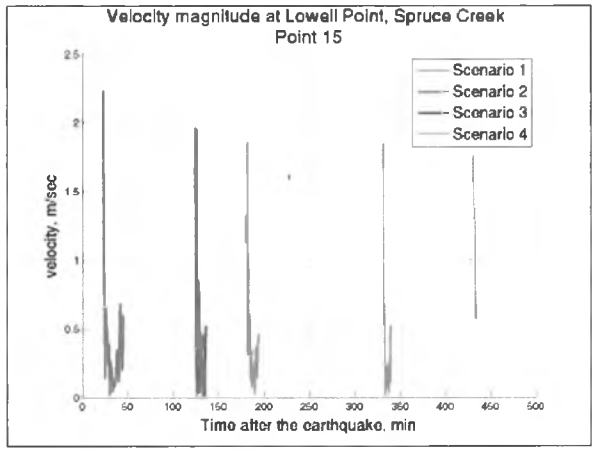

Velocity magnitude at Airport runway, north
Point 10
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

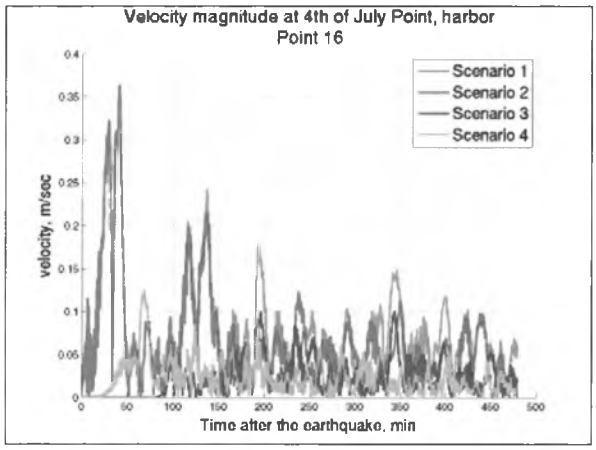

Velocity magnitude at Seward Highway, north
Point 11
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min

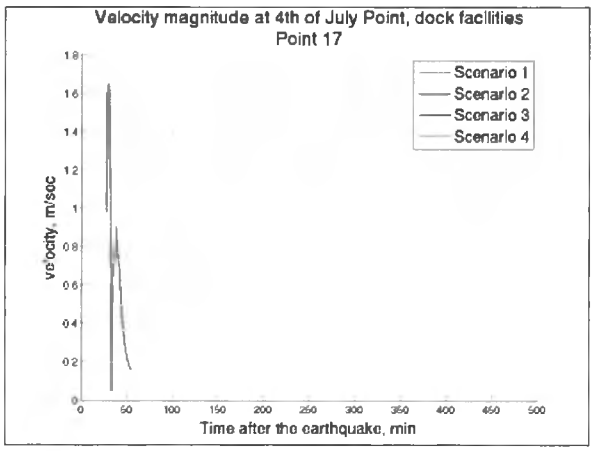

Velocity magnitude at Lowell Point, south
Point 12
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min


Velocity magnitude at Lowell Point campground
Point 13
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min


Velocity magnitude at Lowell Point, north
Point 14
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min


Velocity magnitude at Lowell Point, Spruce Creek
Point 15
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/sec
Time after the earthquake, min


Velocity magnitude at 4th of July Point, harbor
Point 16
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/soc
Time after the earthquake, min


Velocity magnitude at 4th of July Point, dock facilities
Point 17
Scenario 1
Scenario 2
Scenario 3
Scenario 4
velocity, m/soc
Time after the earthquake, min



Are you prepared for the next big EarthQuake in Alaska?

By taking action now we can significantly reduce future losses from earthquakes.



What to do during and after an earthquake

How to prepare for an earthquake

Assessing your risk from earthquakes

Preparing for tsunamis

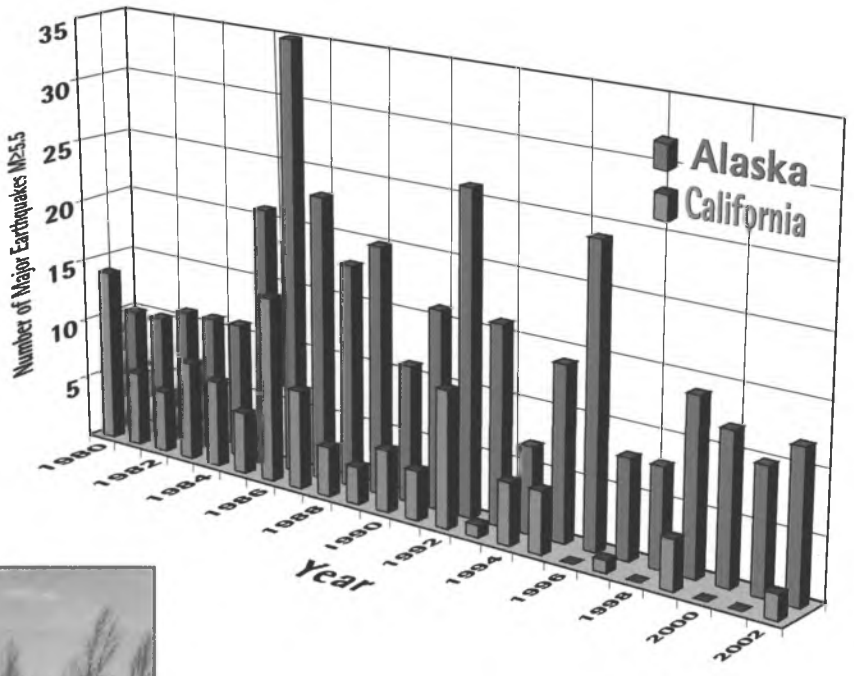
Earthquakes in Alaska

Other souces of information

Why you need to prepare for the next earthquake

Scientists have long recognized that Alaska has more earthquakes than any other region of the United States and is, in fact, one of the most seismically active areas of the world. The second-largest earthquake ever recorded shook the heart of southern Alaska on March 27th, 1964.

The largest strike-slip slip earthquake in North America in almost 150 years occurred on the Denali Fault in central Alaska on November 3rd, 2002. "Great" earthquakes (larger than magnitude 8) have rocked the state on an average of once every 13 years since 1900. It is only a matter of time before another major earthquake will impact a large number of Alaskans.





Alaska has changed significantly since the damaging 1964 earthquake, and the population has more than doubled. Many new buildings are designed to withstand intense shaking, some older buildings have been reinforced, and development has been discouraged in some particularly hazardous areas.

Despite these precautions, future earthquakes may still cause damage to buildings, displace items within buildings, and disrupt the basic utilities that we take for granted. We must take every reasonable action to prepare for damaging earthquakes in order to lower these risks.

Preparedness for earthquakes and other natural disasters is both a collective and an individual responsibility. As a society we have created agencies and organizations to assess, monitor, and respond to various threats from natural disasters. The **Alaska Division of Homeland Security and Emergency Management (DHS&EM)** is responsible for providing Alaskans with earthquake preparedness information and training. The office of the Alaska State Seismologist and the **Alaska Earthquake Information Center (AEIC)**, the **UAF Geophysical Institute (UAF-GI)**, the **U.S. Geological Survey (USGS)**, the **Alaska Division of Geological & Geophysical Surveys (ADGGS)**, and the **NOAA West Coast/Alaska Tsunami Warning Center (WC/ATWC)** work together to provide data and information to the public and to local, state, and federal authorities for use in earthquake hazard mitigation and response. This alliance of agencies carries out our collective effort to understand and prepare for earthquake disasters.

As individuals, we must also take steps to prepare for earthquakes in order to protect ourselves, our loved ones and our property. By identifying the greatest hazards to our personal safety, we can set priorities for using our resources in the most effective way to reduce possible damage. By becoming aware of the hazards posed by earthquakes and by taking appropriate actions, such as those described in this pamphlet, we can drastically reduce the loss of life and property, and make Alaska a safer place to live . . . the choice is ours.

What to do during and after an earthquake

If you are indoors, drop to the floor and take cover under a sturdy desk, table or other furniture. Hold on to it and be prepared to move with it. Hold the position until the ground stops shaking and it is safe to move. Stay clear of windows, heavy wall hangings, fireplaces, woodstoves, and heavy furniture or appliances that may fall over. Stay inside to avoid being injured by falling glass or building parts. It is difficult to stand up in a large earthquake and trying to walk would be even more difficult. Do not try to run out of the structure but instead drop, cover, and hold. Crouching against a sturdy wall with nothing above you and no windows nearby is an alternative if there is not a table to get under. If you are in a crowded area, take cover where you are. Stay calm and encourage others to do likewise.

If you are outside, get into the open, away from buildings and power lines.

If you are driving, stop if it is safe but stay inside your car. Stay away from bridges, overpasses and tunnels. Move your car as far out of the normal traffic pattern as possible. If possible, avoid stopping under trees, light posts, power lines, or signs.

If you are in a mountainous area, or near unstable slopes or cliffs, be alert for falling rock, snow, and other debris that could be loosened by the earthquake.

If you are near the ocean, move quickly to higher ground or move several hundred yards inland.



DON'T RUN OUTSIDE

The first reaction many people have during an earthquake is to run out of a building. This increases the likelihood that you will be hit by falling objects. Most earthquake related injuries in the United States occur in this way. In a large quake, falling objects can become projectiles that are difficult to avoid. The most serious injury sustained during the November 2002 Denali fault earthquake, occurred when a woman slipped and broke her arm while exiting her home.

In the past it was recommended that you stand in a doorway during an earthquake. This is not the best place to go because only one person can fit in a doorway, and you won't be protected from falling and flying objects. A woman was trapped in a doorway during the Denali fault earthquake when the door slammed shut on her hand. This not only injured her but also stopped her from taking cover from falling objects.



Children and Earthquakes

Earthquakes are traumatic events for all of us, but they are especially frightening for children who may be forced to leave their homes and everything that is familiar to them. A child does not usually understand such events and feels anxious, confused, and frightened. Fear is a normal reaction to any danger which threatens life or well-being. After an earthquake, a child's fears are those of recurrence, injury, death, or of being alone and separated from the rest of the family. Aftershocks can increase these fears.

Parents sometimes ignore the emotional needs of a child once assured of their physical safety. A child's persistent fears may generate disruptive behavior, surprising and frustrating a parent who is trying to continue with the daily family routine.

How a parent can help:

Keep the family together. This provides immediate reassurance to a child; fears of being abandoned and unprotected are alleviated.

Reassure children with words as well as actions. Emphasize the positive: "We are all together and nothing has happened to us," or "You don't have to worry, we will look after you."

Encourage the child to talk. It can also be helpful to include other family members, neighbors, and their children in a conversation about our reactions to the earthquake.

Include the child in family activities. There will be important concerns and things to do after an earthquake, such as checking on the damage and cleaning up broken glass and fallen furniture. Whenever possible, a child can and should be included in these activities.

At bedtime, a child may have difficulty falling asleep. They may wake up during the night or have nightmares for weeks or months after the earthquake. These situations may be dealt with by allowing the child to move into a room with another child or to sleep on a mattress in the parents' room, or simply by a parent spending a little extra time in the child's room giving reassurance.

Safety check. *Check for the following hazards*

Check for injuries: Do not move a seriously injured person unless they are in immediate danger of further injuries.

Gas leaks: Shut off the main gas valve only if a leak is suspected or identified by the odor of natural gas. Wait for the gas company to turn it back on after the damage is repaired.

Oil or propane tanks: If you have one, check that the supports are intact and that connecting pipes and hoses are not broken.

Downed or damaged chimneys: Approach chimneys with caution. They may be weakened and could topple during an aftershock.

Damaged electrical wiring: Shut off power at the distribution panel or breaker box.

Downed or damaged utility lines: Stay away from downed lines even if power appears to be off.

Fallen objects in closets and cupboards: Displaced objects may fall when you open the door.

Check your telephone: Make sure each phone is on its receiver. Telephones that are off the hook tie up the telephone network unnecessarily.

Clean up: Clean up potentially hazardous materials and/or medicines which may have spilled.

Tsunami hazard: If you live along the coast, be alert for news of tsunami warnings issued by the Tsunami Warning Center or local community officials. If you experience a strong earthquake, there may not be time for a warning to be issued. Move to higher ground as soon as you can, and stay there until the authorities issue an "all clear."

Expect aftershocks: The only time that we know earthquakes will occur is after another large earthquake. Most aftershocks are smaller than the main earthquake. Some may be large enough to do additional damage to weakened structures.



Use flashlights or battery-powered lanterns. Do not use lighters, matches, candles, or lanterns until you are sure that there are no gas, propane or oil leaks.



Use your telephone only in the event of life-threatening emergencies.



Turn on a battery or crank-powered radio for information, damage reports, and for information on volunteering your assistance.



Keep streets clear for emergency vehicles. Cooperate with public safety officials.

How to prepare for an earthquake

Most people in Alaska will survive the next big earthquake with little loss. Some people may be severely affected. Actions you take now can reduce how much you and your family will lose.


Alaska DOT

Practice "drop, cover, and hold" drills at home with your family, and at work.

❑ Injuries and deaths during earthquakes are caused by falling objects and collapsing structures. Knowing how to protect yourself when the shaking starts may save your life. Show children safe areas to drop, cover and hold.

❑ Practice counting to sixty seconds. Most earthquakes do not last that long, and it will help you to keep calm when a real earthquake strikes.

Develop an earthquake plan at home, in your neighborhood, at school, and at work.

❑ Determine the safest places in your home and at work. These should be away from heavy furniture or appliances, woodstoves, fireplaces, open shelves and bookcases, and large panes of glass, pictures, or mirrors.

❑ If the earthquake hits during the day, family members may be separated from several hours to several days. Plan ahead and select a safe place where you can reunite after the earthquake. Consider your family's possible needs, and also select alternative locations to meet near places of work or school.



❑ Designate an out-of-the-area telephone contact. Select a relative or friend to act as a clearinghouse for information about your family. Family members should call this contact person to report their condition and location. Make sure family members carry this number with them at all times, and that the number is known by other friends and relatives.

❑ The most common cause of earthquake-related fires is broken gas lines. Everyone should know how to turn off the gas supply at the meter in case they smell gas after a large earthquake. Buy a special wrench that fits your gas turnoff valve and fasten it next to the valve.

❑ Find out the policy of your local school concerning the release of children after an earthquake. Arrange with neighbors to watch out for your family and property in case you are not at home.

❑ Make plans with your family, your neighbors, and your co-workers. Every business should have an emergency response plan.

Pick two places to meet.

(1) Right outside your home.
(2) Outside your neighborhood in case you are not able to return home. Everyone must know the address and telephone number.

Ask an out-of-state friend to be your "family contact."

❑ After a disaster, it's often easier to place a long distance telephone call than a local one. Other family members should call this person and tell them where they are. Everyone must know your contact's phone number.

Fill out, copy, and distribute to all family members

Family Disaster Plan

Emergency Meeting Place _____ *outside your home*

Meeting Place _____ *outside your neighborhood* Phone _____

Address _____

_____

_____

Family Contact _____

Phone ( ) _____ *day* Phone ( ) _____ *evening*

Emergency supplies list

Keep enough supplies in your home to meet your needs for at least seven days. Store these items in sturdy, easy-to-carry containers such as backpacks, duffel bags, or covered trash containers. These are the basics to have on hand for any emergency:



Flashlights with spare batteries: Keep a flashlight beside your bed. Do not use matches or candles after an earthquake until you are certain no gas leaks exist.

Hand-crank or battery-operated radio with spare batteries: Most telephones will be out of order or in use for emergency purposes, so radios will be your best source of information. An automobile radio is a good substitute.

First aid kit and first aid knowledge: Have a first aid book such as ***Standard First Aid & Personal Safety*** by the American Red Cross. Have members of your household take basic Red Cross first aid and CPR courses.





Fire extinguisher: Keep a fire extinguisher handy for small fires. Some extinguishers are only good for certain types of fires--electrical, grease, or gas. Class ABC extinguishers are designed to be used safely on any type of fire.

Food: It's a practical idea to keep a supply of non-perishable food on hand that can be rotated into your diet and replenished on a regular basis. Have a supply of canned or dehydrated food, powdered milk, and canned juices that is sufficient for at least seven days.

Water: Water should be stored in airtight containers and replaced every six months. Store at least three gallons per person. For water not treated by a commercial facility, add 16 drops or 1/4 teaspoon of household bleach per gallon of water. Stir and let stand for 30 minutes. Use bleach which has 5.25% hypochlorite as the only active ingredient, with no fragrance and soap additives. Do not store in used plastic milk containers because bacteria may be present.

Warm clothes and blankets: Have enough warm clothes, blankets, and sleeping bags to survive sub-zero winter temperatures. If possible store these items outside of the home so they will be accessible after a rapid evacuation.

Special items: Keep at least one week's supply of medications and special foods on hand that are needed for infants or for those on limited diets.



Tools: Have a pipe wrench and an adjustable wrench for turning off gas and water mains.


Anchorage Museum of History and Art

Emergency Broadcasts after an Earthquake

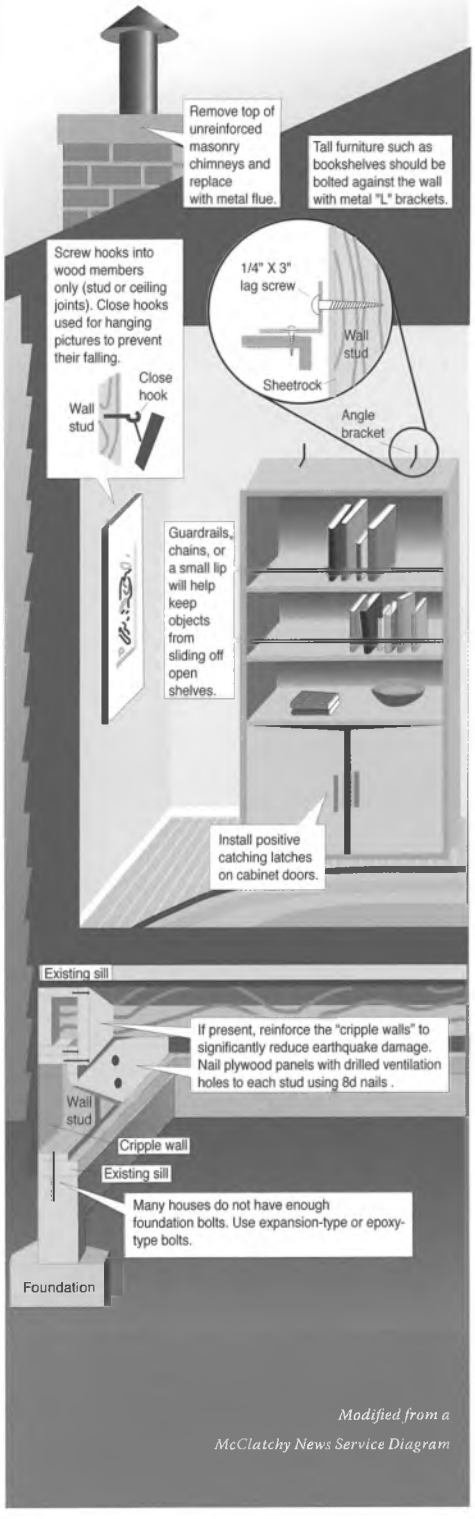
Waiting for the dissemination of information after a disaster takes time and can prove frustrating when we want, and have come to expect, immediate and complete information. Search the radio and television channels to find stations that are able to provide information. Remember that initial news reports may be inaccurate. Don't believe everything you hear. Pay particular attention to information from a governmental source.

The first information about a large local earthquake may come from the **Alaska Earthquake Information Center,** the **USGS,** the **State of Alaska Deptartment of Geological & Geophysical Surveys** or from the **West Coast/Alaska Tsunami Warning Center** (web links printed on page 23). Initial estimates of location and magnitude of an earthquake are likely to be revised as more information is analyzed.

Initial reports of damage, based primarily on eyewitness accounts, may be misleading and cause speculation. Local news-gathering capabilities may be severely hindered by the disaster, because the news media's power may be off or their news staff may be unable to communicate with their broadcast station.

Protect your belongings

Falling objects and toppling furniture present the greatest physical danger and the biggest potential financial loss for most people. Imagine all of the contents of your kitchen cabinets falling to the floor or on your head! At home, at work, and in schools, building contents should be secured.



Modified from a McClatchy News Service Diagram

❑ Be sure that no heavy items, such as pictures or mirrors, can fall on your bed, where you typically spend a third of each day.

❑ Secure tall furniture and bookcases to the wall. Add lips to shelves to prevent costly items from sliding off. Be sure that adjustable shelves cannot slide off their supports.

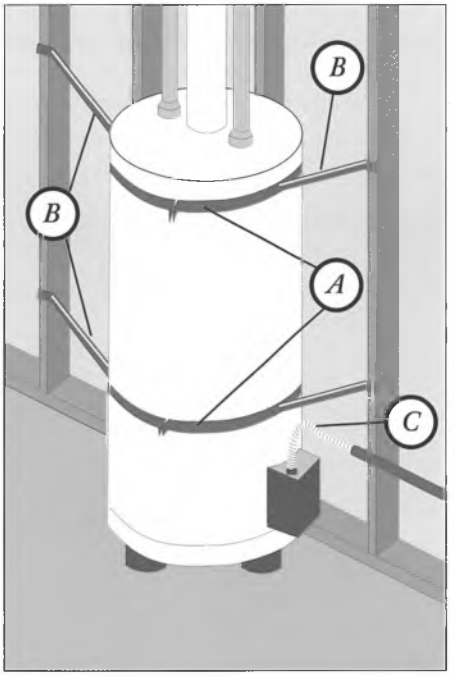
❑ Put strong latches on cabinet doors at home in your kitchen and at work in laboratories. Fasten heavy or precious items to shelves or tables. Secure file cabinets, computers, televisions, and machinery that may overturn during an earthquake.

❑ Store potentially hazardous materials such as cleaners, fertilizers, chemicals, and petroleum products in appropriate containers in sturdy cabinets that are fastened to the wall or floor.

❑ In your office, be sure heavy objects are fastened to the building structure and not just to a movable wall. Ask a carpenter or an electrician to check light fixtures and modular ceiling systems.

❑ Be sure your water heater is fastened to the wall studs and that all gas heaters and appliances are connected to the gas pipe through flexible tubing. If you use propane or heating oil, be sure the storage tank is secured against overturning and sliding.

❑ Secure your woodstove to wall or floor studs. Make sure you have a fire extinguisher close at hand.



Wrap a 1½" wide, 16-gauge-thick metal strap (A) around the top of the water heater and bolt the ends together. Do the same about 1/3 of the way up the side of the water heater. Take four lengths of EMT electrical conduit, each no longer than 30". Flatten the ends. Bolt one end to the metal strap (B). Screw the other end to a 2" by 4" stud in the wall using a 5/16" by 3" lag screw. Be sure a flexible pipe (C) is used to connect the gas supply to the heater.

❑ Check with your school officials to be sure they have taken similar precautions in your childrens' school buildings.

Many specialty earthquake fasteners are commercially produced. Check with your hardware store for products, or ask your local emergency management office for the names of products and vendors. Searching the Internet for "earthquake fasteners" will also yield many results. The web site of the Federal Emergency Management Agency, www.fema.gov, contains much information about preparing for earthquakes. Go to the "Preparation and Prevention" section of the Library.

Fuel tank supports and earthquakes

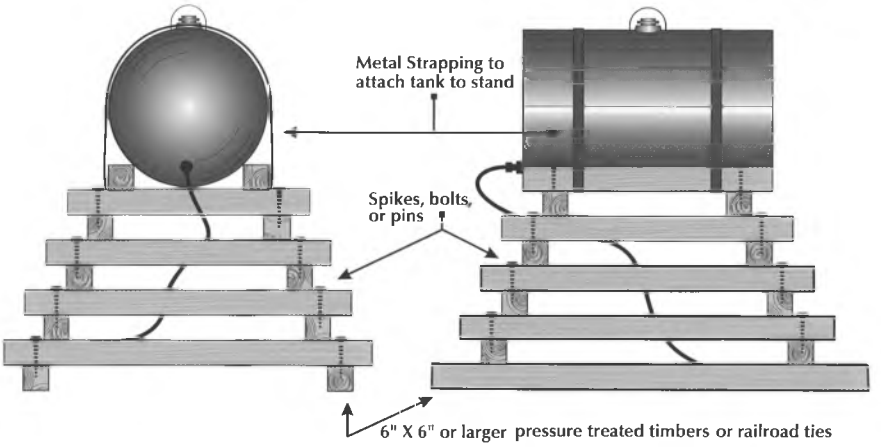
The use of raised fuel tanks, to provide gravity flow to oil heaters, is common throughout Alaska. During the Denali Fault earthquake on November 3rd, 2002, several 300 gallon fuel tanks tipped off or slid from their supports, demonstrating their vulnerability. By strengthening fuel tank supports and connectors to withstand ground shaking, the risk of damage, hazardous spills, and the loss of heating oil can be reduced. Once the structure is built, regular inspection is recommended to ensure structural integrity.



A wood support is vulnerable to damage due to deterioration or inadequate cross-bracing and fastening. It should be inspected for rot damage, and any deteriorating wood supports should be replaced. Existing wood supports with cross-bracing, or insufficient bracing, should have diagonal bracing and gussets added to strengthen the support. Utilizing wood-to-wood connecting plates, bolts, lag screws, and nails can help to reduce vulnerability, but their effectiveness is limited by the tendency of wood fibers to split and tear when subjected to large loads.

Cradle Support

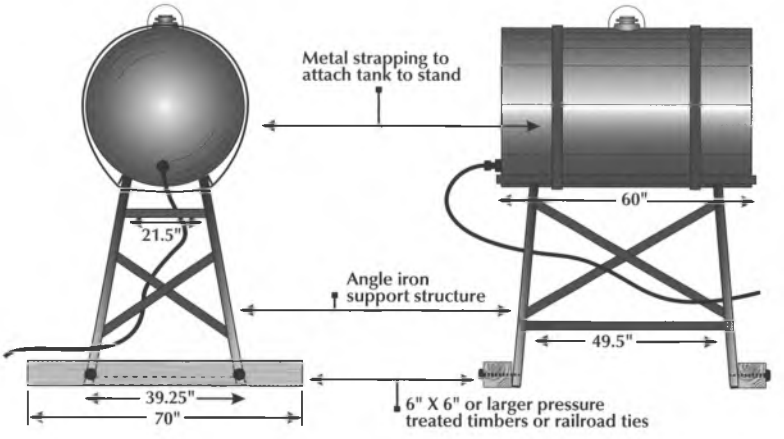
❑ A timber cradle support is a safe and affordable wood support option. Strength and stability are provided by the broad base and the criss-cross stacking fashion of the timbers. The timbers need to be pressure treated and should be 6-inches by 6-inches or larger. Each layer is spiked to the one below with large spikes, pins, or bolts that are driven into pre-drilled holes to prevent splitting. The tank is strapped to the cradle with two steel bands (a special banding tool is required).



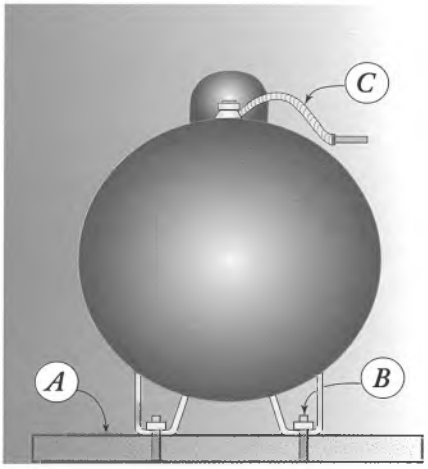
This diagram illustrates how to build a wood cradle that is likely to withstand large earthquakes. The design uses commonly available items and can be built by most people. This stand is designed to support the average size fuel tank (300 gallons) at a typical height of 4'.

Steel Support

❑ A steel support system is available when purchasing a tank from a fuel company. The steel support's angle iron construction and welded joints provide rigidity and strength to resist gravity loads and mild shaking. Steel supports with a wide footprint will have increased stability. Some steel supports may not have adequate diagonal bracing. Retrofitting may be needed to withstand strong lateral motion during an earthquake. Stability can also be improved by securely bolting the steel support to 6-inch by 6-inch pressure treated wood timbers or railroad ties on the ground. Steel banding to tie the tank to the support is another important retrofit.



This diagram illustrates how a steel tank support can be improved to withstand large earthquakes. These supports are commercially fabricated using welded angle iron, and they typically support 300 gallon tanks at heights of 3' to 5'. A wider base, and bolting the support to pressure treated timbers, provides more stability.



Mount the tank on a 6" thick concrete pad (A) using four 1/2" diameter bolts (B) imbedded a minimum of 3" into the concrete. Install a flexible hose connection (C) between the tank and the rigid supply line.

Propane Tanks

Many residents in rural areas of Alaska use above-ground propane tanks. These tanks may move, slide, or topple during strong ground shaking. Gas leaks are frequently the cause of earthquake-related fires. The following recommendations can be followed to reduce the post-earthquake fire hazard associated with propane tanks.

Mount the tank on a continuous concrete pad and bolt the four legs to the pad.

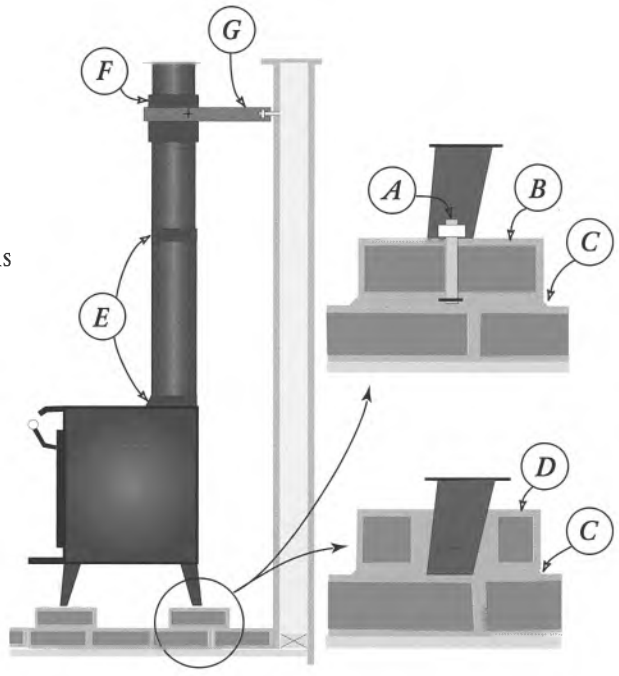
- ❑ Install flexible hose connections between the tank, supply line, and the entrance to your home or business.
- ❑ Clear the area of tall or heavy objects which can fall and rupture the tank or supply line.
- ❑ Keep a wrench tied on a cord near the shut-off valve and make sure that family members or employees know how to use it.
- ❑ For large tanks, seismic shut-off valves are available.

Wood-Burning Stoves

Free-standing wood-burning stoves pose an additional risk to many in Alaska, especially in bush communities. Heavy objects such as stoves are actually more likely to move during strong ground shaking than are lighter objects. Fire codes dictate that stoves must be unsupported on all four sides, and therefore they are more vulnerable to sliding or overturning during an earthquake. If a stove were to tip and/or separate from the stove pipe, cinders or sparks might easily cause a fire in the home. To reduce the potential fire hazard following an earthquake, the stove should be anchored to the floor and stove-pipe sections should be secured. It is important that the seismic anchors or braces do not conduct heat from the stove into the floor. Although there are many types of stoves in use, the recommendations here can be used for most installations:

Stoves resting on a brick hearth can be anchored using bricks and mortar.

- ❑ Woodstoves resting on a concrete slab on grade can be anchored directly to the concrete.
- ❑ Stove pipes should be anchored to the flue exit, and each of the stove-pipe segments should be securely together.
- ❑ Mobile home approved units come with predrilled holes in the pedestals or legs and can be safely anchored to the underlying floor framing.



For a stove on a brick hearth, anchor the legs with a 3/8" diameter bolt (A) through a 1/2" hole to a new brick (B). Ground the new brick (B) to the hearth with 1" of new grout (C). Alternatively, build an 8" square brick pad with a grout pocket (D) at each leg. Provide at least 1" of space around each leg and fill the pocket completely with grout. Install sheet metal screws (E) at the flue exit and between the stovepipe sections. Install a radiation shield with a pipe clamp (F) braced to a wall using two tension ties (G) attached to a wall stud with 3/8" by 3" lag screws.

Assessing your risk from earthquakes

Earthquakes are a hazard that create risks to life and property that we must accept as part of living in Alaska. We face many other hazards in our lives and we routinely take precautions to reduce our losses from them, or to lower our risk. For example, we wear seat belts to lower the risk of injury during an automobile accident. This is an action that most people have come to accept as a reasonable precaution. Earthquake risk can also be reduced significantly by individuals, businesses, and governments when appropriate actions are taken. The basic actions described in these pages are reasonable precautions that should be taken by all residents of Alaska. Other actions such as strengthening or replacing a dangerous building, or even choosing to live in a safer building or in a safer part of your city may involve significant expense and disruption. Yet, damage to buildings and other structures is the primary cause of death, injury, and financial loss during large earthquakes.

To decide how much action is required for protection from earthquake hazards, you must estimate your risk. Earthquake risk varies from location to location, from structure to structure, and from person to person.

What causes Damage during an Earthquake?

Duration of shaking. Duration depends on how the fault breaks during the earthquake, on the distance from the rupture, and on the types and thicknesses of soils underlying the site. The strongest shaking during the 1964 earthquake lasted 3 to 4 minutes. During a magnitude 7 earthquake, the shaking may last 30 to 40 seconds. The longer buildings shake, the greater the damage.

Strength of shaking. Many damaging earthquakes occur within 15 miles of the Earth's surface. In this case, shaking decreases rapidly with increasing distance from the fault that produced the earthquake. In Alaska, these earthquakes are most common in central and southeastern Alaska. Deeper earthquakes are common beneath southern Alaska and the Aleutian Islands. Because of their greater depth, the shaking directly above such shocks is reduced, and the shaking decreases gradually with increasing distance from the epicenter of the earthquake.

Type of soil. Strength of shaking is greater on soft, thick, and wet soils. In certain soils the ground surface may settle or slide. Damage is typically less in buildings located on bedrock.

Frequency of shaking. Shallow earthquakes, such as those that typically occur in central and southeastern Alaska, produce more rapid shaking than deeper earthquakes, such as those in southern Alaska and the Aleutian Islands. Buildings with a natural shaking frequency that "resonates" with the ground motion will suffer the most damage. Houses and short buildings have high resonant frequencies of shaking (1 to several shakes per second), tall buildings have low resonant frequencies (up to several seconds per shake). Thus it is possible, as occurred in Mexico City during a 1985 earthquake, for mid-height buildings to suffer great damage during a medium-frequency earthquake, while short and tall buildings survive with little or no damage.

Type of construction. Some existing buildings are not resistant enough to the side-to-side and up-and-down shaking common during earthquakes. Un-reinforced masonry buildings are usually the most deadly.



Anchorage Museum of History and Art

Estimate your Risk

❑ Is there a risk of serious injury or even death for occupants of a specific building?

❑ What would be the cost of repairing or replacing a building after a large earthquake?

❑ What would be the cost of not being able to use a building after a large earthquake?

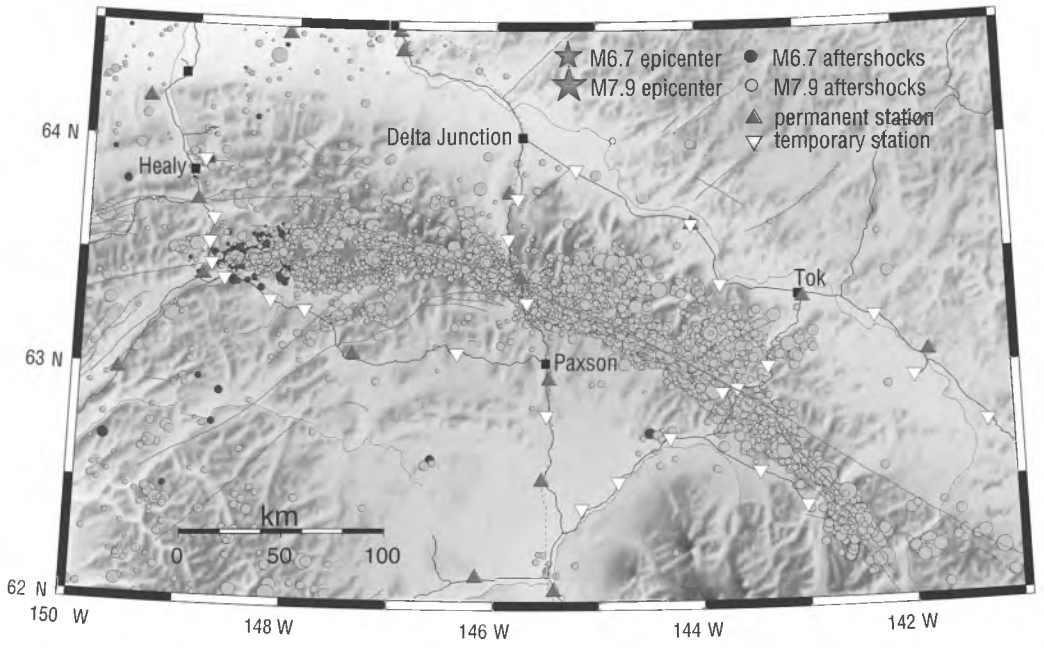
❑ What are the odds that time and money spent on preventive action today will prove cost-effective within your lifetime, and within the lifetimes of existing structures?

❑ If a structure will be replaced by normal development within 10 years, is strengthening it to resist earthquake damage cost-effective?

❑ Is such strengthening required by a governmental agency, is it economically reasonable, or is it morally necessary?

The Uniform or International Building Code

Modern criteria for seismic design and construction have been included in the Uniform Building Code since 1973. The 2000 and later editions are termed the International Building Code, and have the most up-to-date requirements. Most large communities in Alaska have adopted either the International Building Code or the Uniform Building Code. The codes require greater strength for essential facilities and for sites on soft soil where shaking intensity is increased. The codes set minimum requirements that assure life safety but allow earthquake damage and loss of function. Owners who desire less potential damage and continued use of the building after severe earthquakes should insist on higher standards for design, construction, and inspection. Discuss with an architect or a civil or structural engineer what level of damage will be acceptable (references on page 24).

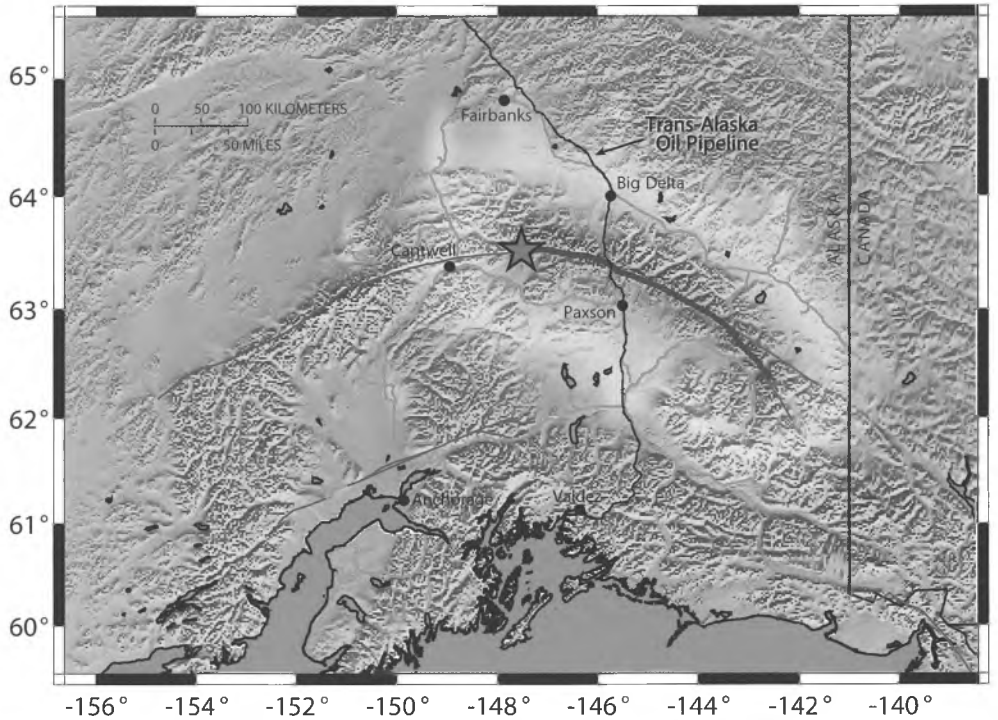


The November 3, 2002 magnitude (M) 7.9 Denali Fault earthquake was the strongest ever recorded in interior Alaska. The earthquake began in the central Alaska Range and ruptured eastward at a speed averaging about 6700 miles per hour. The M7.9 earthquake was followed by thousands of aftershocks that occurred all along the rupture zone. The main shock and aftershocks were located with high precision using a network of temporary seismic stations that was deployed by the AEIC following the M6.7 Nenana Mountain earthquake that occurred on October 23, 2002.

For more information, go online to www.aeic.alaska.edu, www.dggs.dnr.state.ak.us and earthquake.usgs.gov

ShakeMaps show ground motion and shaking intensity in significant earthquakes. This ShakeMap was produced after the November 3rd, 2002, Denali Fault earthquake and it shows that ground shaking was strong along the Denali fault. Similar maps will be made in the future for Anchorage and Fairbanks. Maps like this one can be made for any major earthquake. They are used by federal, state, and local authorities for earthquake response and recovery, to inform the public about risk, and for preparedness exercises and disaster planning. For more information, go online to
earthquake.usgs.gov/shakemap/

USGS/AEIC ShakeMap

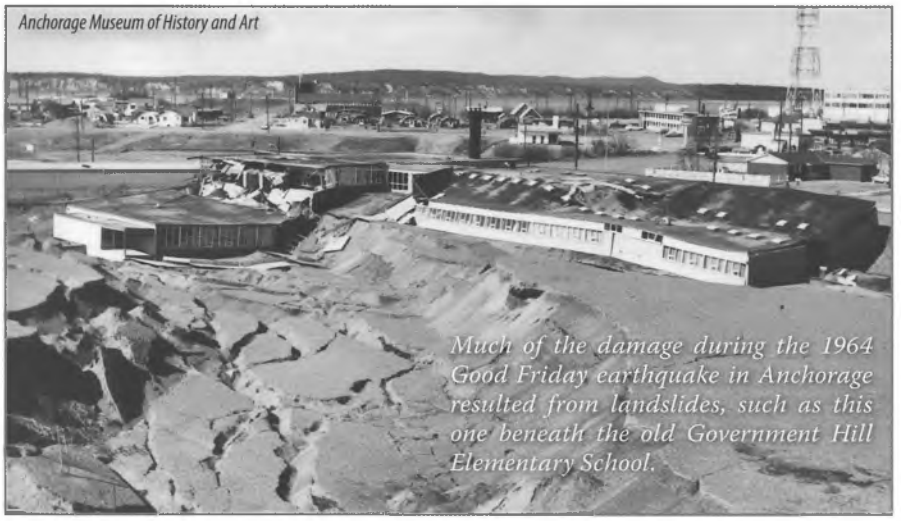


PERCEIVED SHAKING	Not felt	Weak	Light	Moderate	Strong	Very strong	Severe	Violent	Extreme
POTENTIAL DAMAGE	none	none	none	Very light	Light	Moderate	Moderate/Heavy	Heavy	Very Heavy
INSTRUMENTAL INTENSITY	I	II-III	IV	V	VI	VII	VIII	IX	X+

Determine the safety of your home and school

Most people in Alaska are safe at home if they live in a one or two-story wood-frame building. These buildings are not likely to collapse during earthquakes. The most common damage is light cracking of interior walls, cracking of masonry chimneys, and cracking and possible collapse of brick or masonry veneer on exterior walls. A cracked chimney should be inspected by a qualified professional before the woodstove or fireplace is used.

Unfortunately, some one- or two-story wood-frame buildings can be hazardous. Buildings that are not adequately bolted to their foundation may fail at or near ground level. Adding foundation bolts and bracing cripple walls found in some older homes, can vastly reduce the earthquake risk (see page 14). Correcting these problems will vastly reduce the earthquake risk for most residents. For many homes, additional bracing of water heaters, propane tanks, or oil tanks is an important retrofit that should be completed (see pages 5, 6, and 7). Modern elementary and high school buildings have generally performed well during earthquakes, with the exceptions of the Government Hill School and West High School in Anchorage in the 1964 earthquake. The old Government Hill School was built on unstable soils and probably could not have been engineered to survive the massive landslide that occurred in 1964. The new Government Hill School is built on more stable soils farther from the bluff. Knowledge about proper seismic design and where to locate buildings has increased dramatically since 1964, however, older school buildings may need to be reassessed in light of modern building codes. Mobile homes, portable classrooms, and modular buildings can slide or bounce off their foundations during earthquakes. Their supports need to be braced to resist vertical and horizontal forces. If portable classrooms are used at your local school, you should ask school officials whether they are properly braced.



Much of the damage during the 1964 Good Friday earthquake in Anchorage resulted from landslides, such as this one beneath the old Government Hill Elementary School.

Determine the safety of other buildings you use

Buildings designed and constructed according to modern codes have generally performed very well during earthquakes. However, certain types of buildings, especially older ones, are potentially hazardous. Unreinforced brick buildings pose a particular hazard even in moderate earthquakes. Unbraced railings and walls inadequately anchored to the floors and roof can topple onto sidewalks or adjacent buildings.

Major damage often occurs in buildings with a "soft" first story. Usually, soft stories consist of an open space with stand-alone columns rather than interior walls supporting the building above. Such spaces are usually used as garages, stores, or large offices. The first floor does not have enough strength to resist the horizontal shaking force of the upper parts of the building. Similarly, rooms added over garages of private homes or older split-level homes may not be adequately supported.

Damage to all of these types of buildings poses a threat to both life and property during earthquakes. These losses can be significantly reduced by strengthening structures before an earthquake. Investment in strengthening offices and commercial buildings will reduce structural and nonstructural damage and may allow continuation of business after severe earthquakes.



The J.C. Penny building in downtown Anchorage was heavily damaged during the 1964 Good Friday earthquake.

How do you locate a professional to advise you on the resistance of your building to earthquake shaking?

Civil and structural engineers and architects are trained and licensed to provide such information about structures. Geologists, foundation engineers, and geotechnical engineers are trained and licensed to evaluate the soil conditions and recommend appropriate action.

When hiring such a consultant, you are asking an experienced professional to review a potential problem and possibly to provide plans and specifications for correcting the problem. The amount of work required is not known when you hire the consultant, and thus it is important to select someone you trust, and to develop a scope of work as you proceed. A good place to start is to call a professional organization (refer to the Other Sources of Information section at the back of this pamphlet) and ask for information about the different types of work that might be required, for information about how to select an engineer, geologist, or architect, and for a list of members in your area. Contact several firms or individuals to determine if they do the different types of work you need. Ask for information that explains the type of firms they are and that identifies others whom they have served. Check to see how satisfied other clients were. Recognize that the quality of the advice given and of the work performed, as well as the price you pay, may depend critically on the care you take in making a selection.

Become informed. Even if you do not understand the technical details, ask enough questions to understand the concepts and relative importance of the issues involved. Do not be afraid to ask questions that you fear might appear foolish. Your money is going to be expended and your life and belongings are at risk, so you have a right to understand what needs to be done and why.

For projects more complex than inspecting a single-family home, you should meet with the selected firm and discuss the options. In almost every case, there will be a number of approaches for solving any given problem. Get the consultant to explain the pros and cons of each, as well as the dollars and risks involved. Once this is done, you will have defined the work the consultant will do for you. Then a fee can be set and you can discuss how changing the work would change the fee.

State and federal agencies do not inspect individual buildings. Your local building department may be willing to inspect your building, but they are not authorized to recommend actions to be taken.



An un-reinforced masonry building in Anchorage collapsed during the 1964 Good Friday earthquake.

If you believe a structure that you or your family uses is hazardous and you would like to find out more or determine who you can consult, refer to the Other Sources of Information section at the back of this pamphlet. Ask the building owner what consideration has been given to seismic design and strengthening. Many civil and structural engineers and architects are trained and licensed to investigate the strength of a structure and to recommend appropriate action to reduce earthquake risk.

For single-family homes, ask a licensed engineer or architect to look at your home while you are present and to discuss the seismic issues with you. A written report, or plans and specifications for corrective action, may involve more time. You may want to ask for a seismic inspection before buying a new home.

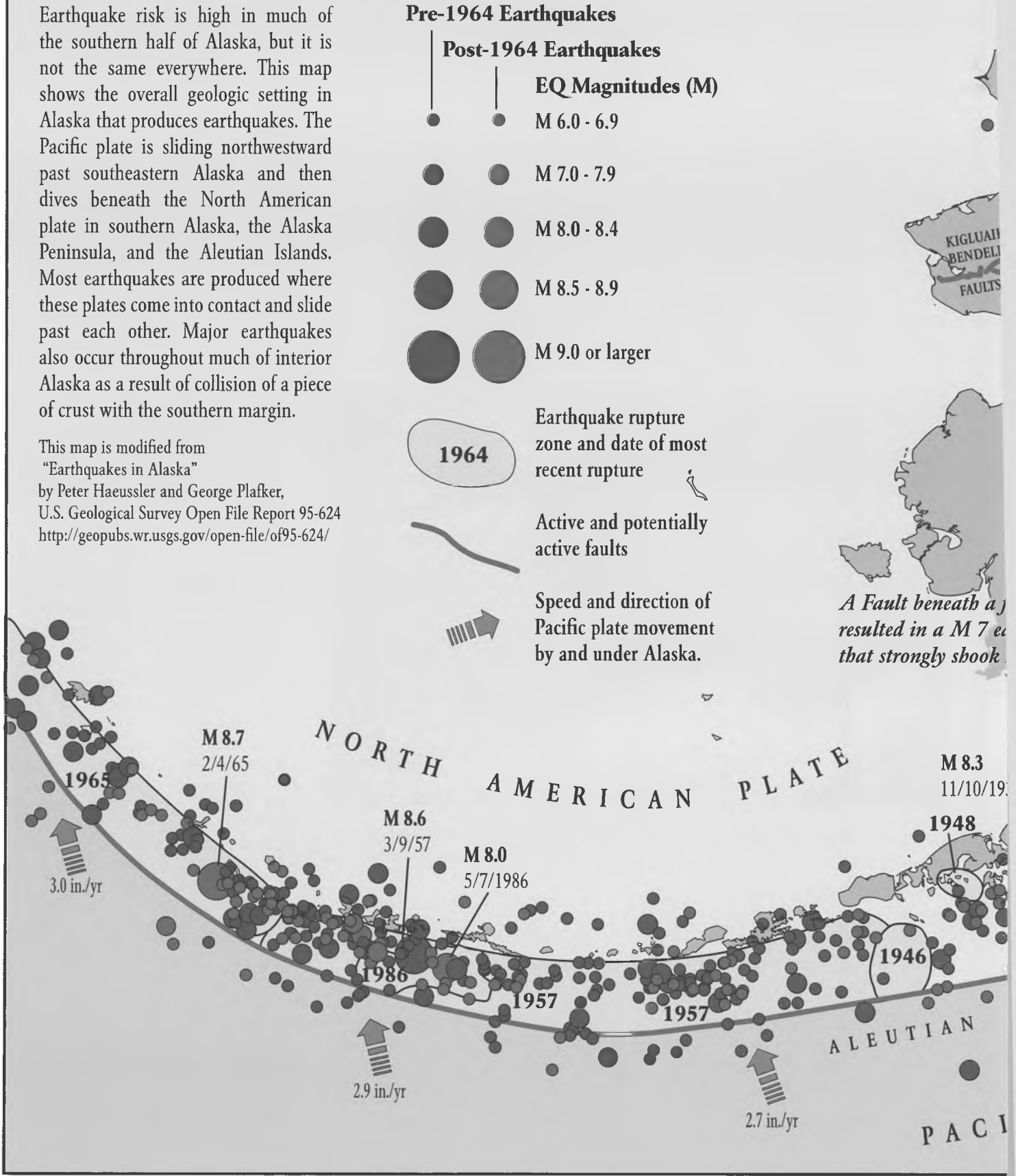
Earthquake Insurance

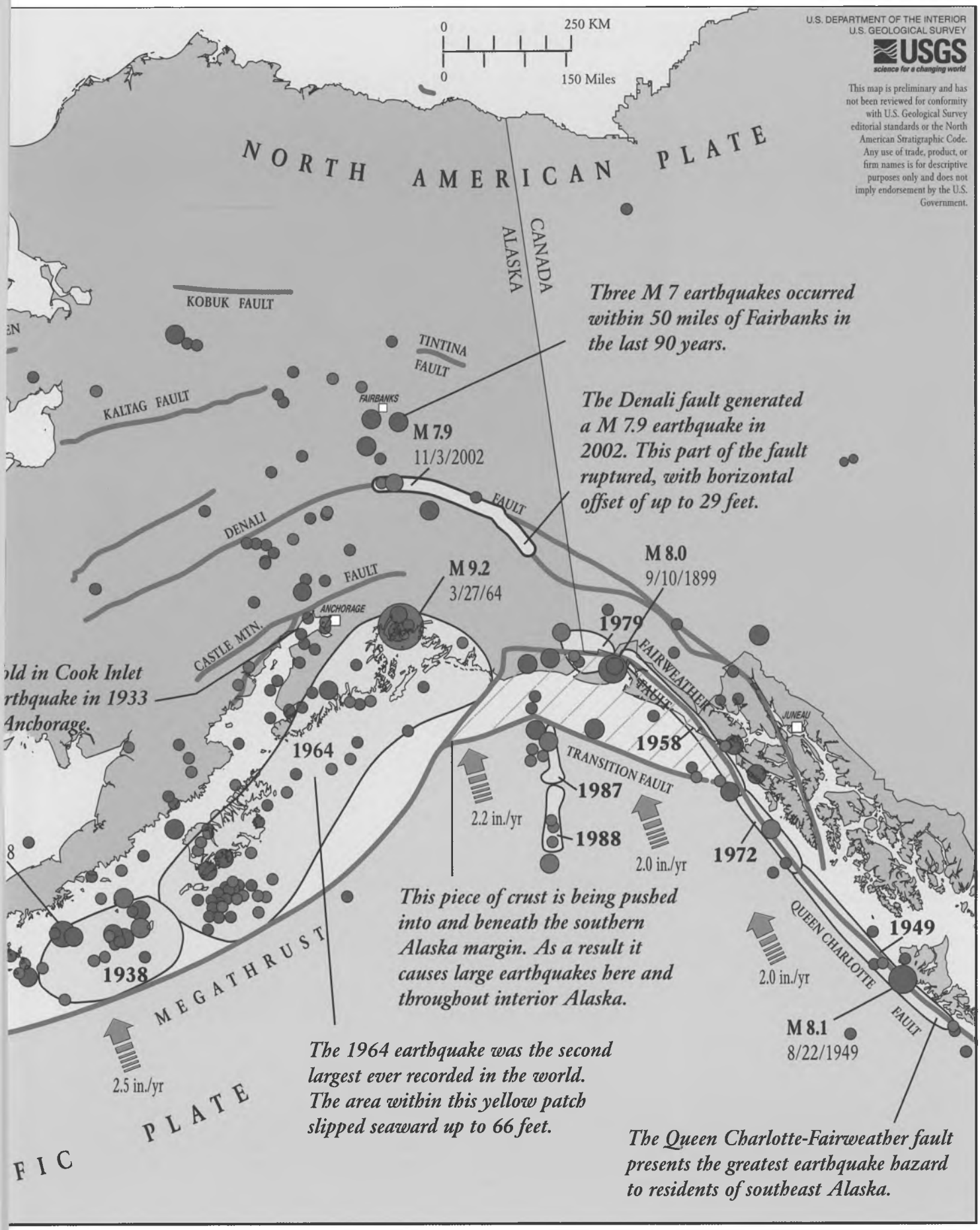
Standard homeowners insurance does not cover damage and destruction that happens as a result of an earthquake. Many people are unaware that their existing fire insurance does not cover fires caused by earthquakes. The 1989 Loma Prieta earthquake in California caused over 6 billion dollars in damage, but insured property damage accounted for only 16% of this loss. In Alaska, about 1 in 3 homeowners have purchased earthquake insurance. The most common type of earthquake insurance is normally added as an endorsement on a standard homeowner's insurance policy. Typically, there is a deductible of 10 percent of the value of the home. This means that for a home currently insured at $200,000 you would have to pay $20,000 in damages before the insurance company would pay anything. Separate deductibles may apply to the contents of the house and the structure. Another important coverage is temporary living expense, which pays for motel and meals if you have to move out of your home. There is usually no deductible on this coverage. The yearly cost of residential earthquake insurance is normally about $3.00 per $1,000 of coverage on a conventional frame home. However the rate may rise to $13 per $1,000 of coverage on structures with brick or masonry veneer on the outside. Clearly, the insurance industry considers homes with brick or masonry to be a greater risk in an earthquake. Thus far, homeowners insurance carriers do not consider whether the soils you live on are potentially dangerous. To find out more about earthquake insurance, ask your insurance agent.

Earthquakes in Alaska

Earthquake risk is high in much of the southern half of Alaska, but it is not the same everywhere. This map shows the overall geologic setting in Alaska that produces earthquakes. The Pacific plate is sliding northwestward past southeastern Alaska and then dives beneath the North American plate in southern Alaska, the Alaska Peninsula, and the Aleutian Islands. Most earthquakes are produced where these plates come into contact and slide past each other. Major earthquakes also occur throughout much of interior Alaska as a result of collision of a piece of crust with the southern margin.

This map is modified from
"Earthquakes in Alaska"
by Peter Haeussler and George Plafker,
U.S. Geological Survey Open File Report 95-624
http://geopubs.wr.usgs.gov/open-file/of95-624/




U.S. DEPARTMENT OF THE INTERIOR
U.S. GEOLOGICAL SURVEY
USGS
science for a changing world
This map is preliminary and has not been reviewed for conformity with U.S. Geological Survey editorial standards or the North American Stratigraphic Code. Any use of trade, product, or firm names is for descriptive purposes only and does not imply endorsement by the U.S. Government.
0 250 KM
0 150 Miles
NORTH AMERICAN PLATE
CANADA
ALASKA
KOBUK FAULT
TINTINA FAULT
KALTAG FAULT
FAIRBANKS
M 7.9
11/3/2002
DENALI FAULT
Three M 7 earthquakes occurred within 50 miles of Fairbanks in the last 90 years.
The Denali fault generated a M 7.9 earthquake in 2002. This part of the fault ruptured, with horizontal offset of up to 29 feet.
M 8.0
9/10/1899
M 9.2
3/27/64
ANCHORAGE
CASTLE MTN. FAULT
1979
FAIRWEATHER FAULT
JUNEAU
old in Cook Inlet
rthquake in 1933
Anchorage.
1964
1958
TRANSITION FAULT
1987
1988
2.2 in./yr
2.0 in./yr
1972
This piece of crust is being pushed into and beneath the southern Alaska margin. As a result it causes large earthquakes here and throughout interior Alaska.
QUEEN CHARLOTTE FAULT
1949
2.0 in./yr
1938
MEGATHRUST
M 8.1
8/22/1949
2.5 in./yr
The 1964 earthquake was the second largest ever recorded in the world. The area within this yellow patch slipped seaward up to 66 feet.
PLATE
FIC
The Queen Charlotte-Fairweather fault presents the greatest earthquake hazard to residents of southeast Alaska.

Determine if you live or work in hazardous areas

Earthquake damage is typically concentrated in areas that can be identified in advance. The amount of shaking experienced in an earthquake can be very different in locations less than a hundred yards apart. Determine for yourself if the places where you live and work are particularly dangerous. Asking the questions on the following pages, and seeking the answers, is an excellent start.

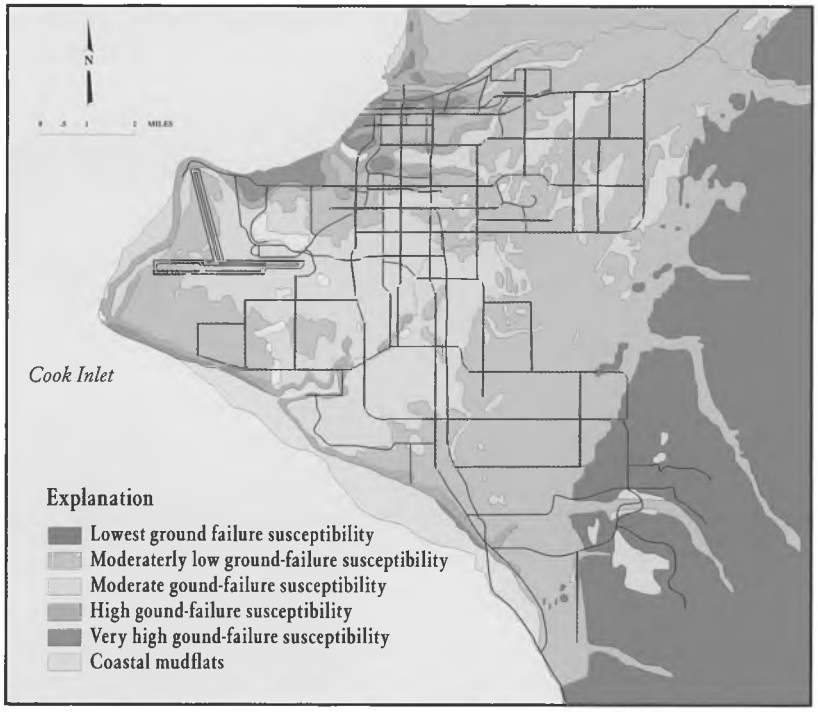
Do you live where the ground can settle, slide, or shake violently?

Landslides are likely to be triggered by significant earthquakes, especially on steep slopes and in areas underlain by soft ground. During the 1964 Alaskan earthquake, much of the Turnagain Heights area of Anchorage slid toward Knik Arm because the area is underlain by a kind of soft, wet clay that is prone to sliding if shaken violently. The clay in the Anchorage area and other types of soft ground can also intensify the shaking of an earthquake.

Fortunately, most areas that can settle, slide, or shake violently can be identified before the next major earthquake. Even reasonably detailed maps give only an overview of the potential for shaking, liquefaction, landslides, faulting, and damage. To investigate a particular building site, you should consult an engineering geologist, geotechnical engineer, or a foundation engineer.



About 75 homes in the Turnagain Heights area of Anchorage were destroyed in 1964 by a massive landslide. This area is underlain by soil that flows like water when it is shaken.



This is a map of the Anchorage area showing the relative chances of earthquake-induced ground failure in different locations. If the ground "fails" during an earthquake, it will probably shake excessively, cracks may open up on the surface, and the area may be involved in a landslide. Buildings on areas with high ground-failure susceptibility may be severely damaged in future earthquakes. This map is not intended as a substitute for on-site investigations by a professional geologist or geotechnical engineer. Source: Anchorage Coastal Resources Atlas, v. 1, Anchorage Bowl available at local libraries , or online at www.dggs.dnr.state.ak.us (Publication MP32)

Securing your home to your foundation

Bolting the wood frame of an older house to its concrete foundation can significantly reduce earthquake damage. Specialty foundation bolts that glue in place with epoxy are available for securing walls to foundations. These work best with older foundations since old concrete tends to be very brittle. Conventional expansion bolts may crack older concrete. Follow the manufacturer's instructions for installation.

Soil Liquefaction

When loosely packed and wet sand is shaken during an earthquake, it may flow like liquid. This is called liquefaction. Anyone who has walked on a beach may have seen a small-scale version of this process. Stamp your foot in the sand near the water's edge and suddenly the area of your footprint vibrates like gelatin.

Earthquake-induced liquefaction is often accompanied by cracks in the ground surface and small eruptions of sand and water called sandblows. During the 2002 Denali Fault earthquake, people in Northway watched sand erupting 4 feet out of the ground. When a soil liquefies, it is unable to support the weight of the ground or any structures above it. Bridges and buildings may settle and tilt even though they withstood strong ground shaking. If the liquefied area is on a slope, massive landslides may result.

The Bootlegger Cove Formation is the name of a soil that underlies much of Anchorage. Liquefaction of a part of the Bootlegger Cove Formation caused much of the destruction in the Anchorage area during the 1964 earthquake, and it causes people to feel earthquakes more strongly in western Anchorage. Soils that liquefy are not limited to the Anchorage area, but are present in many low-lying parts of Alaska where soil near the surface is saturated with water.



A sandblow that occurred in the central Alaska Range as a result of soil liquefaction from ground shaking during the November 3rd, 2002 Denali Fault Earthquake.

Do you live on a fault?

If you took two books, put them side-by-side, and then slid one of the books past the other, you would be imitating the process that makes earthquakes. The surface along which the two books slipped past each other is called a fault. In the Earth's crust, huge blocks of rock can move past each other along faults. When these blocks slip suddenly, an earthquake is produced. Faults are common in the Earth's crust, but only some will produce earthquakes. These are called "active faults."

Severe damage is particularly likely wherever structures are built directly on top of active faults. The 2002 Denali fault earthquake in central Alaska displaced the ground up to 29 feet from side to side. Although the earthquake offset the Trans Alaska Pipeline about 19 feet, design engineers had anticipated what would happen in such an earthquake and the pipeline survived without a single drop of oil being spilled. The location of active faults can often be determined before a major earthquake. Buildings that sit on top of, or very close to these features should be considered especially dangerous.

Many earthquake-producing faults in Alaska lie far beneath the Earth's surface. In fact, most residents of southern coastal Alaska live above a huge fault called the "Aleutian Megathrust" (see pages 12, 13 and 21). The 1964 Good Friday earthquake, and most major earthquakes in southern Alaska, are related to movement along this fault. Ground shaking caused by earthquakes on these deep faults is a more widespread hazard than the ground shaking caused by shallow faults. Nevertheless, a small earthquake close by can be just as destructive as a big earthquake farther away.

Tsunami basics

Tsunamis are ocean waves produced by earthquakes. The word comes from the Japanese language and means "harbor wave," because of the devastating effects these waves have had on low-lying Japanese coastal communities. Tsunamis are often incorrectly referred to as "tidal waves." Not all earthquakes produce tsunamis, but when they do, the waves may sweep ashore causing damage both locally and at places thousands of miles from the earthquake epicenter. More than 90 percent of the deaths from the 1964 earthquake were the result of tsunamis. One hundred and six Alaskans died from these waves and an additional 16 people died from tsunamis that reached California and Oregon after the event.

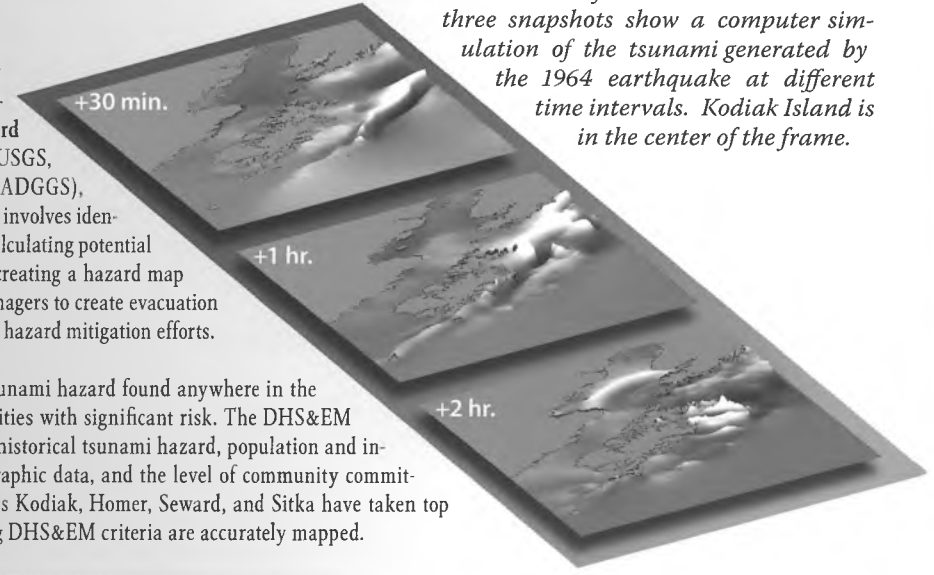
Tsunamis consist of a series of waves with periods (the time between wave crests) from several minutes to an hour. These long periods cause the waves to behave differently than shorter period, wind-generated waves. Whereas wind-generated waves will break and diffuse energy offshore, tsunamis normally do not break, and arrive as a flooding wave with strong currents. For this reason, even tsunamis in the range of 3 to 6 feet in height can produce damage along shorelines. Tsunamis are not dangerous in deep water and they are rarely noticed by ships at sea. In the deep ocean, tsunamis travel at approximately 500 mph and may be only inches high. However, the same wave will slow down and gain height dramatically as it enters shallow coastal water.

Tsunamis are produced in several ways. One way is by sudden regional uplift or subsidence of the seafloor during an earthquake. Tsunamis begun in this way can travel long distances and cause destruction thousands of miles from where the wave was generated. Underwater landslides, called slumps, are another cause of tsunamis. Destruction in Seward, Whittier, Valdez and other places in 1964 was caused by waves triggered by underwater landslides. These tsunamis are normally localized, but they are deadly because they reach the shoreline very quickly. Above-water landslides can also cause local tsunamis if they enter a body of water. On July 9, 1958, in Lituya Bay, Alaska, a large earthquake started a giant landslide that ran into the head of the bay and generated a tsunami. The wave ran up a mountainside on the opposite side of the bay to a height of more than 1,720 feet. Two fishing vessels anchored in the bay sank and two people died. Volcanic eruptions are also capable of initiating tsunamis, especially in parts of Alaska where active volcanoes are located close to the sea. If volcanic mass flows, such as debris avalanches, lahars, or pyroclastic flows are large enough, they may initiate waves as they pass into the ocean. Although tsunami generation by these processes is relatively uncommon, under certain conditions large and damaging tsunamis can result and they do pose a threat to coastal communities in some areas of the Alaska Peninsula, the Aleutian Islands and southern Cook Inlet.

Tsunami Inundation Mapping for Alaskan Communities

The Alaska Earthquake Information Center helps Alaskan coastal communities to mitigate the risk from tsunamis by mapping the potential inundation zones for each community. This project is a part of the **National Tsunami Hazard Mitigation Program**, a cooperative effort of NOAA, the USGS, and the western coastal states of Alaska (AEIC, DHS&EM, ADGGS), Washington, Oregon, California, and Hawaii. This process involves identifying likely tsunami sources for each coastal community, calculating potential areas of inundation using a detailed computer model, and creating a hazard map and report. These products are used by local emergency managers to create evacuation plans, and for public education about tsunami risk and other hazard mitigation efforts.

Many of Alaska's coastal communities have the highest tsunami hazard found anywhere in the United States. Mapping is planned for all coastal communities with significant risk. The DHS&EM prioritizes communities for inundation mapping based on historical tsunami hazard, population and infrastructure at risk, availability of bathymetric and topographic data, and the level of community commitment to hazard mitigation. High-risk communities such as Kodiak, Homer, Seward, and Sitka have taken top priority. Work will continue until all communities meeting DHS&EM criteria are accurately mapped.



White areas indicate tsusami crests and dark blue areas indicate depression of sea level. Tsuami simulations like this one are used to create inundation maps for Alaska's coastal communities. Seismic events that occur within the Alaska-Aleutian subduction zone have a high potential for generating both local and Pacific-wide tsunamis. These three snapshots show a computer simulation of the tsunami generated by the 1964 earthquake at different time intervals. Kodiak Island is in the center of the frame.

Reducing Tsunami Damage and Danger

Fortunately, tsunami damage can be minimized through land use planning, preparation, and evacuation. Tsunamis tend to impact the same localities over and over again. Therefore, if tsunamis have damaged an area before, they are likely to do so again. One choice is to avoid living in or using areas with significant tsunami hazard. Alternatively, communities can review land use in these areas so that no critical facilities, such as hospitals and police stations, or high occupancy buildings, such as auditoriums or schools, or petroleum-storage tanks are located where there is tsunami hazard.

Following the shaking of the 1964 earthquake, Alaskans in coastal areas who did not feel the earthquake had little or no warning that a tsunami was on its way. As a result, the West Coast/Alaska Tsunami Warning Center was established. The WC/ATWC rapidly determines whether an earthquake in coastal Alaska may generate a tsunami, and issues a warning if necessary. After a warning is issued, people in the threatened area should immediately evacuate inland or to high ground. The WC/ATWC will issue a warning within 10 minutes after an earthquake occurs, but that is not a fast enough warning if there is a local tsunami. People near shore who feel an earthquake for 15-20 seconds or longer should heed nature's warning and quickly move to higher ground. A good rule of thumb is to move to 100' above sea level or 1 mile inland. People who are already on boats when an earthquake occurs should understand that the safest place to be is in deep water where wave energy is diffuse.

Tsunami warnings issued by the WC/ATWC are disseminated to local emergency officials and the public in Alaska by several different methods: FEMA's National Warning System, the State of Alaska Division of Homeland Security and Emergency Management, the U.S Coast Guard, National Weather Service, the Emergency Alert System, NOAA Weather Radio, the Federal Aviation Administration, and the WC/ATWC web site – wcatwc.arh.noaa.gov/message.shtml. During tsunami warnings, local emergency managers are responsible for conducting evacuations and notifying residents. In the event of a large tsunami, the local emergency managers are also responsible for issuing the all clear notice.



The National Weather Service has developed a program known as TsunamiReady. This program provides communities with a set of guidelines to follow which enhances tsunami preparedness. If a community satisfies all the program's criteria, they are designated TsunamiReady by the NWS and the State DHS&EM. Several communities in Alaska and along the U.S. west coast have already been certified as TsunamiReady. Tsunami inundation maps are available for some coastal communities showing the areas that are at risk from tsunami waves. On the basis of these maps, emergency planners can develop evacuation plans and maps that indicate what areas should be avoided and evacuated after a major earthquake, and the routes that people should follow to reach safe ground.



***Top**: Following the 1964 earthquake, tsunamis at Kodiak washed away most buildings within two blocks of the water and deposited fishing boats hundreds of feet inland. 158 houses in Kodiak were destroyed by the tsunami. **Bottom**: In Seward, an Alaska Railroad locomotive was overturned and swept up to 100' inland by the tsunami.*

Tsunami safety rules

❑ A strong earthquake felt in a low-lying coastal area is a natural warning of possible immediate danger. Keep calm and quickly move to higher ground, away from the coast.

❑ Not all large earthquakes cause tsunamis, but many do. If the quake is located near or directly under the ocean, the probability of a tsunami increases. When you hear that an earthquake has occurred in the ocean or coastal region, prepare for a tsunami emergency.

❑ A tsunami is not a single wave, but a series of waves. The first wave is not necessarily the largest. Stay out of danger until an "all clear" is issued by a competent authority.

❑ Approaching tsunamis are sometimes heralded by a noticeable rise or fall of coastal water. This is nature's tsunami warning and should be heeded.

❑ A small tsunami at one beach can be a giant a few miles away. Don't let the modest size of one make you lose respect for all.



Damage in Seward following the 1964 earthquake. The waterfront area, railroad yard, and petroleum storage tank facilities were devastated by the tsunami.

❑ Sooner or later, tsunamis visit every coastline in the Pacific. All tsunamis, like hurricanes, are potentially dangerous even though they may not damage every coastline they strike.

❑ Never go down to the shore to watch for a tsunami. When you can see the wave you are too close to escape.

❑ During a tsunami emergency, your local emergency management office, police force, and other emergency organizations will work to protect your life and property. Give them your fullest cooperation.

❑ Stay tuned to your radio, marine radio, NOAA Weather Radio, or television stations during a tsunami emergency. Bulletins issued through your local emergency management office and the National Weather Service offices can save your life.

Tsunami Warnings

When a large earthquake occurs near the coastline of the northern Pacific Ocean, an automated system at the West Coast/Alaska Tsunami Warning Center rapidly determines its location (epicenter) and magnitude. If the earthquake is located offshore and has a magnitude of 7 or larger it is considered large enough to generate a tsunami. A tsunami warning is then issued for a limited area near the epicenter of the earthquake. This warning is issued in Alaska through the military, Coast Guard, National Weather Service, Alaska Division of Homeland Security and Emergency Management, Federal Aviation Administration and other federal agencies. A tsunami watch is issued to adjacent areas of Alaska, Canada, and West Coast states as appropriate, alerting them to a possible tsunami threat.

If a significant tsunami is detected by instruments that measure tides near the epicenter of the earthquake, the warning will be expanded to the entire coastline of the region. If no wave was generated, the warning will be canceled. Although this will occasionally cause a warning to be issued when no wave is present, the alternative of leaving communities unaware of a potential disaster is undesirable. The West Coast/Alaska Tsunami Warning Center works closely with the other tsunami warning centers because tsunamis generated in distant parts of the Pacific Ocean, such as Japan or Chile, have also reached Alaska. A tsunami from northern Japan would take 4 hours to reach Adak Island and 8 hours to reach Kodiak, which allows Alaskans time to prepare if a watch has been issued. A tsunami travels from Peru or Chile to Kodiak in 16 to 18 hours.

Measuring an earthquake

The energy suddenly released during an earthquake can produce a terrifying experience. The energy of the 1964 Alaska earthquake was equal to that of 63,000 Hiroshima-size atomic bombs. The size of an earthquake is commonly stated in terms of its magnitude, and the effects of an earthquake are measured by its intensity.

There are several ways that earthquake magnitude is expressed. The most famous was devised in 1934 by the late Dr. Charles F. Richter. On the Richter scale, and other magnitude scales, each whole number step represents a tenfold increase in the size of seismic waves measured on a seismograph--a machine that measures how much the ground moves in an earthquake. However, a single step on the Richter scale corresponds to a thirty fold increase in the amount of energy released in an earthquake. The news media usually refer to the size of an earthquake as having been measured on the Richter scale. However, a number of different scales are in common use. For example, the "moment" magnitude is now the standard for measuring large quakes. Since the late 1970s, scientists have determined that Richter magnitudes can underestimate the energy released by the largest earthquakes. As a result, the magnitude of the 1964 earthquake in Alaska, which was initially assigned a Richter magnitude of 8.4, is now considered to have had a magnitude of 9.2. The intensity of an earthquake is not measured using seismographs like Richter-scale magnitudes are, but is based upon earthquakes' effects on man-made structures. The intensity of an earthquake can be very different in places only a hundred feet apart because the amount of shaking, and therefore the damage, depends upon the kind of soil or rock beneath a particular location.

A modified version of the Mercalli intensity scale, developed in 1902 by an Italian geologist, is often used to measure earthquake intensity. This scale ranges between Roman numerals "I," which is rarely felt, to "XII," which results in damage to nearly all structures. The scale is outlined in the table below.

Most residents in earthquake-prone parts of Alaska have experienced intensities up to IV. In the 1964 Alaska earthquake, there were Mercalli intensities of X near the epicenter of the quake in Prince William Sound; there were intensity VII effects in Kodiak, Homer, Seward, Valdez, Cordova, and Anchorage; there were intensity V to VI effects in Fairbanks, Fort Yukon, Yakutat, and Sitka. Regardless of how the magnitude or intensity of an earthquake is measured, any earthquake is significant if it impacts you, your family, or your community.

Earthquake Magnitude and Intensity Scales Compared

Earthquake Magnitude	Equivalent Energy in Weight of TNT	Equivalent Energy in Hiroshima-size Atomic Bombs	Mercalli Intensity Near the Epicenter	Human Observations
4	15 tons	1/1000	II-III	Feels like vibration from a nearby truck.
5	477 tons	3/100	IV-V	Small objects are upset, sleepers awaken.
6	15,095 tons	1	VI-VII	Difficult to stand, damage to masonry.
7	477,335 tons	32	VII-VIII	Widespread panic, some walls fall.
8	15,094,673 tons	1006	IX-XI	Wholesale destruction, large landslides.
9	477,335,482 tons	31,822	XI-XII	Total damage, waves seen on ground surface.

History of earthquakes in Alaska

Written records of earthquakes in Alaska extend back only to 1788, however, studies of more ancient earthquakes can give a better understanding of where they occur, how often they occur, and how large they are. Studies of recent marine and river sediment layers, buried forests and soils can reveal a record of subsidence or uplift related to major earthquakes. Past tsunamis sometimes leave recognizable sand deposits. In certain cases, tree rings can be used to estimate when an ancient earthquake occurred. Carbon 14 dating of sedimentary layers that have been offset by faults, or submerged in coastal areas during large earthquakes, can help to determine when ancient earthquakes occurred. The oral history of Alaska Natives includes legends and stories that may relate to prehistoric earthquakes.

In Alaska, the study of ancient earthquakes, or paleoseismology, indicates that the last earthquake of comparable size to the 1964 Good Friday earthquake occurred 600 to 800 years ago. Some may conclude that because there was a major earthquake just 40 years ago that there is no longer much earthquake hazard in parts of southern Alaska. However, large earthquakes, on the order of magnitude 7 to 8, occur much more often and can be extremely devastating if they are close to population centers.

Looking at the geology of Alaska can help us to understand why there are earthquakes and where they occur.

Why there are Earthquakes in Alaska

The surface of the Earth, also known as the crust, is made up of a dozen or so large fragments called "plates." Most of these plates are more than a thousand miles across and more than 40 miles thick. The Earth's crust has been composed of moving plates for at least four billion years, and these plates will continue to shift in the future. The movement of the plates occurs because it is hot in the middle of the Earth, and relatively cold at the surface. The Earth cools off by convecting hot mantle to the surface and releasing heat at the mid-ocean ridges where the crust is thinnest. Hot mantle spreads away from the mid-ocean ridges and eventually cools and sinks back toward the middle of the Earth, where it is reheated before rising to the surface again. This convection cycle causes the plates to move steadily, but slowly, away from the mid-ocean ridges and past each other at rates up to 4 inches per year. Most earthquakes occur at the plate boundaries where pieces of the crust are sliding past each other, and some earthquakes are internal to plates.

These immense plates move at a steady rate, but at their edges the sliding motion is neither smooth nor constant. The motion of the plates strains or deforms the rocks at their boundaries because of friction with the neighboring plate until the rocks can no longer withstand the stress. Then, a sudden slip along a fault releases energy that causes earthquake shaking. When the plates are not slipping by each other, but are "locked" together, no earthquakes occur. Eventually enough strain will build up to cause the locked section to break and the two plates will slide past each other, causing an earthquake. The making of earthquakes is a bit like pulling a concrete block across a rough surface with a bungee cord. At first you pull on the bungee cord, it stretches out, and the block does not move. Eventually, the pull on the cord is strong enough to get the block moving, it slides forward with a jerk, and then stops. If you keep pulling, the cycle repeats itself, just like the earthquake cycle. There are a number of different regions that produce earthquakes in Alaska, and all are the result of the sliding of the Pacific plate toward the northwest, past southeastern Alaska and beneath southern Alaska.

The next two figures shows where earthquakes occur in southern Alaska. The Pacific plate is located beneath the Pacific Ocean and slides past southeastern Alaska at a rate of about 2 inches per year. The main fault near southeastern Alaska, along which the plates slide past each other, is called the Queen Charlotte-Fairweather fault. It is essentially a northern continuation of the more famous San Andreas fault in California. The Queen Charlotte-Fairweather fault is a right-lateral strike-slip

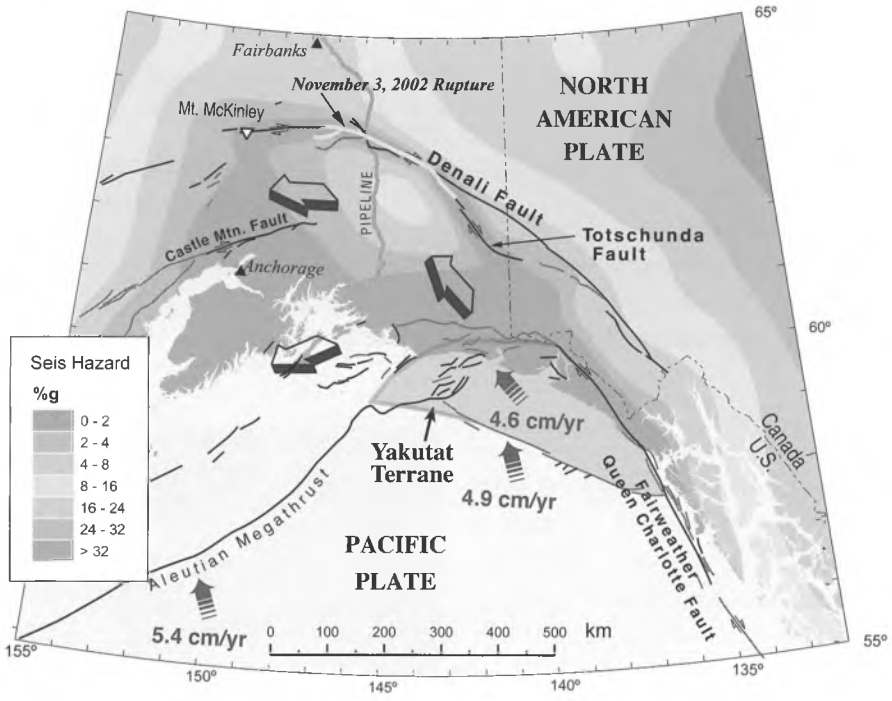
Alaska Earthquake Statistics

Each year about 12,000 earthquakes shake the state of Alaska. That's an average of more than 30 each day!

- ❑ Alaska has 11 percent of the world's recorded earthquakes.
- ❑ Alaska has more earthquakes than the rest of the United States combined.
- ❑ Three of the six largest earthquakes in the world were in Alaska.
- ❑ Seven of the ten largest earthquakes in the United States were in Alaska.

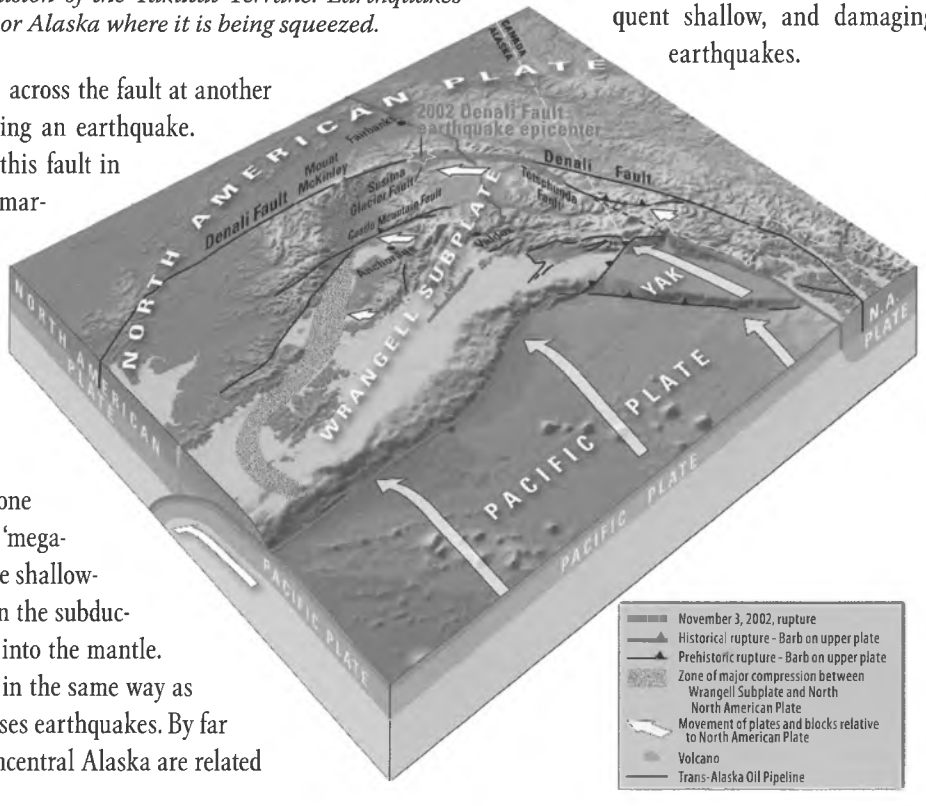
Since 1900, Alaska has had an average of:

- ❑ One magnitude 8 or larger earthquake every 13 years.
- ❑ One magnitude 7 to 8 earthquake every year.
- ❑ Six magnitude 6 to 7 earthquakes per year.
- ❑ Fortyfive magnitude 5 to 6 earthquakes per year.
- ❑ Threehundred and twenty magnitude 4 to 5 earthquakes per year.
- ❑ An average of a 1,000 earthquakes are located in Alaska each month.



***Above**: This map shows the combined seismic hazard in much of Alaska. The highest seismic hazard is shown in red, the lowest in green. The highest hazard lies along the plate margins, along the margins of the Yakutat terrane, and in zones where the Yakutat terrane collision is affecting interior Alaska. The Yakutat terrane collision is ultimately pushing up Mt. McKinley (Denali). Note: this hazard map does not portray local variations in earthquake hazard due to soil conditions. **Below**: This map shows that the plate tectonic setting of southern Alaska consists of the Pacific plate sliding past southeastern Alaska and beneath southern Alaska. The Pacific plate can be thought of as a conveyor belt. Riding on the Pacific plate is the Yakutat terrane (YAK), which is a buoyant piece of crust that is colliding with the southern Alaska margin. Interior Alaska is also being squeezed because of the collision of the Yakutat Terrane. Earthquakes occur along plate boundaries and in interior Alaska where it is being squeezed.*

fault, which means that if you were looking across the fault at another person, they would move to your right during an earthquake. There was a magnitude 7.8 earthquake on this fault in 1958. The entire southern Alaska-Aleutian margin is a subduction zone where the Pacific plate is sliding to the northwest beneath the crust of southern Alaska, down into the Earth's mantle. Subduction zones produce the world's largest earthquakes, and most earthquakes felt in the Anchorage area are subduction zone earthquakes. There are several kinds of subduction zone earthquakes. The 1964 earthquake was a 'megathrust' earthquake related to sliding along the shallowest part of the subduction zone. Farther down the subduction zone, the Pacific plate bends downward into the mantle. The bending process cracks the Pacific plate in the same way as if you were bending a candy bar, and this causes earthquakes. By far the most commonly felt earthquakes in southcentral Alaska are related to the sliding and bending of the Pacific plate between 18 and 60 miles beneath the earth's surface. These are called 'intraplate' earthquakes, and they can approach magnitude 7.5. The magnitude 6.8 Nisqually earthquake in Washington State in 2001 was an intraplate earthquake that caused an estimated 2 billion dollars in damage. Earthquakes in interior Alaska are caused by the collision of a piece of crust into the edge of southern Alaska. The collision is occurring near Yakutat, and thus the piece of crust is called the Yakutat terrane. The Yakutat terrane is moving quickly, at almost 2 inches per year. Earthquakes are generated at the margins of the Yakutat terrane, and further inland where the crust of Alaska is breaking in response to being shoved northward. The Denali fault is the largest of the faults in interior Alaska and it moves in response to the Yakutat terrane collision. On November 3rd, 2002, a magnitude 7.9 earthquake on the Denali fault caused more than 40 million dollars in damage. There are other faults on both sides of the Alaska Range, and in the Cook Inlet region, that may have infrequent shallow, and damaging earthquakes.



Seismic monitoring in Alaska

Seismic monitoring in Alaska is conducted for a variety of reasons. Foremost is the need to provide timely information to the public about the location and magnitude of significant earthquakes that may threaten life and property. Monitoring is also carried out to gather information used to improve the engineering and design of buildings for better resistance to earthquake damage. Seismic activity can also be an indication of tsunami generation (described on page 17) or volcanic activity. Monitoring is carried out on 25 of Alaska's volcanoes by the Alaska Volcano Observatory in order to detect eruptions that may pose a threat to the public.

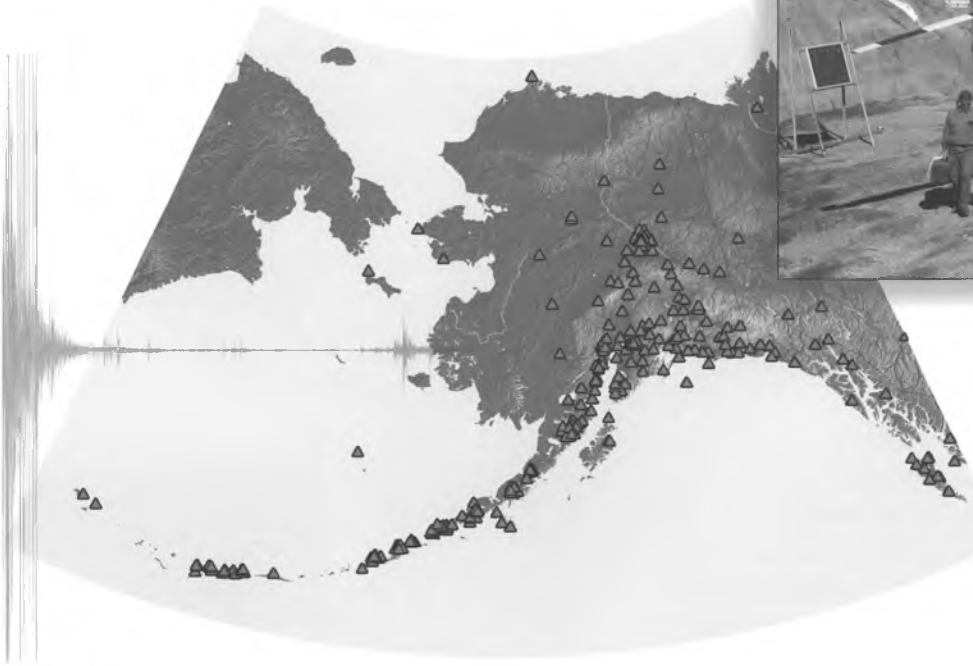
The Alaska Earthquake Information Center (AEIC: a partnership between the Sate of Alaska/UAF, USGS, and NOAA) collects all available seismic data into a single statewide network and serves as the Regional Data Center for the state. The AEIC records and processes data from a network of more than 400 seismic stations distributed across Alaska, which transmit seismic data in near-real-time to the AEIC laboratory at the Geophysical Institute in Fairbanks.



Alaska State Seismologist Roger Hansen analyzing seismic signals being recorded at the AEIC.

The size and location of every earthquake in Alaska (of magnitude 1.5 and larger in the mainland and magnitude 4 and larger in the Aleutian Chain) is cataloged and archived at the AEIC and made available as information releases to federal and state agencies, news organizations, and the public through the AEIC and USGS web sites. AEIC personnel analyze and report roughly 12,000 earthquakes each year and notify local, state and federal officials of the location and size of every significant earthquake (magnitude 3.5 and larger in the mainland and magnitude 5 and larger in the Aleutian Chain) within 30 minutes of occurrence. The earthquake data cataloged by the AEIC and USGS are used by scientists and government officials for a variety of purposes including research into the active tectonics of Alaska, determination of regional seismicity, and mapping of seismic hazard zones within the state.





***Above**: Technician Ed Clark performing maintenance at the Chaix Hills seismic station near Icy Bay. **Left**: The statewide network of seismic monitoring stations processed by the AEIC.*
***Far Left**: The seismic signal generated by the November 3rd, 2002 Denali Fault earthquake, recorded in Fairbanks.*

Other Sources of Information

Your ***local library*** is a good place to start. Ask for the material referenced below.
Many valuable information resources are available on the ***World Wide Web***. Internet addresses are provided in the sections below.
Look at the ***"Earthquake Safety Information"*** in the introductory pages of most telephone directories.
Ask your local chapter of the ***American Red Cross*** for pamphlets on preparedness and survival.

Agencies & Organizations:

Alaska Earthquake Information Center, www.aeic.alaska.edu, Geophysical Institute, University of Alaska Fairbanks, 903 Koyukuk Dr., P.O. Box 757320, Fairbanks, AK 99775-7320, (907) 474-7320. *Provides seismic monitoring for the State of Alaska and has compilations of location, magnitude, and depth of Alaskan earthquakes.*

Alaska Division of Geological & Geophysical Surveys, www.dggs.dnr.state.ak.us, 3354 College Road, Fairbanks, AK 99709, (907) 451-5010. *Technical publications and maps about energy and mineral resources, geologic hazards, and water resources.*

West Coast/Alaska Tsunami Warning Center, wcatwc.arh.noaa.gov, Palmer, AK, (907) 745-4212. *Provides tsunami bulletins to coastal residents of Alaska, B.C., and the U.S. west coast for potentially tsunami-generating earthquakes in the Pacific basin.*

Applied Technology Council, www.atcouncil.org, 555 Twin Dolphin Dr., #550, Redwood City, CA 94065, (650) 595-1542. *Provides technical publications for engineers, architects, and other people interested in the details of design for reducing earthquake damage to buildings and their contents.*

Alaska Division of Homeland Security and Emergency Management, www.ak-prepared.com, P.O. Box 5750, Fort Richardson, AK 99505-5750, (907) 428-7000 or (800) 478-2337. *Conducts preparedness and mitigation programs and workshops. Materials available upon request.*

Earthquake Engineering Research Institute, www.eeri.org, 499 14th St. #320, Oakland, CA 94612-1934, (510) 451-0905, eeri@eeri.org. *Technical information of most interest to engineers, researchers, and practicing professionals. Videotapes, annotated slide sets, and reconnaissance reports about earthquake hazard mitigation and the response of buildings, lifelines, and bridges during major earthquakes around the world. Free catalog.*

Federal Emergency Management Agency, www.fema.gov, Region 10 (includes Alaska), 130 228th Street, SW, Bothell, WA 98021-9796, (425) 487-4604.

Municipality of Anchorage, Building Safety Division, www.muni.org/bsd/mainpage.cfm, P.O. Box 196650, Anchorage, AK 99519-6650, (907) 343-8211. *Conducts and provides training for post-earthquake building safety evaluations.*

U.S. Geological Survey, www.usgs.gov, 4200 University Dr., Anchorage, AK 99567-4667, (907) 786 7011. *Publications and maps concerning earthquake hazards, faults, volcanoes, and permafrost.*

Additional Web Links

www.aeic.alaska.edu/cgi-bin/release_info.pl Alaska Earthquake Information Center website with list of most recent earthquakes in Alaska.

earthquake.usgs.gov - Main web page of USGS earthquake hazards program, with information about recent large earthquakes around the world.

geopubs.wr.usgs.gov/open-file/of95-624/ "Earthquakes in Alaska" poster of centerfold of this pamphlet.

pasadena.wr.usgs.gov/shake/ak - "Did You Feel It?" Web site to report felt earthquakes.

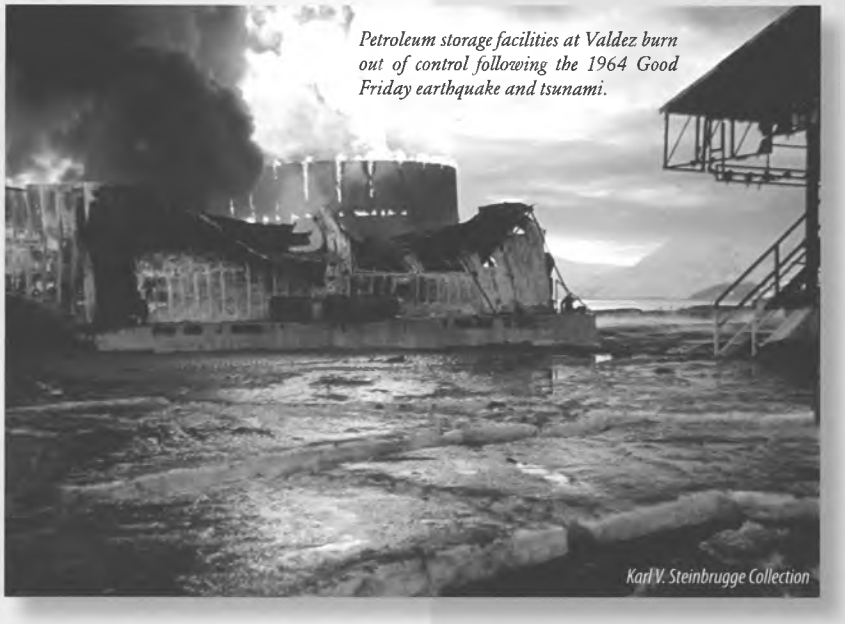
earthquake.usgs.gov/shakemap - ShakeMap website, which will have a link to Alaska when it becomes available.

www.fema.gov/kids - "FEMA for Kids" website, current disaster information, preparedness, facts and figures, disaster experiences related by children, games & quizzes.

www.fema.gov/hazards/earthquakes - Earthquake safety and preparedness information.

www.prh.noaa.gov/pr/ptwc/ - Main web page of the Pacific Tsunami Warning Center

wcatwc.arh.noaa.gov/tsunamiready/tready.htm - The "TsunamiReady" program of the National Weather Service



Petroleum storage facilities at Valdez burn out of control following the 1964 Good Friday earthquake and tsunami.

Karl V. Steinbrugge Collection

American Red Cross

Anchorage (907) 646-5400
Fairbanks (907) 456-5937

Juneau (907) 463-5713
Soldotna (907) 262-4541

Wasilla (907) 357-6060

Local Emergency Management Offices

Anchorage
(907)343-1400
Current Emergency Information:
(907) 343-4701
24 hour number through
Anchorage Fire Dispatch:
(907) 267-4950

Fairbanks
(907) 459-1481
24 hour number:
(907) 474-7721

Kenai
(907) 262-4910

Mat-Su Valley
(907) 373-8800

Books and Materials for Children, Parents and Teachers

Age 3- 8:
We Shake in a Quake. By Hannah Gelman Givon, Illustrations by David Uttal, Ten Speed Press, Berkeley, 2000, 32 pages, ISBN: 1582460221

Age 9 - 12:
Earthquake Games: Earthquakes and Volcanoes Explained by Games and Experiments. By Matthys Levy and Christina Blatt, Illustrations by Mario George Salvadori, Marget K. McElderry (publisher), 1997, ISBN: 0689813678.

All Ages:
Movers & Shakers (Earthquake preparedness kit w/ video for K-12 classrooms, lesson plans for all grade levels). Free to schools, send to: Movers & Shakers, State Farm Insurance Co., Public Relations Dept. (E-8), One State Farm Plaza, Bloomington, IL 61710-0001. www.statefarm.com/educate/moveshk.htm

Books on Geological Hazards

Earthquakes. By Bruce Bolt, W.H. Freeman, New York, 2003, 320 pages, ISBN: 0716719096, $45.05

The Citizens' Guide to Geologic Hazards. Edward B. Nuhfer, Richard J. Proctor, and Paul H. Moser, A.I.P.G., 1993, 134 pages, ISBN: 0933637101. $24.00, A.I.P.G., 8730 Yates Dr. #200, Westminster, CO 80031-3681, (303) 412-6205.

Earth in Turmoil: Earthquakes, Volcanoes, and Their Impact on Humankind, by Kerry E. Sieh and Simon LeVay, W.H. Freeman, New York, 1998, 275 pages, ISBN: 0716736519

Engineering and Architecture Professional Societies

Society of Professional Engineers, ASPE Alaska Chapter, www.myeterra.com/aspe/

American Institute of Architects, AIA Alaska Chapter, P.O. Box 10-3563, Anchorage, AK 99510-3563 (907) 276-2834. www.aiaak.org

ASFE, The Association of Engineering Firms Practicing in the Geosciences, 8811 Colesville Road, Suite G106, Silver Spring, MD 20910 (301) 565-2733. www.asfe.org

Technical Reports on Regional Planning to Reduce Earthquake Risk

The following documents are all technical in nature and are of most interest to regional planners and residents interested in regional planning.

Earthquake Alaska; Are we prepared? Edited by R. Combellick, R. Head, and R. Updike, 1994, 192 pages, U.S.G.S. Open File Report 94-218. pubs.er.usgs.gov/pubs/ofr/ofr94218

Probabilistic seismic hazard maps for Alaska. By R. Wesson, A. Frankel, C. Mueller, and S. Harmsen, 1999, Probabilistic Seismic Hazard Maps of Alaska: U.S.G.S. Open-File Report 99-36. pubs.er.usgs.gov/pubs/ofr/ofr9936 Updates available at: eqhazmaps.usgs.gov

Geologic-hazards mitigation in Alaska:
A review of federal, state, and local policies. By R.A. Combellick, 1985, Alaska Division of Geological and Geophysical Surveys Special Report 35, 70 pages, $3.00. www.dggs.dnr.state.ak.us/pubseries.html

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Credits:

This pamphlet is based on a pamphlet that originally appeared in the Anchorage Daily News in 1994 on the 30th anniversary of the Good Friday earthquake. The concept for that booklet and much of the text came from a similar publication about the earthquake threat in San Francisco, entitled The Next Big Earthquake in the Bay Area May Come Sooner Than You Think, by Peter Ward, USGS. Additional material came from On Shaky Ground: Living with Earthquakes on the North Coast, by Lori Dengler and Kathy Moley, Humboldt State University.

This pamphlet was prepared by the **Alaska Earthquake Information Center (AEIC)**, the University of Alaska Fairbanks **Geophysical Institute (GI-UAF)**, and the **U.S. Geological Survey (USGS)**, Department of the Interior, in cooperation with the **Alaska Department of Homeland Security and Emergency Management (DHS&EM)**, **Alaska Division of Geological & Geophysical Surveys (ADGGS)**, **NOAA West Coast/Alaska Tsunami Warning Center (WC/ATWC)**, and the **Federal Emergency Management Agency (FEMA),** Department of Homeland Security.
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Anchorage Daily News



Anchorage Museum of History and Art

This pamphlet is meant to be instructional and to provide information that will help you understand and reduce your risk from earthquakes. The information in this publication is believed to be accurate at the time of publication. The agencies and individuals involved in the preparation and distribution of this information assume no responsibility for any damage that arises from any action that is based on information found here. Any use of trade, product, or firm names is for descriptive purposes only and does not imply endorsement by the U.S. Government, the State of Alaska, or any cooperating institution.

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AEIC Alaska Earthquake Information Center
Geophysical Institute, UAF

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FEMA

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ADGGS

WC/ATWC

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Alaska DOT


Guy Tytgat

Back Cover: *Road damage from the Nov. 3rd, 2002 Denali Fault earthquake* ***(top and middle)****.*
GI-UAF graduate student Kelly Kore installing a temporary seismic station to monitor aftershocks from the Denali Fault earthquake ***(bottom)****.*
Front Cover: *Map of earthquakes in Alaska from 1898 to November 2003 (upper right). Earthquake depths: blue 0-33 km, green 33-75 km, orange 75-125 km and red 125+ km. Photograph (lower left) of damage to the Anchorage J.C. Penny building after the 1964 Good Friday earthquake.*

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Alaska Seismic Hazards Safety Commission

Report to the Governor and State Legislature
FEBRUARY 2011



Government Hill School in Anchorage was destroyed by a landslide triggered by the 1964 great Alaska earthquake. Because the earthquake occurred at 5:36 p.m. on Good Friday, no students were in the school and no injuries resulted. School seismic safety is a centerpiece of the Commission's policy recommendations. Photo from USGS Photo Archive.

ASHSC Alaska Seismic Hazards Safety Commission

ALASKA SEISMIC HAZARDS SAFETY COMMISSION

Report to the Governor and Legislature
FEBRUARY 2011

EXECUTIVE SUMMARY

This annual report to the Governor and Legislature from the Alaska Seismic Hazards Safety Commission (ASHSC) reiterates the priority issues and goals of the Commission and identifies its 2010 accomplishments. The report updates the history and status of the Commission, identifies the current membership, lists the accomplishments to date, describes various committee functions, and presents the Commission's recommendations to improve seismic safety in Alaska.

The Federal Emergency Management Agency (FEMA) has estimated in *FEMA 366-HAZUS MH Estimated Annualized Earthquake Losses in the United States* that with its present infrastructure and policies, Alaska will have the second highest average annualized earthquake-loss ratio (ratio of average losses to infrastructure) in the country. Reducing these losses requires public commitment to earthquake-conscious siting, design, and construction. The Seismic Hazards Safety Commission is committed to addressing these issues. Earthquake-risk mitigation measures developed by similar commissions in other states have prevented hundreds of millions of dollars in losses and significant reductions in casualties when compared to other seismically active areas of the world that do not implement effective mitigation measures.

The Commission operates under the powers and duties prescribed by its enacting legislation (Appendix A) and is guided by its Charter (Appendix B) which provides a clear understanding of the Commission's roles and expectations, empowers Commission members, and provides operating guidelines agreed to by all members.

During the past year the Commission has invited numerous governmental and private organizations to give presentations describing their approaches to seismic risk mitigation. These briefings have provided the members of the Commission with opportunities to gain an understanding of current programs and various approaches to seismic risk mitigation, to identify areas of concern, and to focus initial mitigation efforts in these areas. Most of these briefings are available for viewing on the Commission website (http://www.seismic.alaska.gov).

The Commission's efforts in 2010 have reinforced its belief that seismic risk mitigation issues can be addressed in an economical way that will result in improving the quality of life and public safety in Alaska. The Commission presents the following policy recommendations:

Policy Recommendation 1:
Given that schools in Alaska serve not only as educational facilities but also as gathering places for the general public, and that many are designated as emergency shelters in case of a natural disaster, the Commission recommends that the State appropriate the resources necessary to identify those school facilities most at risk from earthquakes.

Policy Recommendation 2:
The Commission recommends that all future school design, construction, and major renovation project funding include monies allotted for seismic risk mitigation tasks, to include:

- *Seismic design by a structural engineer proficient in the design and detailing required for earthquake engineering tasks.*

- *An independent peer review of seismic design calculations and detailing by a qualified structural engineer.*
- *On-site observation of as-constructed earthquake engineering details during construction by a qualified inspector to ensure they are constructed in accordance with the contract documents.*

These and other policy recommendations continue to be addressed through the following Commission Standing Committees:

- Insurance
- Schools
- Earthquake Scenarios
- Education and Outreach
- Hazards Identification
- Response and Recovery
- Partnership

The 2010 activities of these committees are described in more detail in subsequent paragraphs.

Our basic public-policy goal areas remain unchanged from the 2008 Commission report:

- Education
- Guidance
- Assistance
- Implementation

INTRODUCTION

The Alaska Seismic Hazards Safety Commission ("the Commission") is charged by statute (AS 44.37.067; Appendix A) to recommend goals and priorities for seismic hazard mitigation to the public and private sectors; recommend policies to the Governor and the Legislature, including needed research, mapping, and monitoring programs; review the practices for recovery and reconstruction after a major earthquake; recommend improvements to mitigate losses from similar future events; and to gather, analyze, and disseminate information of general interest on seismic hazard mitigation, among other duties, to reduce the state's vulnerability to damage from earthquakes.

The Commission consists of eleven members appointed by the Governor from the public and private sectors for three-year terms. It is administered by the Department of Natural Resources, Division of Geological & Geophysical Surveys (DGGS).

Commission members include: A representative from the University of Alaska, three representatives from local government; a representative from the Department of Natural Resources; a representative of the Division of Homeland Security and Emergency Management; a representative from an appropriate federal agency; a representative of the insurance industry; and three members of the public who are experts in the fields of geology, seismology, hydrology, geotechnical engineering, structural engineering, emergency services, or planning. Six members constitute a quorum. The Commission membership elects its own chair and vice-chair. There is no executive director, although DGGS provides administrative, travel, and publication support.

HISTORY AND STATUS OF THE COMMISSION

In 2002, the 22nd Alaska Legislature passed, and the Governor signed into law, House Bill 53 establishing the Alaska Seismic Hazards Safety Commission with nine members. The legislation originally placed the Commission in the Office of the Governor, but in January 2003, Governor Frank Murkowski issued Executive Order Number 105 transferring the Commission to the Department of Natural Resources. Governor Murkowski appointed the first nine members to the Commission in 2005.

In 2005, the Alaska House of Representatives passed House Bill 83 (HB 83) to extend the Commission to June 30, 2008, add tsunami risks to its purview, and provide two additional Commission positions representing local government. In 2006, the Senate passed a substitute version of HB 83 including the two additional local government positions but omitting specific mention of tsunamis in the Commission's powers and duties. The Senate bill extended the Commission through June 30, 2012. The House concurred with the Senate version and Governor Murkowski signed the bill into law at a Commission meeting on June 16, 2006. Although the revised statute does not specifically include tsunami hazards in the Commission's powers and duties, the definitions in AS 44.37.069 include tsunami inundation as a seismic hazard. Consequently, the Commission addresses tsunamis in its discussions and recommendations. As a result of passage of HB 83, the Commission currently has 11 members.

The Commission first met on October 28, 2005, at which time it elected a Chair and Vice Chair, listened to briefings from the California Seismic Safety Commission and various state and local agencies in Alaska with responsibilities in earthquake-risk mitigation, and began developing goals and priorities for its activities. There were 12 meetings of the Commission through December 2006, six of which were via teleconference. Since 2006, the Commission has held eight to ten meetings annually, generally all but two of which have been via teleconference. Two-day, face-to-face meetings are held twice annually, normally in Anchorage.

The Commission published its first annual report to the Governor and Legislature on April 18, 2006, and has since published reports annually during the state Legislative sessions. A Commission website posts basic information about its mission, earthquake risk in Alaska, meeting agendas, minutes, presentations, and appropriate links. The website address is:

http://www.seismic.alaska.gov

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EARTHQUAKE RISK IN ALASKA

Alaska has more earthquakes than any other region of the United States and is, in fact, one of the most seismically active areas of the world. The devastating January 2010 earthquake in Haiti is a grim reminder of what can happen when a society is not prepared for the furies of nature. The second largest earthquake ever recorded occurred on the Prince William Sound portion of the Alaska–Aleutian megathrust in southern Alaska on March 27th, 1964, with a moment magnitude of 9.2. The largest on-land earthquake in North America in almost 150 years occurred on the Denali fault in central Alaska on November 3rd, 2002, with a magnitude of 7.9. In February through October, 2010, the Alaska Earthquake Information Center recorded 26,077 earthquakes, for an average of 2,900 monthly, including 270 events with magnitude 4.0 or greater, 35 events of magnitude 5.0 or greater and 8 events of magnitude 6.0 or greater. It is not possible to predict the time and location of the next big earthquake, but the active geology of Alaska guarantees that major, potentially damaging earthquakes will continue to occur. The risks to public safety and infrastructure from these future events can be greatly reduced through proper planning, design, and construction.

Alaska has changed significantly since the great 1964 earthquake. The population has more than doubled, but many new buildings are designed to prevent collapse during intense shaking. Some older buildings have been reinforced, and development has been discouraged in some particularly hazardous areas. However, despite these improvements, and because practices to reduce vulnerability to damage from earthquakes and tsunamis are not applied uniformly in regions of high risk, future earthquakes may still cause life-threatening damage to buildings, cause items within buildings to be dangerously tossed about, and disrupt the basic utilities and critical facilities that we take for granted.

In addition to the 1964 and 2002 ruptures, there are other sources of potentially damaging earthquakes in Alaska. These include the Castle Mountain fault in the lower Matanuska–Susitna valley, the Wadati–Benioff zone beneath Anchorage, the active belt of faulting and folding in northern Cook Inlet, the Fairbanks seismic zone, and the Yakataga seismic gap near Yakutat, among others. While the seismic provisions of current Alaska building codes are largely geared toward preventing collapse from the types of shaking that occurred in 1964, earthquakes on these other sources may affect structures differently, in ways that may or may not be ameliorated by the current codes.

Earthquakes of magnitudes that could cause major structural damage and injury to residents continue to occur in Alaska. The interested reader is directed to Appendix C for additional information concerning Alaska earthquake activity in 2010.

SOME ADDITIONAL EARTHQUAKE STATISTICS FOR ALASKA

- Eleven percent of the world's recorded earthquakes have occurred in Alaska.
- Alaska has more frequent earthquakes than the rest of the United States combined.
- Three of the eight largest earthquakes in the world were in Alaska.
- Seven of the ten largest earthquakes in the United States were in Alaska.

Since 1900, Alaska has had an average of:

- One "great" (magnitude 8 or larger) earthquake every 13 years.
- One magnitude 7 to 8 earthquake every two years.
- Six magnitude 6 to 7 earthquakes per year.
- Fifty magnitude 5 to 6 earthquakes per year.
- Three hundred magnitude 4 to 5 earthquakes per year.
- Approximately 2,000 earthquakes recorded in Alaska each month.

It is not possible to predict the time and location of the next big earthquake, but the active geology of Alaska guarantees that major potentially damaging earthquakes will continue to occur. Scientists generally know where large earthquakes are most likely to occur, and have mapped the probable levels of ground shaking to be expected in the state (see centerfold map). With this information, as well as information on soil properties and landslide potential, it is possible to estimate earthquake risks in any given area. It is also possible to estimate the potential for earthquakes to generate tsunamis, and to model the extent to which tsunamis will inundate coastal areas.

COMMISSION ACCOMPLISHMENTS IN 2010

The Commission's standing committees continued to be active in 2010. Sam Kito from the Alaska Department of Education and Early Development continued to assist the Schools Committee and Joanne Bennett from the Alaska Division of Insurance has been an active participant on the Insurance Committee. Both of these individuals bring a wealth of experience to committee activities.

2010 accomplishments include:

1. Held five telephonic and two face-to-face (two day) meetings of the Commission.
2. Participated in the following briefings on seismic risk mitigation from the following agencies and discussed the Commission's activities as they relate to work being accomplished elsewhere:
   a. United States Geological Survey (USGS) Advanced National Seismic System (ANSS)
      (1) Up-to-date Synopsis of Alaska Seismic Network Issues—Bill Leath/USGS
      (2) Future of the Strong Motion Program in Alaska—Erol Kalkan/USGS
   b. Alyeska Pipeline Service Company and Alaska Earthquake Information Center (AEIC)
      (1) Seismic Monitoring of the Alyeska Pipeline—Jim Roddick/Alyeska, Roger Hansen/AEIC
   c. Alaska Division of Geological & Geophysical Surveys (ADGGS)
      (1) Active Fault Identification in Alaska and Haiti Earthquake Briefing—Rich Koehler/ADGGS
   d. Oregon Department of Geology and Mineral Industries (DOGAMI)
      (1) Seismic Risk Mitigation in Oregon Schools—Yumei Wang/DOGAMI
   e. California Earthquake Authority (CEA)
      (1) Earthquake Insurance—Glenn Pomeroy/CEA
   f. West Coast and Alaska Tsunami Warning Center (WCATWC)
      (1) Update of WCAWTC Activities—Bill Knight/WTCTWA
   g. United States Geological Survey (USGS)
      (1) Earthquake Hazards Work in Alaska—Peter Haeussler/USGS
   h. Alaska Department of Natural Resources (ADNR)
      (1) Proposed Underground Natural Gas Storage Facility Permitting—Tom Crafford/ADNR
   i. Chugach Electric Association (CEA)
      (1) Utilities Seismic Risk Mitigation Activities—Kevin Dunham/CEA

3. The Commission sponsored, in conjunction with the Earthquake Engineering Research Institute and the University of Alaska Anchorage School of Engineering, the Joyner Lecture presented by Art Frankel/USGS, titled *Progress and Controversy in Seismic Hazard Mapping*.
4. The Commission Chair gave 1-hour earthquake briefing presentations to each of the following organizations:
   a. Alaska Partnership for Infrastructure Protection (APIP)
   b. Chugach Electric Association (CEA)
   c. Pioneers of Alaska Igloos 4 and 15
   d. Alaskan Command and Joint Task Force-Elmendorf AFB
5. The Commission Chair prepared the training material for a 2-day Commission-sponsored course on Post-disaster Safety Assessment of Facilities, for presentation February 23–24, 2011.
6. The Commission Chair developed and facilitated a meeting of other state seismic risk mitigation agency members at the 2010 annual meeting of the Western States Seismic Policy Council (WSSPC) in Denver, Colorado. Attendees included representatives from Alaska, California, Colorado, Hawaii, Nevada, Oregon, Utah, Washington, the Federal Emergency Management Agency (FEMA), and the Western States Seismic Policy Council (WSSPC).
7. Developed and published the fifth annual report to the Governor and Legislature in January 2010.
8. The Commission began discussions with the Kodiak Island Borough concerning developing an earthquake planning scenario to be used as a tool for developing seismic risk mitigation policies and response plans.
9. Collaborated with the Alaska Board of Education and Early Development (ADEED) in developing a new capital improvement project application form for districts that specifically addresses seismic issues. Continued working with ADEED to prioritize the identification of schools at greatest seismic risk.
10. Communicated with other state seismic hazard safety commissions, including Oregon's, to identify best means for improving the seismic safety of schools. Topics included legislation, identification, prioritization, funding, and retrofit.
11. Established a link with the Division of Insurance to their publication: *2009 Homeowners Insurance Guide*, which includes a section on earthquake insurance.
12. Established a liaison with the Division of Insurance to develop a relationship to facilitate pursuit of Insurance Committee goals.
13. Exercised the procedure for convening the Commission rapidly in the event of a significant seismic event in the State to provide immediate advice to the Governor during the incident response and recovery phase. The procedure was successfully exercised during the Statewide Tsunami Warning test on March 24, 2010, and during the Statewide Alaska Shield/Northern Edge Exercise the week of April 26–30, 2010.
14. Reviewed and sent forward to the entire Commission for comment, the seismic sections of the draft State Hazard Mitigation Plan 2010 update. The seismic hazard descriptions, goals, and objectives were reviewed and revised by the entire Commission and forwarded to the State Division of Homeland Security and Emergency Management for inclusion in the FEMA-approved State plan.
15. Provided an opportunity for the Commission to review the seismic sections of community Emergency Operations Plans as requested.
16. Provided an opportunity for Commissioners to enroll in and complete the National Incident Management System (NIMS) training in Incident Command System course 100 (ICS 100) in a step to bring the Commission into accreditation with federal and State NIMS requirements.
17. Co-sponsored a training course on hospital structural and non-structural earthquake mitigation for the primary healthcare providers in Southcentral Alaska.
18. Continued to support Commission representation on the State Hazard Mitigation Advisory Committee (SHMAC) that advises the Governor's Disaster Policy Cabinet on use of State mitigation funds, policy, and planning.

COMMITTEE ACTIVITIES

Schools Committee

Assessing and minimizing loss due to structural instability of critical facilities in the event of a major seismic incident is a major priority of the Commission. Critical facilities of concern are schools, hospitals, clinics; fire, rescue, and police stations; plus jails and detention facilities. Other important infrastructure at potential risk also includes military bases, airports, college complexes, harbors, and utility systems (communications, electric, oil, transportation, water, and wastewater). Schools remain a major focus, however, due to the number of facilities within the state, their high occupancies, and common designation as emergency shelters (see centerfold map).

In an effort to begin mitigating earthquake risk to critical facilities, the following approaches for addressing the issue include:

- Assist in prioritizing the identification and mitigation of at-risk facilities; initially focusing on schools, due to high occupancies and common use as emergency shelters.
- Develop work plan(s) in collaboration with state and local agencies/governments.
- Advocate cost-benefit analyses for both existing and new construction.
- Identify current legislation/programs, including those adopted by other states/countries. Foster contacts with successful proponents.
- Identify pertinent code and construction requirements and potential limitations.
- Recommend improvements including policy changes, legislation, and public outreach.

The Commission believes that focusing on schools will provide the greatest potential cost/benefit to the State. Schools, especially in smaller communities, tend to be some of the most important and most heavily occupied structures. Collapse during an earthquake would not only be devastating to the occupants, but also to the recovery of a community if the structure could no longer be used for emergency shelter in Alaska's harsh climate and isolated communities. Globally, schools are becoming the main focus for prioritizing structural mitigation, especially given widespread collapses during recent earthquakes in China (2008) and Haiti (2010). Even damage to schools during past smaller U.S. earthquakes, such as the 2001 Nisqually (Seattle) Earthquake, have highlighted the need.

Schools Committee Activities in 2010:

- Collaborated with the Alaska Department of Education and Early Development (ADEED) in developing a new capital improvement project application form for districts that specifically addresses seismic issues. Requirements were added to include costs to professionally assess seismic hazards, and mitigate seismic risk via investigation, design, and special construction inspections for any major project involving a school facility. The recommended changes are scheduled for implementation in 2012.
- Continued working with ADEED to prioritize identifying schools at greatest seismic risk.
- Communicated with other state seismic hazard safety commissions, including Oregon's, to identify best means for improving the seismic safety of schools. Topics included legislation, identification, prioritization, funding, and retrofit.
- Arranged for Yumei Wang, Geotechnical Engineer, Oregon Department of Geology and Mineral Industries, to speak to the Commission about Oregon's public schools and emergency facilities seismic-risk mitigation program.

Schools Committee Plan for 2011 (see pages 16–17 for map showing public schools and earthquake hazards in Alaska)**:**

- Continue work with ADEED to identify existing at-risk school structures and prioritize seismic mitigation.
- Maintain and foster relationships with other organizations and commissions involved with improving school seismic safety.
- Further review state policies and procedures related to constructing and maintaining critical facilities and infrastructure, with a focus on identifying and improving resiliency in the event of a major earthquake.
- Continue to seek funding to identify and retrofit critical structures at risk of damage or collapse during a major seismic event.
- Continue to advocate policy changes, legislation, and public outreach that mitigates earthquake risk.

Insurance Committee

As part of the Alaska Seismic Hazard Safety Commission's Charter, the Insurance Committee seeks to bring awareness of issues concerning availability and its importance to Alaskans through ongoing education. The committee set three goals at the outset of the year. These were:

1. Provide basic information on the ASHSC website that is easily accessible to the above audience concerning earthquake exposures, insurance availability, and personal safety measures. Consider links to other State of Alaska sites.
2. Publish an informational brochure for the public about earthquake and tsunami risks, insurance, and choice. Find venues for distributing this information.
3. Work with the Division of Insurance to provide information on hazards throughout the state, define steps that can mitigate those hazards, and assist as needed to attract additional carriers to the Alaska market who will provide affordable earthquake insurance to citizens throughout the state.

In working toward these goals, the committee this year accomplished the following:

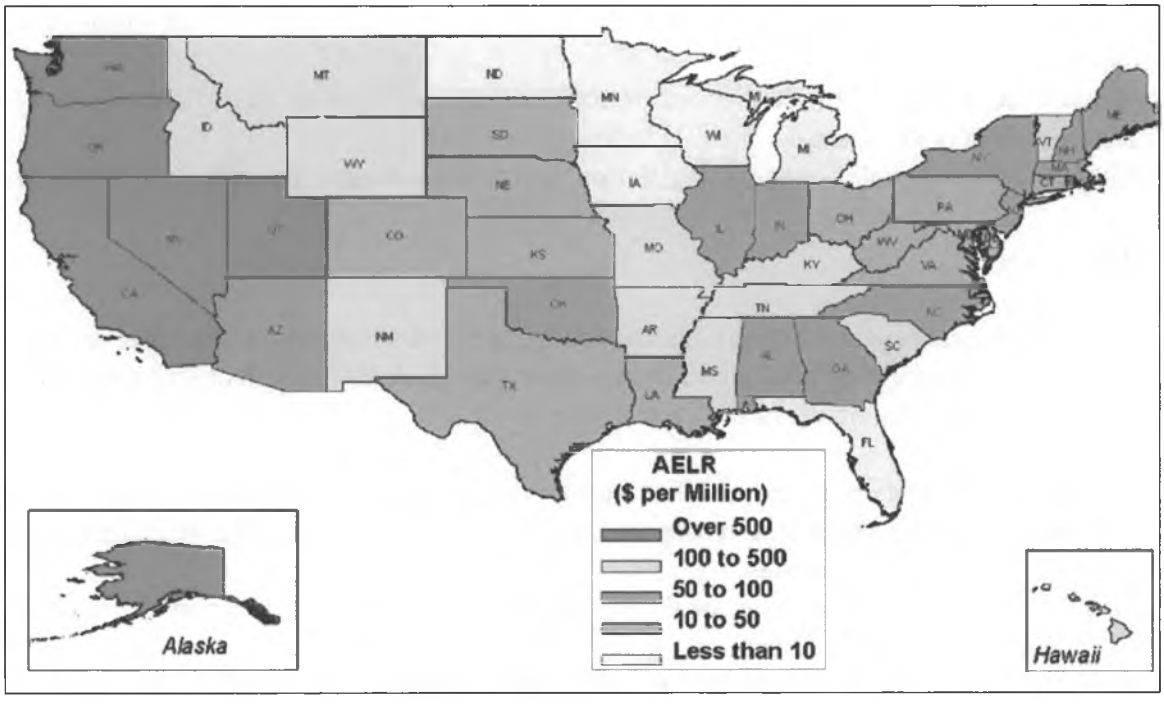
- Presented to the ASHSC a video interview of the Division of Insurance Commissioner about earthquake insurance in Alaska.
- Facilitated a presentation from Glenn Pomeroy, CEO of the California Earthquake Authority, about their unique system and how it might be adapted for Alaska.
- Established a link with the Division of Insurance to their publication, *2009 Homeowners Insurance Guide*, which includes a section on earthquake insurance.
- Established a liaison with the Division of Insurance to develop a relationship through which to pursue goals 2 and 3 in the next year.

The white paper originally written for the ASHSC website in 2006 was updated with current information about insurance in Alaska as well as effects felt from the most recent global events.

Earthquake Scenario Committee

An earthquake scenario is a planning tool that helps people understand earthquakes and plan for the future. Earthquake scenarios have been used successfully in several areas of the U.S. to identify weaknesses in the

built environment as well as vulnerable interdependencies among utility and transportation systems that could result in multiple or cascading failures even if only one system fails. Communities, state and federal agencies, private industry, and emergency response organizations use scenarios as tools to increase public awareness, develop risk-reduction strategies, and plan for response and mitigation. The Western States Seismic Policy Council, in its adopted Policy Recommendation 09-1, recommends "that each member state, province, and territory establish an active program to produce Earthquake Planning Scenarios for areas with high risk of earthquake losses."



Projected Annualized Earthquake Loss Ratio (AELR) by State from FEMA 366 report.

Earthquake scenarios begin by defining a hypothetical but geologically realistic earthquake suitable for the purpose of the scenario. Depending on the complexity and desired results, a scenario may describe the types and severity of shaking and ground breakage likely to result; the likely impacts to facilities, including types and extent of damage to buildings according to building type and age; and disruptions to utilities and transportation systems. A scenario may also describe secondary effects such as tsunamis, fire, and toxic materials release; estimate the numbers of deaths, injuries, and dollar value of losses by building type; and estimate the long-term business losses and socioeconomic consequences. The resulting information provides the basis for planning earthquake-response exercises, prioritizing and pre-locating response resources, and developing mitigating measures for reducing vulnerability to future earthquakes.

Developing an earthquake scenario requires assembling pertinent geologic and seismologic data for a realistic event, compiling and updating building and utility system inventory information for the affected region, assigning seismic fragilities to the building stock, and assembling current data on population demographics. Loss-estimation technology such as FEMA's HAZUS software is often used to model the event, incorporating all the compiled data. The results are then documented in one or more reports and presentations to all interested groups. If done effectively, a scenario helps decision makers visualize specific impacts that are based on currently accepted scientific and engineering knowledge, providing a powerful tool for private industry, government officials, and the general public to develop effective mitigation policies and programs.

Scenario Committee Activities in 2010

The Earthquake Scenario committee is working on ways to promote the development of scenarios that help identify and mitigate seismic risk in Alaska. During 2010, the committee performed the following tasks:

- Following its plan for 2010 as stated in the Commission's 2009 annual report, the committee worked toward promoting earthquake scenarios. In view of the limited resources likely available, the committee decided to start with relatively small, community-based scenarios that are limited in scope, such as by focusing on certain types of facilities or small areas.
- In recognition of community interest, recent successful work on school seismic safety, and support from the U.S. Coast Guard, the committee decided to promote and, to the extent possible, support development of a HAZUS Level 2 scenario for the Kodiak area.
- The committee drafted a letter, which was signed and sent by the Commission chair to the Community Development director for the Kodiak Island Borough, offering to help coordinate and oversee development of a scenario as described above.
- FEMA offered to run the HAZUS Level 2 loss estimation for Kodiak once the input data, such as earthquake source model, building inventory, and demographic data, are provided. The committee contacted FEMA to indicate its interest in helping to develop the scenario and to make it clear that the Commission will take an active role in monitoring the process and reviewing the draft products.

Scenario Committee Plan for 2011

The scenario committee will help coordinate a community approach to development of an earthquake scenario for Kodiak, involving scientists, engineers, policy makers, and emergency managers, and soliciting as much volunteer support as possible. The committee will work with the Kodiak Island Borough, U.S. Coast Guard, City of Kodiak, FEMA, and other interested parties to develop the input data needed for a HAZUS Level 2 loss estimation for Kodiak and surrounding area including the Coast Guard base. In moving forward, a significant portion of the effort will be to generate interest and solicit involvement by community organizations, local professionals, and businesses. The committee will consider submitting proposals to the National Earthquake Hazard Reduction Program and Earthquake Engineering Research Institute for support in developing this scenario.

Hazards Identification Committee

Seismic hazards include a number of physical phenomena generated by earthquakes that have the potential to cause damage to the state's infrastructure and compromise the safety of Alaska's residents and visitors. The most common and widespread seismic hazard is strong ground motion. Surface fault rupture, seismically triggered landslides and snow avalanches, ground failure including liquefaction, ground settlement, and subsidence, and seiches and tsunamis are also significant seismic hazards in many regions of the state. Identification and characterization of seismic hazards is fundamental to developing mitigation strategies and reducing losses from earthquakes.

The Hazards Identification committee was established to provide guidance through the Commission to the Governor, the Legislature, and the public regarding location and characteristic of the state's seismic hazards. The committee includes commission members with expertise in earthquake geology, seismicity, engineering, and seismic hazard mitigation.

The goals of the Hazards Identification Committee are to promote:

- Identification and characterization of seismic hazards in Alaska
- Definition and description of seismic risks
- Seismic risk and hazard research
- Dissemination of seismic hazard and risk information to the state and local governments, the public, business and industry, and the scientific and professional communities.

Hazards Identification Committee Activities in 2010

In 2010 the Hazards Identification Committee focused its efforts on improving the understanding of Alaska's seismic hazards and the state's seismic risks. This effort included gathering information and continuing the discussion of the present state of knowledge regarding seismic sources. This effort is directed toward the development of a comprehensive overview of the seismic hazards and risks in Alaska and an approach to effectively communicate this information to private and public users.

One of the primary goals of the ASHSC is reduction of future earthquake losses in Alaska. In 2008 the commission recognized the urgent need to better understand sources of potentially damaging earthquakes in Alaska to meet this goal. In 2009 the Hazards Identification Committee encouraged the State Geologist to resurrect a previously initiated program by the Alaska Division of Geological and Geophysical Surveys (ADGGS) to develop an inventory and database of active and potentially active faults in the state and to initiate a field program aimed at evaluating fault hazards affecting infrastructure development. These efforts are now being addressed by ADGGS with the addition of a new position to their professional staff. This new addition to ADGGS's professional staff is to complete the database of active and potentially active faults in Alaska in 2011. Committee members were also active in preparing for the Association of Environmental and Engineering Geologists (AEG) annual national meeting to be held in Anchorage in September 2011.



Denali fault displacement on Canwell Glacier.

Hazards Identification Committee Plan for 2011

To further address its goals the committee has started the development of a comprehensive white paper summarizing the present state of knowledge of the state's seismic hazards and risks. A draft of this paper is in progress and partially completed. Completion of the white paper will be one of the principal objectives of the committee in the coming year.

The chair of the Hazards Identification Committee, in collaboration with the newly hired ADGGS paleoseismologist, plan to sponsor and co-chair a technical session and symposium on seismic hazards and risks in Alaska at the Association of Environmental and Engineering Geologists (AEG) annual national meeting in Anchorage in September 2011.

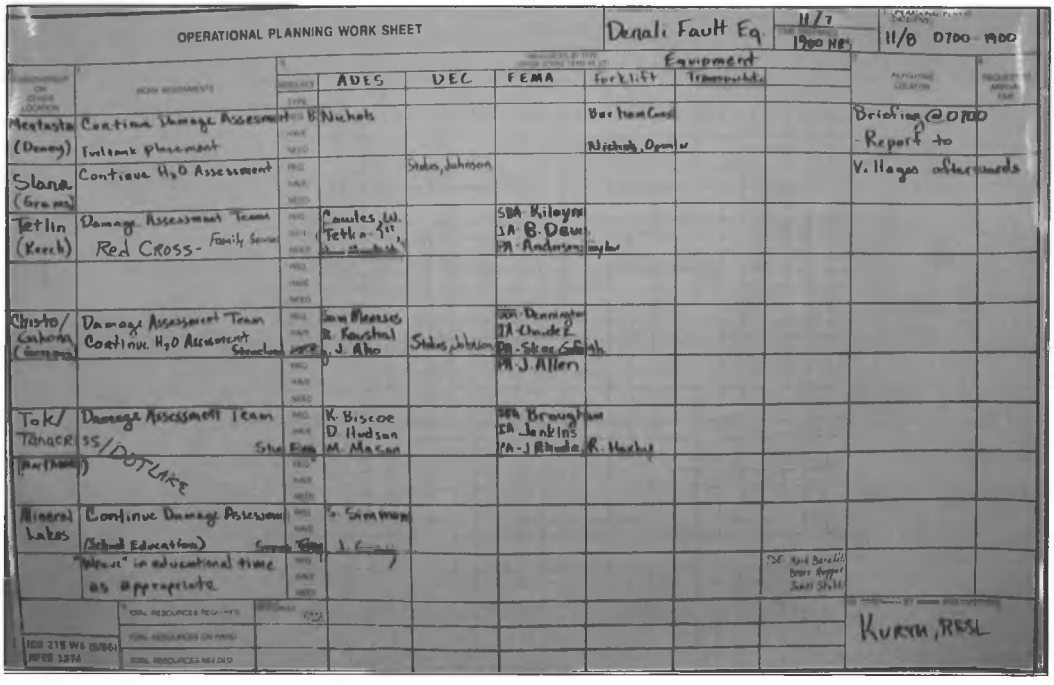
Hazards Identification Committee Challenges

One of the principal challenges to seismic hazard identification and risk definition in Alaska is the limited database and lack of a comprehensive inventory of information concerning seismic sources and their characteristics. The size of Alaska, the limited access in much of the state, and the very small community of earthquake scientists and engineers working in the state also present a significant challenge to meeting the goals of the ASHSC Hazards Identification Committee.

Response and Recovery Committee

Committee Activities in 2010:

- Exercised the procedure for convening the Commission rapidly in the event of a significant seismic event in the state to provide immediate advice to the Governor during the incident response and recovery phase. The procedure was successfully exercised during the Statewide Tsunami Warning test on March 24, 2010, and during the Statewide Alaska Shield/Northern Edge Exercise the week of April 26–30, 2010. A two-thirds Commission quorum was achieved in both exercise tests. The Committee also hosted a discussion of the Commission's role in the month following a significant seismic event including draft proposed legislation and policy recommendations.



Denali fault earthquake schedule for response team investigations (photo by John Aho).

- Reviewed and sent forward to the entire Commission for comment, the seismic sections of the draft State Hazard Mitigation Plan 2010 update. The seismic hazard descriptions, goals, and objectives were reviewed and revised by the entire Commission and forwarded to the State Division of Homeland Security and Emergency Management for inclusion in the FEMA-approved State plan.
- Provided an opportunity for the Commission to review the seismic sections of community Emergency Operations Plans as requested.

- Participated in the curriculum revision and training schedule for the State Post Disaster Damage Assessment (PDDA) program.
- Provided an opportunity for Commissioners to enroll in and complete the National Incident Management System (NIMS) training in Incident Command System course 100 (ICS 100) in a step to bring the Commission into accreditation with federal and State NIMS requirements.
- Co-sponsored a training course on hospital structural and non-structural earthquake risk mitigation for the primary healthcare providers in south-central Alaska.
- Continued support for Commission representation on the State Hazard Mitigation Advisory Committee (SHMAC) that advises the Governor's Disaster Policy Cabinet on use of State mitigation funds, policy, and planning.
- Continued support for Commission representation on the Alaska Partnership for Infrastructure Protection (APIP), an Alaska Emergency Management–private sector stakeholder partnership.

Planned Committee Activities in 2011:

- Refine the Commission's role one month and six months following a significant seismic event in the state, including draft legislation and policy recommendations that can be proposed.
- Draft a "Continuity of Operations" (COOP) plan to provide for continuing critical Commission functions in the event of an interruption of standard Commission operation.
- Provide an annual review of the seismic sections of the State Hazard Mitigation Plan goals that related to the Seismic Safety Hazards Commission.
- Co-sponsor Post Disaster Damage Assessment (PDDA) training in Anchorage in 2011.
- Co-sponsor earthquake structural and non-structural mitigation training in Fairbanks in 2011.
- Co-sponsor PDDA training in Fairbanks in 2011.
- Support planning for the 2014 anniversary of the 1964 great Alaska earthquake to include training and outreach on earthquake and tsunami emergency response.
- Continue the Commission's availability for review of seismic sections of community emergency operations plans.
- Continue the Commission's availability for consultation on emergency response exercises to seismic events.
- See all Commissioners successfully complete the Incident Command System (ICS) 100 course.
- Develop a post earthquake data clearinghouse process that sets in place a procedure, structure, and organization to capture—for Alaska State use—all data, photos, records, and notes produced from post earthquake investigations conducted in Alaska following a significant seismic event.
- Test the Commission's significant earthquake incident procedure during the March 2011 tsunami warning "live code" test during Tsunami Awareness week—the week of the anniversary of the 1964 great Alaska earthquake.

Education and Outreach Committee

The committee continues to focus on developing information for the Governor's office, Legislators, administrative agencies, local governments, local emergency planning groups, and industry groups. Activities were somewhat limited due to the Committee Chair spending much of his time outside of Alaska as a member of the Gulf Oil Spill cleanup advisory team.

Education and Outreach Committee Activities in 2010

Activities included:

- Working with the University of Alaska Anchorage School of Engineering, the Earthquake Engineering Research Institute and Art Frankel of the USGS to have the 2010 Joyner Lecture—Progress and Controversy in Seismic Hazard Mapping—presented in Anchorage.
- Delivered earthquake briefing presentations to several public, private, and Federal agencies.
- Continued to work with the Earthquake Engineering Research Institute on sponsorship of the 2014 National Conference on Earthquake Engineering to be held in Anchorage, Alaska.



One of the Denali fault earthquake response teams in Mentasta, Alaska (photo by John Aho).

Committee Plan for 2011

The committee will continue to address the following items:

- Complete development of the Post Disaster Safety Assessment Training Program
- Present training for individuals interested in the training program noted above.
- Continue to have briefings from outside interests that are concerned with seismic risk mitigation issues.
- Continue to present earthquake briefings as requested.
- Develop an informative brochure that describes the Commission and its activities.
- Develop an Alaska Seismic Hazards Safety Commission (ASHSC) Glossary of Terms
- Work with the University of Alaska Anchorage and the Earthquake Engineering Research Institute to invite the 2011 Joyner Lecturer to Anchorage for their presentation.

Partnership Committee

The Commission's enacting legislation charges them to "establish and maintain necessary working relationships with other public and private agencies." The purpose of the ASHSC Partnership Committee is to investigate potential relationships.

ALEUTIAN ISLANDS (CONT.)
– NO SCHOOLS AT PRESENT

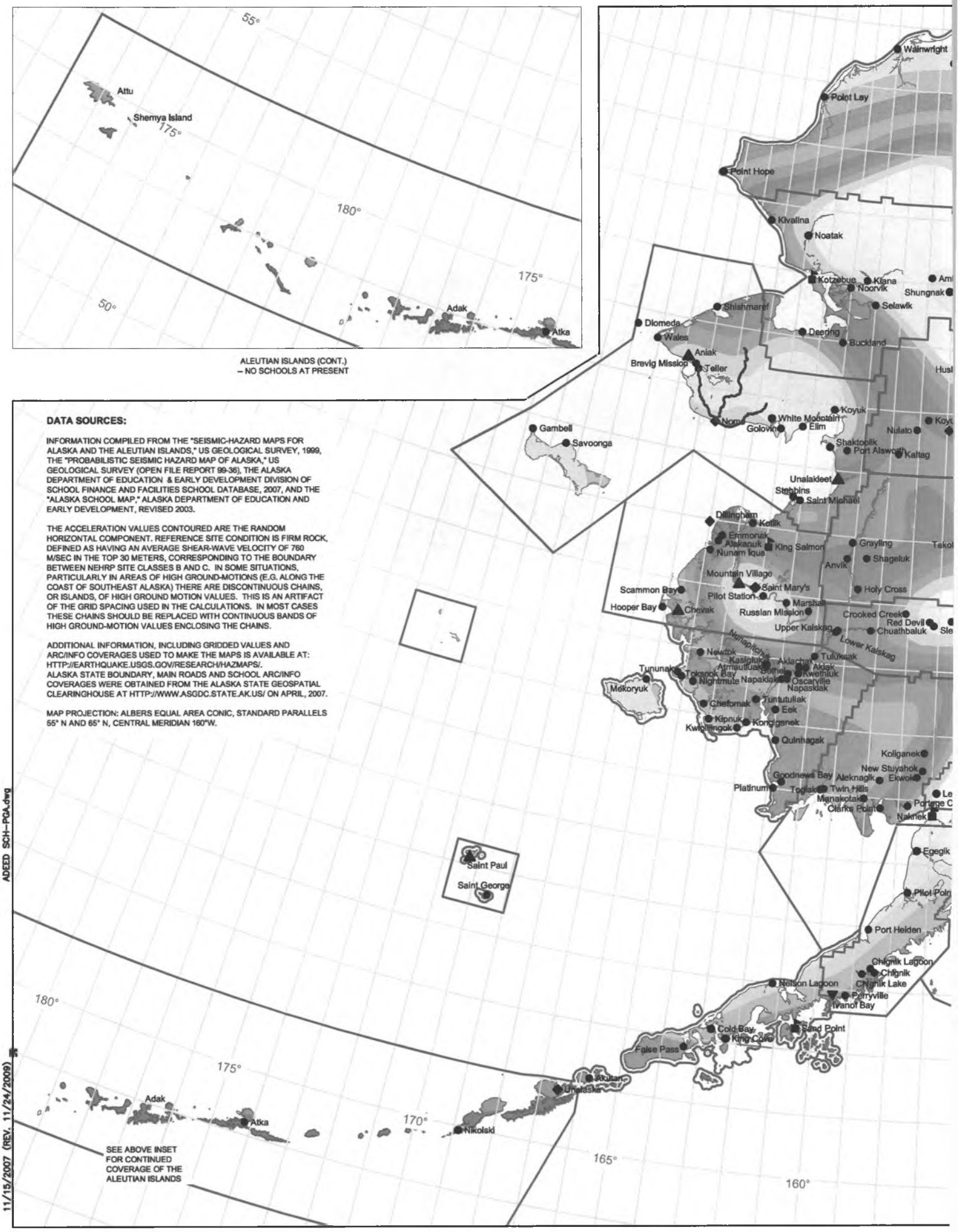
DATA SOURCES:

INFORMATION COMPILED FROM THE "SEISMIC-HAZARD MAPS FOR ALASKA AND THE ALEUTIAN ISLANDS," US GEOLOGICAL SURVEY, 1999, THE "PROBABILISTIC SEISMIC HAZARD MAP OF ALASKA," US GEOLOGICAL SURVEY (OPEN FILE REPORT 99-36), THE ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT DIVISION OF SCHOOL FINANCE AND FACILITIES SCHOOL DATABASE, 2007, AND THE "ALASKA SCHOOL MAP," ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, REVISED 2003.

THE ACCELERATION VALUES CONTOURED ARE THE RANDOM HORIZONTAL COMPONENT. REFERENCE SITE CONDITION IS FIRM ROCK, DEFINED AS HAVING AN AVERAGE SHEAR-WAVE VELOCITY OF 760 M/SEC IN THE TOP 30 METERS, CORRESPONDING TO THE BOUNDARY BETWEEN NEHRP SITE CLASSES B AND C. IN SOME SITUATIONS, PARTICULARLY IN AREAS OF HIGH GROUND-MOTIONS (E.G. ALONG THE COAST OF SOUTHEAST ALASKA) THERE ARE DISCONTINUOUS CHAINS, OR ISLANDS, OF HIGH GROUND MOTION VALUES. THIS IS AN ARTIFACT OF THE GRID SPACING USED IN THE CALCULATIONS. IN MOST CASES THESE CHAINS SHOULD BE REPLACED WITH CONTINUOUS BANDS OF HIGH GROUND-MOTION VALUES ENCLOSING THE CHAINS.

ADDITIONAL INFORMATION, INCLUDING GRIDDED VALUES AND ARC/INFO COVERAGES USED TO MAKE THE MAPS IS AVAILABLE AT: HTTP://EARTHQUAKE.USGS.GOV/RESEARCH/HAZMAPS/. ALASKA STATE BOUNDARY, MAIN ROADS AND SCHOOL ARC/INFO COVERAGES WERE OBTAINED FROM THE ALASKA STATE GEOSPATIAL CLEARINGHOUSE AT HTTP://WWW.ASGDC.STATE.AK.US/ ON APRIL, 2007.

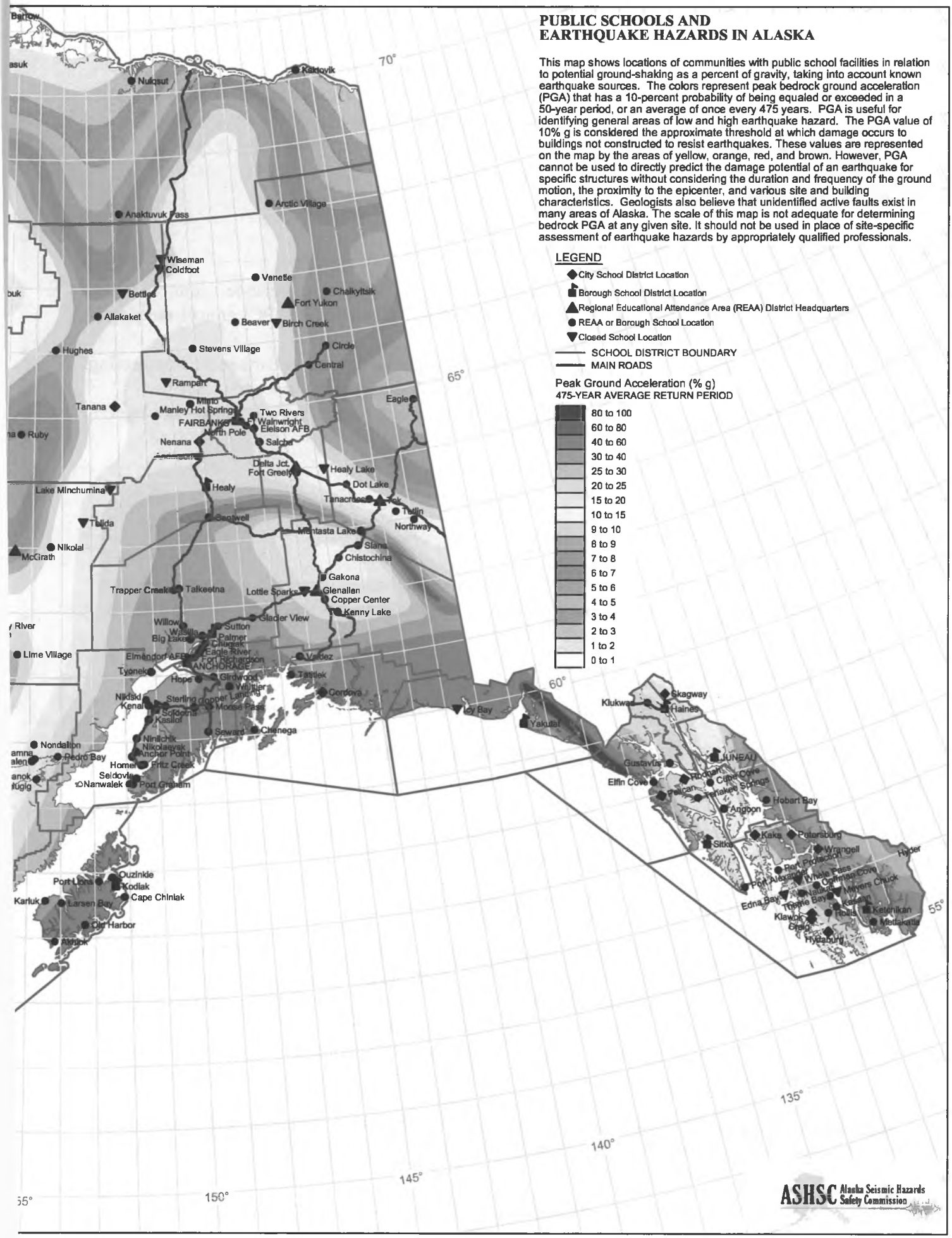
MAP PROJECTION: ALBERS EQUAL AREA CONIC, STANDARD PARALLELS 55° N AND 65° N, CENTRAL MERIDIAN 160°W.



SEE ABOVE INSET FOR CONTINUED COVERAGE OF THE ALEUTIAN ISLANDS

ADEED SCH--PGA.dwg

11/15/2007 (REV. 11/24/2009)



PUBLIC SCHOOLS AND EARTHQUAKE HAZARDS IN ALASKA

This map shows locations of communities with public school facilities in relation to potential ground-shaking as a percent of gravity, taking into account known earthquake sources. The colors represent peak bedrock ground acceleration (PGA) that has a 10-percent probability of being equaled or exceeded in a 50-year period, or an average of once every 475 years. PGA is useful for identifying general areas of low and high earthquake hazard. The PGA value of 10% g is considered the approximate threshold at which damage occurs to buildings not constructed to resist earthquakes. These values are represented on the map by the areas of yellow, orange, red, and brown. However, PGA cannot be used to directly predict the damage potential of an earthquake for specific structures without considering the duration and frequency of the ground motion, the proximity to the epicenter, and various site and building characteristics. Geologists also believe that unidentified active faults exist in many areas of Alaska. The scale of this map is not adequate for determining bedrock PGA at any given site. It should not be used in place of site-specific assessment of earthquake hazards by appropriately qualified professionals.

LEGEND

- City School District Location
- Borough School District Location
- Regional Educational Attendance Area (REAA) District Headquarters
- REAA or Borough School Location
- Closed School Location
- SCHOOL DISTRICT BOUNDARY
- MAIN ROADS

Peak Ground Acceleration (% g)
475-YEAR AVERAGE RETURN PERIOD

- 80 to 100
- 60 to 80
- 40 to 60
- 30 to 40
- 25 to 30
- 20 to 25
- 15 to 20
- 10 to 15
- 9 to 10
- 8 to 9
- 7 to 8
- 6 to 7
- 5 to 6
- 4 to 5
- 3 to 4
- 2 to 3
- 1 to 2
- 0 to 1

ASHSC Alaska Seismic Hazards Safety Commission

The basic goals of developing partnerships are to:

- Promote combined efforts to reduce the loss of life and property
- Conduct education efforts to motivate key decision makers to reduce risks associated with earthquakes
- Foster productive connections between scientists, critical infrastructure providers, businesses, and government agencies to improve the viability of communities after an earthquake event.

Partnership Committee Activities in 2010

The committee was involved in the following activities:

- The ASHSC Chair developed the agenda and facilitated a meeting of seismic commission and agency individuals at the Western States Seismic Policy Council (WSSPC) annual meeting in Denver, Colorado
- Continued to address planning aspects for the 2014 National Conference on Earthquake Engineering.
- Became actively involved in the Alaska Partnership for Infrastructure Protection (APIP).
- Through involvement in APIP, the ASHSC Chair was asked to give several earthquake briefing presentations during 2010.

Partnership Plan for 2011

The following tasks will be addressed in 2011:

- Will continue to seek partnership opportunities with organizations, agencies, and public entities.
- Will make formal contact with seismic safety commissions in other areas of the United States as a follow-up to the Denver meeting identified above.
- Work will continue on the 2014 National Conference on Earthquake Engineering, expected to draw 1,000–1,500 professionals to Anchorage from around the world.
- Continue to develop relationships within the Alaska Partnership for Infrastructure Protection (APIP).

SEISMIC-RISK ISSUES BEING ADDRESSED BY THE ALASKA SEISMIC HAZARDS SAFETY COMMISSION

The following issues relating to seismic risk mitigation have served as a guide to developing the path forward for the Commission and for the formation of standing committees.

1. Assess the Structural Stability of Critical Facilities

Description of the Issue: Some existing critical buildings in the state may not be constructed in a manner to withstand future earthquake and tsunami events. A specific concern is school buildings. Hospitals, clinics, and fire, rescue, and police stations across the state are also vulnerable to failure. Also at possible risk are large Federal, State, and private complexes such as military bases, Coast Guard stations, airports, college campuses, harbors, power-generating stations, communication centers, water and waste-water treatment facilities, jails and detention facilities, pipelines, and highways and bridges.

Importance of the Issue: If attention is not brought to bear on this issue before a damaging earthquake or tsunami, communities in the state could see massive structural failure of important community facilities,

resulting in human casualties, economic loss, and environmental damage. Furthermore, Alaska's remote nature and extreme weather conditions can cause delays in response efforts and put displaced building occupants at severe risk from exposure. Adequate preparedness is imperative to timely rapid response and recovery from a significant seismic event.

Benefits of Addressing the Issue: Some private and public entities have taken important steps to improve the seismic resistance of key facilities and infrastructure. For example, prior to constructing the Trans-Alaska Pipeline System, Alyeska hired geologists and engineers to specifically address seismic hazards. The resulting design and earthquake-resistant construction prevented the spillage of any oil during the magnitude 7.9 Denali fault earthquake of November 3, 2002. The Alaska Department of Transportation & Public Facilities is undertaking a seismic retrofit program for State-owned bridges, and is focusing on upgrading bridges that provide critical access to communities. Some boroughs and cities across the State have taken the initiative to identify and begin retrofitting seismically vulnerable school buildings and other essential facilities.

Despite the newness of most construction in Alaska and implementation of modern building codes, many buildings and key parts of our infrastructure remain vulnerable due to proximity to seismic hazards, some of which are known and others of which are poorly understood. Building codes continue to change and have been significantly upgraded in the period between 1976 and 1997. The Federal Emergency Management Agency (FEMA) and earthquake consortia such as the Cascadia Regional Earthquake Workgroup (CREW) in the Pacific Northwest have long recognized that addressing the problems prior to a catastrophic event can have longstanding benefits in the future. However, building codes are often inadequately implemented and recommendations of advisory bodies are often ignored.

How the Commission Can/Will Address the Issue: The Commission will encourage mitigation efforts by presenting information about earthquake hazards and risk and suggesting approaches to addressing the strengthening of at-risk critical facilities. Public education must include the correct mix of information on potential damage and suggestions of effective actions to be taken.

2. Address the Importance of Earthquake Insurance

Description of the Issue: Catastrophic natural perils, particularly earthquakes, are unpredictable, relatively infrequent, and can be financially disastrous. Earthquake risk is especially difficult to insure against because insurers are unable to accumulate adequate reserves for losses of such high severity and low frequency.

Importance of the Issue: Insurers are unwilling to provide insurance in a market where premium rates are inadequate to create the reserves necessary to pay for damages in the event of a major earthquake. This can create a severe deficiency in availability of insurance as existing insurers withdraw from the market and new insurers are unwilling to enter.

Benefits of Addressing the Issue: Improved pre-loss mitigation efforts, such as retrofitting existing structures; emergency planning to speed post-loss recovery; and actuarially sound earthquake insurance rates encourage additional insurers to enter the market. This in turn improves availability of insurance products and results in more competitive premiums.

How the Commission Can/Will Address the Issue: The Commission can encourage development of public–private partnerships that provide education and mitigate the potential impact of future events. We will examine the seismic-hazard information needs of the insurance industry and provide recommendations for improvement.

3. Approaches to Seismic Risk Mitigation in Future Building Construction

Description of the Issue: Sustainable development entails maintaining environmental quality, improving a community's quality of life, and fostering social equity while maintaining a healthy economy. Therefore, sustainable development includes incorporating disaster resilience and mitigation into a community's decisions and actions. Building codes normally have a performance goal of life safety, which is considered a minimum safety level, but are typically the maximum level to which buildings are designed. Codes do not appropriately address the effects of ground failure or ground-shaking amplification, or provide guidance to designers and construction contractors.

Importance of the Issue: Communities need to know the potential earthquake risk and impacts at a structure site and should implement appropriate standards to mitigate the identified risk so new buildings are not subjected to the effects of massive ground failure and strong ground shaking.

Benefits of Addressing the Issue: The results of addressing the issue are more effective mitigation and an assurance that countermeasures are not only adequate but that the cost of implementation is not prohibitive.

How the Commission Can/Will Address the Issue: The Commission will encourage continued Federal, State, and private partnerships in updating ground-failure susceptibility mapping of Anchorage, ground shaking characterization in high-risk Alaskan communities, and determination of structural response of buildings and bridges. We will work with the technical community and the construction industry to inform, educate, and work with communities to provide guidance to improve building and land-use codes.

4. Response and Recovery Practices to Mitigate Future Seismic Risk

Description of the Issue: Communities don't have a good understanding of the costs and resources needed for response and recovery. First responders to a damaging earthquake in one of Alaska's major cities will be overwhelmed in the initial hours following the event. Damage to transportation systems will make movement of people and goods difficult. Demand for emergency shelter, food, and water will strain a community's resources. Disruptions to lifeline systems will complicate recovery.

Importance of the Issue: An understanding of response and recovery issues is critical to assessing the impacts to State and local resources.

Benefits of Addressing the Issue: Implementing effective response and recovery practices will reduce economic and social costs of recovery and will help mitigate risks from future events.

How the Commission Can/Will Address the Issue: The Commission will promote and assist in the development and use of "earthquake planning scenarios" to define the impact of future damaging earthquakes and will communicate lessons learned from past events to provide guidance to communities on recovery planning and preparation.

5. Hazard Identification and Public Education

Description of the Issue: A damaging earthquake has not affected a major population region in Alaska since 1964. The majority of the population is unaware of the consequences of a major seismic event. The 2002 Denali fault earthquake resulted in relatively minor damage to smaller rural communities but had little effect in larger communities such as Anchorage and Fairbanks. It was evident, during damage-assessment evaluations after the Denali fault event, that the residents of the smaller at-risk communities had little understanding of the earthquake hazard, had not implemented measures to mitigate damage, and were unprepared to respond to the consequences of damage. It is important that the population of Alaska be aware of the earthquake hazard and be informed of the measures that can be taken to mitigate risk.

Importance of the Issue: There is a high probability that Alaskans will experience the results of a damaging earthquake in the future. All Alaskans will be better prepared to take preventive measures ahead of time to reduce losses and casualties and to respond to the event if they are informed of, and truly understand, the hazard and the resultant risk.

Benefits of Addressing the Issue: An educated public has a greater potential of responding appropriately before, during, and after a damaging earthquake. Improved knowledge and public awareness of hazard and risk can change behavior and lead to more cost-effective mitigation.

How the Commission Can/Will Address the Issue: The Commission will examine the need for greater public investment in identification and assessment of earthquake hazards, and the most effective ways of communicating this information to the public. The Commission will examine and promote the concept of seismic resilience of communities, addressing reduced failure probabilities, reduced consequences of failure, and reduced time to recovery.

6. Recommended Public-policy Goals of the Commission

a. Education
   - Develop an effective public education and outreach program.
   - Convey scientific and technical information from credible authorities.
   - Communicate information in a manner that is understandable by the public.

b. Guidance
   - Provide advice on seismic risk mitigation and recommend policies to improve preparedness.
   - Recommend goals and priorities for risk mitigation to public and private sectors.
   - Recommend needed research, mapping, and monitoring programs.
   - Offer advice on coordinating disaster preparedness and seismic risk mitigation.

c. Assistance
   - Review seismic- and tsunami-hazard notifications and recommend appropriate response.
   - Review predictions and warnings and suggest appropriate responses.

d. Implementation
   - Establish and maintain working relationships with other private and public agencies.
   - Gather, analyze, and disseminate information.
   - Conduct public hearings.
   - Appoint committees from Commission membership and/or external advisory committees to address risk mitigation issues.
   - Accept grants, contributions, and appropriations.

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APPENDIX A

Alaska Seismic Hazards Safety Commission statute

Sec. 44.37.065. Commission established; membership.

(a) The Alaska Seismic Hazards Safety Commission is established in the Department of Natural Resources. The Department of Natural Resources shall provide staff support to the commission.

(b) The commission is composed of 11 members appointed by the governor for terms of three years. A vacancy is filled for the unexpired term.

(c) The governor shall appoint to the commission

(1) a representative from the University of Alaska;

(2) three representatives, each from a local government in a separate seismically active region of the state;

(3) a representative from the Department of Natural Resources;

(4) a representative from the Department of Military and Veterans' Affairs;

(5) a representative from an appropriate federal agency;

(6) a representative of the insurance industry; and

(7) three members from members of the public who are expert in the fields of geology, seismology, hydrology, geotechnical engineering, structural engineering, emergency services, or planning.

(d) The commission shall elect annually from its members a chair and vice-chair. A majority of the commission may vote to replace an officer of the commission.

(e) Six members constitute a quorum.

(f) Members of the Alaska Seismic Hazards Safety Commission serve without compensation but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 44.37.067. Powers and duties.

(a) The commission shall

(1) recommend goals and priorities for seismic hazard mitigation to the public and private sectors;

(2) recommend policies to the governor and the legislature, including needed research, mapping, and monitoring programs;

(3) offer advice on coordinating disaster preparedness and seismic hazard mitigation activities of government at all levels, review the practices for recovery and reconstruction after a major earthquake, and recommend improvements to mitigate losses from similar future events;

(4) gather, analyze, and disseminate information of general interest on seismic hazard mitigation;

(5) establish and maintain necessary working relationships with other public and private agencies;

(6) review predictions and warnings issued by the federal government, research institutions, and other organizations and persons and suggest appropriate responses at the state and local levels; and

(7) review proposed seismic hazard notifications and supporting information from state agencies, evaluate possible socioeconomic consequences, recommend that the governor

issue formal seismic hazard notifications when appropriate, and advise state and local agencies of appropriate responses.

(b) The commission may

(1) advise the governor and the legislature on disaster preparedness and seismic hazard mitigation and on budgets for those activities and may recommend legislation or policies to improve disaster preparedness or seismic hazard mitigation;

(2) conduct public hearings;

(3) appoint committees from its membership and appoint external advisory committees of ex-officio members; and

(4) accept grants, contributions, and appropriations from public agencies, private foundations, and individuals.

Sec. 44.37.069. Definitions.

In AS 44.37.065 - 44.37.069,

(1) "commission" means the Alaska Seismic Hazards Safety Commission;

(2) "disaster preparedness" means establishing plans and programs for responding to and distributing funds to alleviate losses from a disaster as defined in AS 26.23.900 ;

(3) "seismic hazard" means an earthquake-induced geologic condition that is a potential danger to life and property; in this paragraph, "geologic condition" includes strong ground shaking, landslide, avalanche, liquefaction, tsunami inundation, fault displacement, and subsidence;

(4) "seismic hazard mitigation" or "mitigation" mean activities that prevent or alleviate the harmful effects of seismic hazards to persons and property, including identification and evaluation of the seismic hazards, assessment of the risks, and implementation of measures to reduce potential losses before a damaging event occurs;

(5) "tsunami" means a large ocean wave produced by an earthquake, landslide, or volcanic eruption.

Key Success Factors and Measures of Success

Success Factor	Measure
Stakeholder Satisfaction	• Facilitate Governor and Legislature understanding of seismic risk mitigation issues; • Meet or exceed SOA expectations; • Advice is sought; • Advice is accepted; • SOA endorsement; and; • Positive feedback from staff.
Advocate of Risk Mitigation	• Provide advocacy for seismic risk mitigation programs; • Create opportunities for seismic risk mitigation advocacy; • Become familiar with current existing programs; and • Develop stakeholder support.
Advocate Public Outreach Programs	• Encourage social environment where seismic risk mitigation is accepted; • Examine existing programs within the State; and • Be available for public education presentations.
Promote Development of Earthquake Scenarios	• Complete earthquake scenarios for realistic events in high-risk areas; • Use scenario results to reduce earthquake risk; and • Seek community involvement in scenario development and application of results.
Facilitate Partnerships for Seismic risk Reduction	• Identify potential partners to assist in addressing Commission goals; and • Involve Federal, State, municipal, and private sector in addressing goals.
Critical Facilities Earthquake Risk Reduction	• Assist in prioritizing, identifying, and mitigating risks in facilities with life safety issues; • Develop work plans in collaboration with State and local agencies/governments; • Identify current legislation/programs adopted by other states/countries; • Foster contacts with proponents who have had seismic risk mitigation successes; • Identify pertinent code and construction requirements and potential limitations; and • Recommend improvements including policy changes, legislation, and public outreach.
Earthquake Insurance in Alaska	• Review current trends and provide advice; • Review existing "white paper" and update as appropriate; and • Develop "pros and cons" brochure describing earthquake insurance issues.
Promote Seismic Hazard Identification	• Identification and characterization of seismic risk hazards; • Definition and description of seismic risks; • Seismic risk and hazard research; and • Dissemination of seismic risk and hazard information to State and local governments, the public, and industry and scientific and professional community.

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APPENDIX B
JANUARY 2010

ASHSC Alaska Seismic Hazards Safety Commission

Charter

Purpose

To provide a vehicle through which statewide seismic risk issues can be addressed and solutions can be proposed that will reduce life and property losses from a future damaging earthquake.

Vision

Eliminate losses from future earthquakes and tsunamis. Promote public and government awareness of Alaska's seismic hazards and seismic risk mitigation.

Mission

Make recommendations to the governor and legislature for reducing the State's vulnerability to seismic hazards. Advise the public and private sectors on approaches for mitigating earthquake and tsunami risk.

Act in an Advisory Capacity

Advise the Governor, the Legislature, and the public on Alaska's seismic hazards and risk mitigation.

Provide Information and Technical Guidance

Recommend studies, policies, and programs that will mitigate the risks associated with seismic hazards.

Recommend Educational Programs

Recommend and participate in programs that will disseminate information to government agencies and the public.

Encourage Seismic Hazards Risk Mitigation Efforts

Encourage efforts to address issues related to seismic hazards risk mitigation.

By achieving this mission, we create an opportunity to be an effective body in mitigating the potential damaging effects of major seismic events.

Core Values

- *Honesty*
- *Integrity*
- *Trust*
- *Diligence*
- *Service to the State*
- *Responsibility for One's Own work*
- *Support to Other Commission Members*
- *Commitment to Complete Accepted Assignments*
- *Provide Value to Stakeholders*
- *Be Objective and Reasonable*
- *Advocate for Seismic Risk Mitigation Efforts*
- *Recognize Exemplary Seismic Risk Mitigation Efforts*

ENDORSEMENT

We, the members of the Alaska Seismic Hazards Safety Commission, enthusiastically and fully endorse this Commission Charter for guiding and enhancing efforts in natural hazards risk mitigation.

John Aho/Chair_____

Laura Kelly/Vice Chair_____

Gary Carver_____

David Cole_____

Rod Combellick_____

Gay Dunham_____

Roger Hansen_____

David Miller_____

Mark Roberts_____

Gayle White_____

APPENDIX C

EARTHQUAKE ACTIVITY IN 2010

Summary Statistics for Regional/Urban Seismic Network (see figure C1)

- Total number of stations operated and/or recorded: 540
- Total number of channels recorded: 1,325
- Number of short-period (SP) stations: 283
- Number of broadband (BB) stations: 154
- Number of stations maintained and operated by network: 540
- Number of stations maintained and operated as part of ANSS: 130
- Total data volume archived (MBytes/day) 9,000

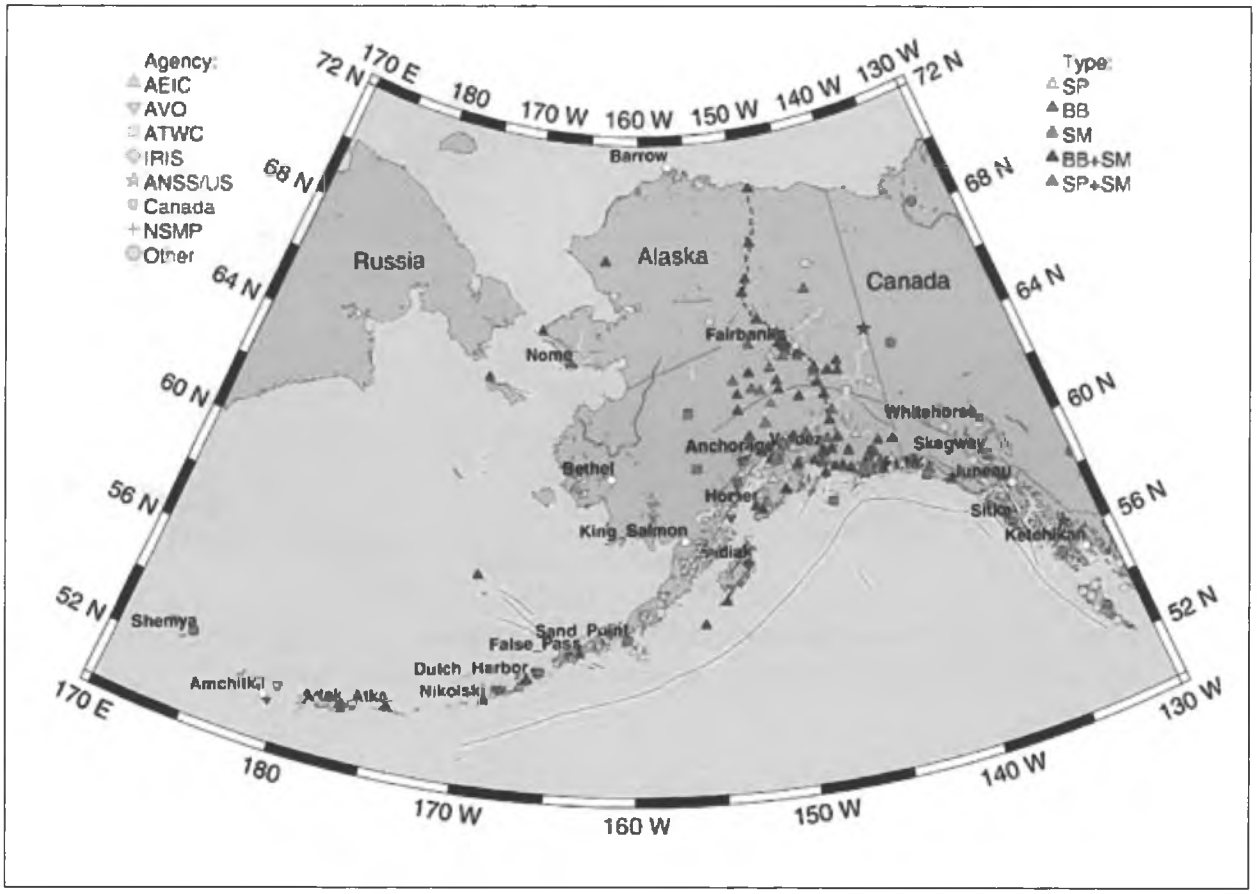


Figure C1. Seismic stations in Alaska.

Additional Information

From February 1, 2010, through October 31, 2010, the Alaska Earthquake Information Center (AEIC) reported a total of 26,077 events within the combined seismic network (figure C2). The events range in depth from 0 to 260 km, with the deepest earthquakes located in the central Aleutian arc. The magnitude range of reported events is between -0.2 and 6.7. There were 270 events with magnitude 4.0–4.9 (~30 events per month on average); 35 events had magnitude 5.0–5.9 (~4 events per month on average); and eight events had magnitude 6.0 or above. The largest earthquakes (magnitude 6.7) occurred on July 18, 2010, in the Fox Islands region of the Aleutian Islands. The magnitude of completeness of the AEIC earthquake catalog for the reported time period is estimated to be 1.4 for the authoritative region and 2.5 for the Aleutians.

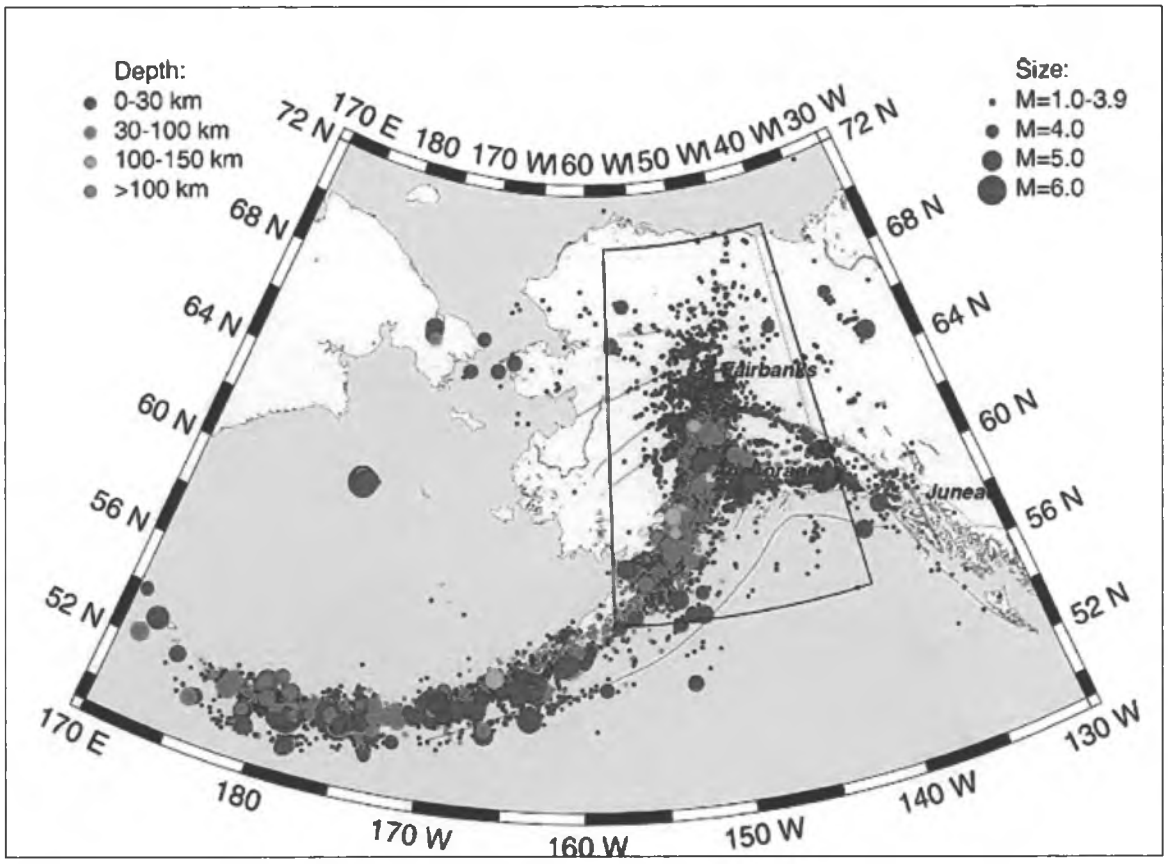


Figure C2. AEIC reported earthquakes between February 1 and October 31, 2010. The box outlines AEIC's authoritative region for earthquake submissions.

The Alaska Earthquake Information Center recorded an unusual sequence of earthquakes about 260 km (160 miles) west of St. Matthew Island that began on April 30, 2010 (figure C3). The mainshock, magnitude 6.5, occurred on April 30 at 23:11:44 UTC. It was preceded by a magnitude 4.3 foreshock, 1 minute earlier, and followed by a magnitude 6.3 aftershock, 5 minutes later. Due to the offshore location of these earthquakes, only larger events (magnitude 3.5 and greater) can be located. The nearest seismic stations are about 350 miles away, at Gambell and St. Paul. As of May 5, 2010, only 10 aftershocks have been located by AEIC. All have large location uncertainties. Both the mainshock and largest aftershock are strike-slip earthquakes.

The faulting can be associated either with the right-lateral motion on the southwest–northeast-trending fault or the left-lateral motion on the southeast–northwest-trending fault. The central region of the Bering

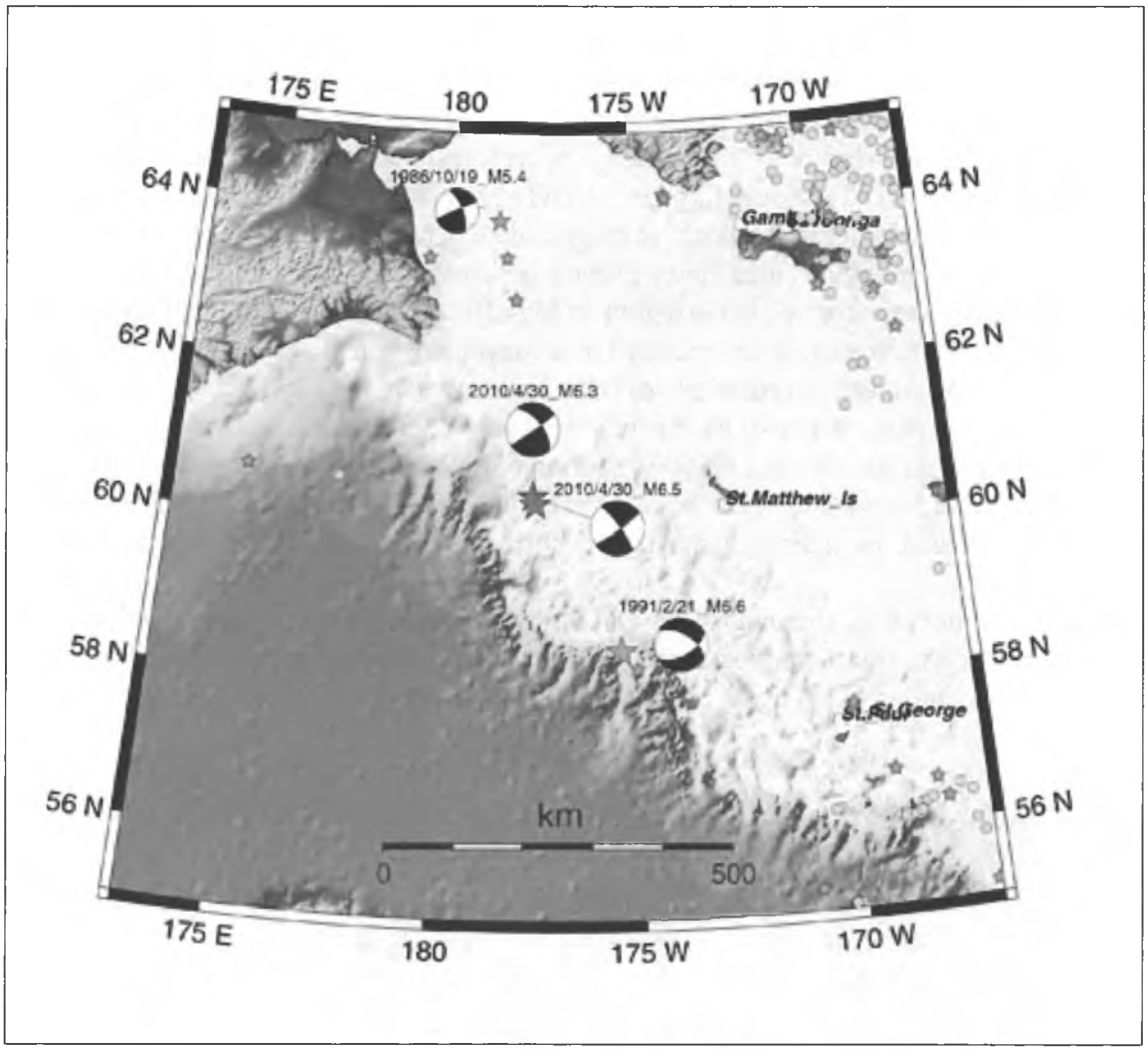


Figure C3. April 30, 2010, M6.5 and M6.3 Bering Sea earthquakes
yellow circles - background seismicity
small orange stars - past M4.0-4.9 events
medium orange stars - past M5.0-5.9 events
large orange stars - past M6.0-6.9 events
red stars - April 2010 events

Sea is virtually aseismic. In the north a wide, diffuse zone of seismicity extends from western Alaska across the Bering Strait into eastern Russia. This zone is believed to mark the northern boundary of the Bering microplate. The southern edge of the Bering Sea is marked by the Aleutian Arc, where seismicity is associated with the ongoing subduction processes. In 1991, a magnitude 6.6 earthquake occurred about 210 km (150 miles) to the southeast of the April 30, 2010, earthquakes. The 1991 and 2010 earthquakes indicate north–south extension and east–west compression of the crust. The source area of the April 30, 2010, event might be structurally linked to the graben-like structure that underlies the headwall area of the Zhemchug Canyon, which is the largest submarine canyon (by volume) in the world. The structural grain of the headwall structures is northwest–southeast, parallel to the left-lateral nodal plane of the April 30 events. The right-lateral nodal plane is parallel to the crustal fabric of the hypothetical offshore continuation of the great family of northeast–southwest-trending strike-slip faults of western Alaska (Kaltag, Kobuk, Denali, etc.). If these crustal structures continue offshore, they may be the source of the April 30 earthquakes. There were no 'felt reports' for these earthquakes.

A magnitude 6.7 earthquake occurred on Saturday, July 18, 2010, at 9:56 pm AKDT (July 18, 05:56 am UTC) in the Fox Islands region of Alaska (red star farthest to left on figure C4; remaining red stars denote largest aftershocks). It was located 60 km (38 miles) west–southwest of Nikolski and 248 km (155 miles) west–southwest of Dutch Harbor. It was preceded by a magnitude 4 foreshock on July 17 at 14:44 UTC. AEIC located nearly 3,200 aftershocks through the end of July, including about 60 aftershocks with magnitudes 4.0 or greater. The largest aftershock, of magnitude 6.0, occurred on July 18 at 19:48. This is the largest event to occur in the region since the magnitude 6.5 earthquake on October 13, 2009 (yellow star). Magnitude 6.4 earthquakes occurred in the region on May 10, 2006, and December 26, 2007 (yellow stars). The 2006, 2007, and 2009 earthquakes occurred on a convergent boundary between the subducting Pacific and overriding North American crustal plates. This region, where the Pacific plate is being forced beneath the North American plate, is one of the world's most active seismic zones. In 1957, a magnitude 8.6 Andreanof Islands earthquake ruptured a ~600-km-long portion of the plate boundary in the central Aleutian Islands. The current sequence of earthquakes is above the ruptured portion of the megathrust. The earthquake depths are shallow, indicating that they occurred in the crust of the North American plate.

Based on the waveform modeling, the mainshock and largest aftershocks are characterized by normal faulting on a north-northwest–south-southeast-oriented fault plane. The magnitude 6.7 earthquake was reported felt in Unalaska (intensity IV, light) and Dutch Harbor (intensity II, weak).

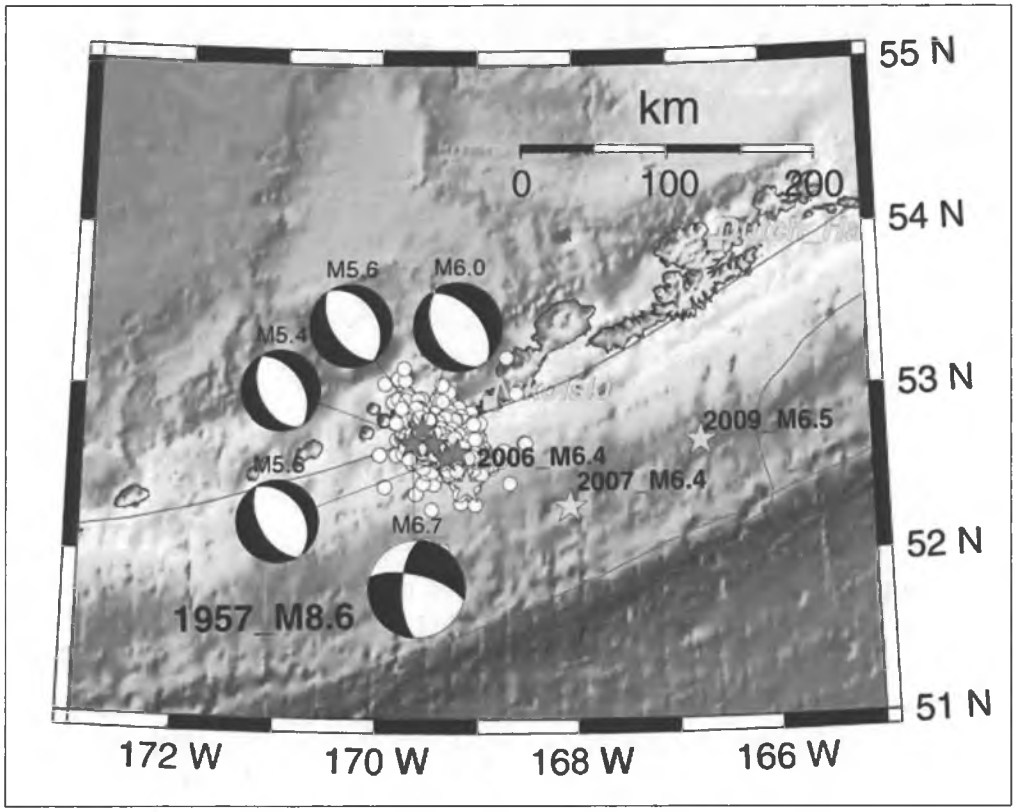


Figure C4. July 18, 2010 M6.7 Fox Islands earthquake.

3/31/11 CONFIRMATION HEARING: SUSAN BELL, COMMISSIONER DCCED

<TARGET><BILL></BILL><SUBJECT>3-31-11 CONFIRMATION HEARING SUSAN BELL, COMMISSIONER, DCCED</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

Senate

Office of the Secretary

Official Business

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Memorandum

TO: Senator Olson, Chair
Community and Regional Affairs Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: February 2, 2011

SUBJECT: Confirmation of Governor's Appointment

Pursuant to AS 39.05.080, the President has referred the following name for legislative confirmation to your committee for a hearing, recommendation and report:

Department of Commerce, Community and Economic Development
Commissioner
Susan Bell
Appointed: 7/8/2010

Resume(s) will be transmitted electronically.

KW:jcs
gl #2

CONSTITUTION of ALASKA

ARTICLE III, Section 25 - Department Heads.

The head of each principal department shall be a single executive unless otherwise provided by law. He shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session, and shall serve at the pleasure of the governor, except as otherwise provided in this article with respect to the secretary of state. The heads of all principal departments shall be citizens of the United States.

ALASKA STATUTES

Sec. 39.05.020. Appointment of department heads.

The governor shall appoint the head of each principal executive department in the state government. Each appointment is subject to confirmation by a majority of the members of the legislature in joint session.

Bell, Susan
Commissioner - Department of Commerce, Community and Economic Development

SUSAN K. BELL

RECENT PROFESSIONAL EXPERIENCE

Commissioner, State of Alaska — Juneau

- Responsibilities as commissioner for the Department of Commerce, Community and Economic Development include developing and implementing programs that promote a healthy economy, strengthen communities, and protect Alaska consumers.

Special Assistant, Office of the Governor — Juneau

- Served as a liaison and policy advisor for the Department of Commerce, Community and Economic Development; Department of Revenue; and Department of Administration.
- Contributed to passage of economic development legislation including enhancement of State of Alaska business financing opportunities, reduction of business taxes, and increased marketing for Alaskan industries.

Principal, McDowell Group — Juneau

- Contributed to significant business expansion of the Alaska research and consulting firm in terms of employees, projects, and sales.
- Managed significant portfolio of projects involving economic development, market research, and public opinion research.
- Extensive project management experience in tourism and transportation, ANCSA corporation development, and feasibility studies for public and private sector infrastructure projects.

Vice President, Goldbelt Incorporated — Juneau

- Responsible for 11 business ventures. Responsible for formation of management team during period of rapid corporate investment and growth.
- Achieved consistent growth in gross sales, net income, and shareholder employment.
- Developed management and shareholder training program.

PERSONAL INFORMATION

- Lifetime Alaska resident; born in Nome and raised in Fairbanks.
- Shareholder of Bering Straits Native Corporation and Sitnasuak Native Corporation.
- Married to Robert Koentizer since 1999.
- Big Brothers Big Sisters volunteer.
- Enjoys outdoor activities including skiing, biking, and hiking.

EDUCATION

- BLA from University of Alaska.

PHONE (907) 789-0874 • E-MAIL sbell@gci.net
PO BOX 35261 JUNEAU ALASKA 99803

Sec. 44.33.010. Commissioner of commerce, community, and economic development.

The principal executive officer of the Department of Commerce, Community, and Economic Development is the commissioner of commerce, community and economic development. Except with respect to the commissioner's membership on the board of directors of the Alaska Railroad Corporation, whenever a statute provides that the commissioner is a member of a board, council, or other similar entity, the commissioner may designate an employee of the department to act in the commissioner's place.

Sec. 44.33.020. Duties of department; regulations.

(a) The Department of Commerce, Community, and Economic Development shall

(1) advise and assist local governments;

(2) advise the governor and other commissioners on the delivery of government services to rural areas, including services relating to public safety, justice, economic development, natural resource management, education, and public health;

(3) make recommendations to the governor and other commissioners about policy changes that would affect rural governments and rural affairs;

(4) serve as staff for the Local Boundary Commission;

(5) conduct studies and carry out experimental and pilot projects for the purpose of developing solutions to community and regional problems;

(6) promote cooperative solutions to problems affecting more than one community or region, including joint service agreements, regional compacts, and other forms of cooperation;

(7) serve as a clearinghouse for information useful in solution of community and regional problems, and channel to the appropriate authority requests for information and services;

(8) advise and assist community and regional governments on matters of finance, including but not limited to bond marketing and procurement of federal funds;

(9) prepare suggested guidelines relating to the content of notice of bond sale advertisements, prospectuses, and other bonding matters issued by local governments;

(10) administer state funds appropriated for the benefit of unorganized regions within the state, allowing for maximum participation by local advisory councils and similar bodies;

(11) as assigned through a delegation by the governor, administer and implement the state's role in the federal community development quota program established under 16 U.S.C. 1855(i) or a successor federal program; the department may adopt regulations under a delegation from the governor to implement duties under this paragraph;

(12) carry out those administrative functions in the unorganized borough that the legislature may prescribe;

(13) study existing and proposed laws and state activities that affect community and regional affairs and submit to the governor recommended changes in those laws and activities;

(14) coordinate activities of the state that affect community and regional affairs;

(15) assist in the development of new communities and serve as the agent of the state for purposes of participation in federal programs relating to new communities;

(16) supervise planning, management, and other activities required for local eligibility for financial aid under those federal and state programs that provide assistance to community and regional governments;

(17) advise and assist municipalities on procedures of assessment, valuation, and taxation, and notify municipalities of major errors in those procedures;

(18) apply for, receive, and use funds from federal and other sources, public or private, for use in carrying out the powers and duties of the department;

(19) request and utilize the resources of other agencies of state government in carrying out the purposes of this chapter to the extent such utilization is more efficient than maintaining departmental staff, reimbursing the other agencies when appropriate;

(20) administer state and, as appropriate, federal programs for revenue sharing, grants, and other forms of financial assistance to community and regional governments;

(21) administer the state programs relating to commerce or community development, enforce the laws relating to these programs, and adopt regulations under these laws;

(22) register corporations;

(23) collect corporation franchise taxes;

(24) enforce state laws regulating public utilities and other public service enterprises, banking and securities, insurance, and other businesses and enterprises touched with a public interest;

(25) make veterans' loans;

(26) furnish the budgeting, clerical, and administrative services for regulatory agencies and professional and occupational licensing boards not otherwise provided for;

(27) conduct studies, enter into contracts and agreements, and make surveys relating to the economic development of the state and, when appropriate, assemble, analyze, and disseminate the findings obtained;

(28) provide factual information and technical assistance for potential industrial and commercial investors;

(29) receive gifts, grants, and other aid that facilitate the powers and duties of the department from agencies and instrumentalities of the United States or other public or private sources;

(30) establish and activate programs to achieve balanced economic development in the state and advise the governor on economic development policy matters;

(31) formulate a continuing program for basic economic development and for the necessary promotion, planning and research that will advance the economic development of the state;

(32) cooperate with private, governmental, and other public institutions and agencies in the execution of economic development programs;

(33) review the programs and annual reports of other departments and agencies as they are related to economic development and prepare an annual report on the economic growth of the state;

(34) administer the economic development programs of the state;

(35) perform all other duties and powers necessary or proper in relation to economic development and planning for the state;

(36) request tourism-related businesses in the state to provide data regarding occupancy levels, traffic flow and gross receipts and to participate in visitor surveys conducted by the department; data collected under this paragraph that discloses the particulars of an individual business is not a matter of public record and shall be kept confidential; however, this restriction does not prevent the department from using the data to formulate tourism economic impact information including expenditure patterns, tax receipts and fees, employment and income attributable to tourism, and other information considered relevant to the planning, evaluation, and policy direction of tourism in the state;

(37) provide administrative and budgetary services to the Real Estate Commission under AS 08.88 as requested by the commission;

(38) sell at cost, to the extent possible, publications and promotional materials developed by the department;

(39) as delegated by the governor, administer under 16 U.S.C. 1856 the internal waters foreign processing permit procedures and collect related fees;

(40) administer state laws relating to the issuance of business licenses;

(41) comply with AS 15.07.055 to serve as a voter registration agency to the extent required by state and federal law, including 42 U.S.C. 1973gg (National Voter Registration Act of 1993);

(42) *[Repealed, E.O. No. 112 Sec. 3 (2004)].*

(43) carry out other functions and duties, consistent with law, necessary or appropriate to accomplish the purpose of this chapter;

(44) administer the Alaska BIDCO assistance program under AS 37.17.500 - 37.17.690 and adopt regulations to carry out the provisions of those statutes.

(b) The department may adopt regulations necessary to carry out its statutory functions.

ESSEN-
TIAL
AIR
SERVICE

<TARGET><BILL></BILL><SUBJECT>ESSENTIAL AIR SERVICE</SUBJECT><COMM>SCRA27</COMM></TARGET>

ESSENTIAL AIR SERVICE

- There are 45 "EAS" subsidized airports in Alaska

- Perhaps this program is no longer needed down south. But Alaska is unique. This is a basic and indispensable necessity in Alaska.

- I can see why some do not like this program. For example: Peublo, Colorado's airport is an Essential Air Service subsidized airport. Yet, Peublo is only one hundred miles away from Denver. It's hard to argue that Peublo should remain an EAS airport. But it's easy to argue that all 45 Alaskan airports should remain EAS airports.

Alaska Aviation System

"Largest aviation system in North America"

July 2010

LEGEND

255 State Operated Airports

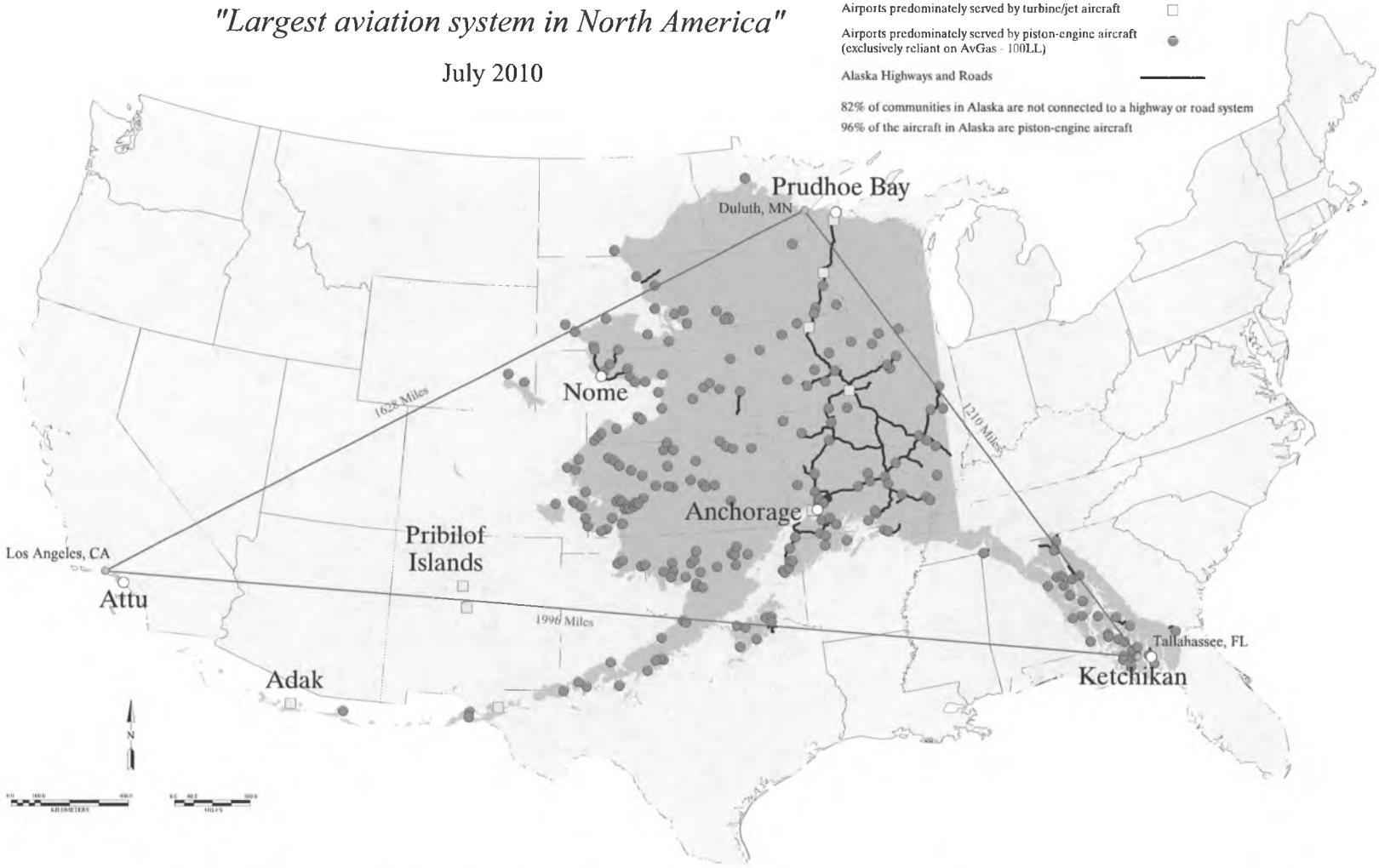
Airports predominately served by turbine/jet aircraft

Airports predominately served by piston-engine aircraft (exclusively reliant on AvGas - 100LL)

Alaska Highways and Roads

82% of communities in Alaska are not connected to a highway or road system

96% of the aircraft in Alaska are piston-engine aircraft



Platinum Airport



Nanwalek Airport



Pilot Station Airport



Hooper Bay Mail Delivery



The Essential Air Service Program in Alaska

The Airline Deregulation Act, passed in 1978, gave airlines almost total freedom to determine which markets to serve domestically and what fares to charge for that service. The Essential Air Service (EAS) program was put into place to guarantee that small communities that were served by certificated air carriers before deregulation maintain a minimal level of scheduled air service. The US DOT (United States Department of Transportation) administers the EAS program to ensure that smaller communities retain a link to the national air transportation system with a Federal subsidy where necessary.

There are currently 44 communities in the State of Alaska that receive subsidized air service under the EAS program.

Alaskan communities receiving EAS (Essential Air Service) subsidies set benchmarks for need and cost effectiveness in the program.

- Alaska Communities receiving EAS are the most remote and isolated in the nation.
- There are 44 Alaska communities that receive EAS. Of those communities only 6 are connected to the national transportation system by a road.
- Of those 6, one, McCarthy, does not have road maintenance in the winter months.
- Of the remaining 5, only one is on a paved road (Gulkana) and that one is over 210 miles from the nearest med hub airport.
- The remaining 38 communities are completely isolated from the road system and rely on air travel as their primary means of transportation.
- Alaska communities receiving EAS subsidy far exceed the recommendations to qualify as remote communities.
- The average community subsidy in Alaska is $285,559
- The average community subsidy in the rest of the U.S. is $1,495,505
- Air travel in Alaska is not a convenience; it is a critical transportation mode that provides basic day to day necessities and access to health facilities.

Total	Community	Docket	Carrier	Hub	Subsidy Rate @ May 1, 2010	Rate Order	Rate Ends	Aircraft	Seats
1	Adak Hoffman / Eglmon	2000-8556	Alaska	ANC	$1,483,122	2008-3-36	6/30/2010	B-737	72
1	Akutan Hoff / Eagle	2000-7068	PenAir	DUT	$654,964	2009-5-4	4/30/2011	Goose	9
1	Alitak	2000-6945	Island Air	ADQ	$15,219	2009-4-23	10/31/2011	C-206	5
1	Amook Bay	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Angoon Cookesh / Thomas	2006-25542	Alaska Seaplane	JNU	$101,359	2008-12-27	1/31/2011	Beaver	5
1	Atka Hoffman / Eglmon	1995-363	PenAir	DUT	$513,803	2008-3-36	6/30/2010	T-1040	9
1	Cape Yakataga	1996-2009	Alsek	YAK	$39,000	2008-7-28	10/31/2010	Cessna	4
1	Central	1998-3621	Warbelow's	FAI	$203,360	2009-9-17	11/30/2011	Navajo	8
1	Chatham	1997-3134	Ward Air	JNU	$8,640	2008-6-27	9/30/2010	C-185	3
1	Chisana	1998-4574	40-Mile	TOK	$65,546	2008-4-41	5/31/2010	C-185	3
1	Circle	1998-3621	Warbelow's	FAI	$203,360	2009-9-17	11/30/2011	Navajo	8
1	Cordova	1998-4899	Alaska	ANC/JNU	$2,726,212	2009-2-3	4/30/2011	B-737	72
1	Elfin Cove	2002-11586	Alaska Seaplane	JNU	$92,886	2007-9-7	5/31/2011	Beaver	6
1	Excursion Inlet	2002-12014	Wings	JNU	$34,659	2008-8-16	8/31/2010	C-206	5
1	Funter Bay	1997-3134	Ward Air	JNU	$8,640	2008-6-27	9/30/2010	C-185	3
1	Gulkana	1995-492	Ellis Air	ANC	$251,300	2008-12-19	1/31/2011	PA-31	6
1	Gustavus	1998-4899	Alaska	JNU	$340,777	2009-2-3	1/31/2011	B-737	72
1	Healy Lake	1998-3546	40-Mile	FAI	$77,683	2008-4-41	5/31/2010	C-206	5
1	Hydaburg	1999-6245	Taquan	KTN	$86,755	2007-10-12	10/31/2011	Beaver	6
1	Icy Bay	1996-2009	Alsek	YAK	$39,000	2008-7-28	10/31/2010	Cessna	4
1	Kake	2008-0217	Wings	JNU	$314,302	2008-8-16	8/31/2010	C-208	9
1	Karluk	2004-19342	Island Air	ADQ	$29,481	2009-2-5	3/31/2010	BN-2A	9
1	Kitoi Bay	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Lake Minchumina	2008-0237	Tatonduk	FAI	$42,560	2008-9-21	10/31/2010	PA-32	5
1	Manley	2004-17563	Warbelow's	FAI	$42,085	2008-7-20	8/31/2010	C-206	3
1	May Creek	1996-2009	Ellis Air	GKN	$86,676	2008-12-19	1/31/2011	C-185	3
1	McCarthy	1996-2009	Ellis Air	GKN	$86,676	2008-12-19	1/31/2011	C-185	3
1	Minto	2004-17563	Warbelow's	FAI	$42,085	2008-7-20	8/31/2010	C-206	3
1	Moser Bay	2000-6945	Island Air	ADQ	$15,219	2009-4-23	10/31/2011	C-206	5
1	Nikolski	1995-363	PenAir	DUT	$469,786	2008-3-36	6/30/2010	Goose	9
1	Olga Bay	2000-6945	Island Air	ADQ	$15,219	2009-4-23	10/31/2011	C-206	5
1	Pelican	2002-11586	Alaska Seaplane	JNU	$92,886	2007-9-7	5/31/2011	Beaver	6
1	Petersburg	1998-4899	Alaska	JNU/KTN	$673,598	2009-2-3	4/30/2011	B-737	72
1	Port Alexander	1999-6244	Harris	SIT	$60,083	2009-12-3	2/28/2012	C-185	3

Total	Community	Docket	Carrier	Hub	Subsidy Rate @ May 1, 2010	Rate Order	Rate Ends	Aircraft	Seats
1	Port Bailey	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Port Williams	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Rampart	2008-0201	Warbelow's	FAI	$86,701	2008-9-20	9/30/2010	Navajo	9
1	Seal Bay	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Tenakee	2006-25542	Alaska Seaplane	JNU	$63,748	2008-12-27	1/31/2011	Beaver	5
1	Uganik	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	West Point	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
1	Wrangell	1998-4899	Alaska	JNU/KTN	$673,598	2009-2-3	4/30/2011	B-737	72
1	Yakutat	1998-4899	Alaska	ANC/JNU	$2,726,212	2009-2-3	4/30/2011	B-737	72
1	Zachar Bay	2000-6945	Island Air	ADQ	$12,175	2009-4-23	10/31/2011	C-206	5
44									
				Total:	$12,564,599				

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Begich blasts McCain plan to cut air subsidy for 44 Alaska airports

by dermotcole Dermot Cole

Feb 03, 2011 | 411 views | 3 | | 2 | | permalink

An attempt by Sen. John McCain to eliminate a rural air subsidy would mean a loss of $12 million in Alaska, ending a program that supports flights to 44 communities in Alaska, according to Sen. Mark Begich.

Begich and three other senators wrote to McCain Tuesday to say that eliminating the Essential Air Service program would have "a devastating impact on the economies of rural communities."

There are 109 communities in the Lower 48 and others in Puerto Rico and Hawaii that also benefit from the federal subsidy.

In Interior Alaska, carriers that received subsidies last year included Warbelow's, 40-Mile Air and Tatonduk.

Warbelow's received about $320,360 last year for flights to Central, Circle, Manley, Minto and Rampart.

Tatonduk received $42,085 for service to Lake Minchumina and 40-Mile Air received about $142,000 for flights to Chisana and Healy Lake.

The biggest subsidies in Alaska were the $5.4 million to Alaska Airlines for service to Cordova and Yakutat. Alaska Airlines also received $1.5 million for service to Adak and $673,598 for service to Wrangell, $340,777 for flights to Gustavus and $673,598 for service to Petersburg.

All told, Alaska Airlines received about $8.6 million of the total subsidy last year. Just this week the Alaska Airlines subsidy went up, so that the annual total will be about $10 million as of this July for the five communities in Southeast and Adak.

Art Warbelow, president of Warbelow's, said the elimination of the flight subsidies would be disastrous to the villages on the list. For some, it could mean they would no longer exist, while those on the road system would continue to shrink and see higher costs.

He said that the subsidy is only given when the last carrier serving an area decides to pull out because it can't afford to continue service. The contracts are regularly put up for bid and other carriers have the opportunity to bid on them.

He said that a decade ago only Central, Circle and Healy Lake were on the subsidized list in this region, but several things have changed. The U.S. Postal Service is paying the air carriers less, while costs of flying are going up. The number of carriers has been reduced and in more villages there is a monopoly.

This is part of an overall trend in which these and some other villages are becoming less economically viable.

He said that Rampart only has about 15 year-round residents, though it has more in the summer. Warbelow's flies there three times a week, the minimum required under the law.

The Essential Air Service program came into being after airlines were deregulated in 1978. The goal was to protect small communities that would otherwise lose all air service.

February 3, 2011

United States Senator Begich
144 Russell Senate Office Building
Washington, DC 20510

Re: SB 223 Senator McCain Amendments Repealing Essential Air Service (EAS)

Honorable Senator Begich,

I write in opposition to Senator McCain's amendments to S. 223 EAS due to the significant negative impacts it will have upon the aviation transportation system serving Alaskan communities, including ours.

Our community of _____ is dependent upon air transportation for basic needs including health, safety, and economy. The amendment would significantly reduce air service essential to our community and its residents.

As proposed, the McCain amendments are detrimental to the Alaskan communities' viability and we encourage you to oppose the amendment. If you have any questions or concerns please contact me. Thank you for your time and consideration regarding this important matter.

Regards,

CALISTA CORPORATION
www.calistacorp.com

Senator Mark Begich
144 Russell Senate Office Building
Washington, DC 20510

February 1, 2011

RE: SB 223 Repealing Essential Air Service

Honorable Senator Begich:

Senator McCain has introduced amendments to bill S. 223, to modernize the air traffic control system, improve safety, reliability, availability of air transportation in the United States, provide air traffic control modernization, reauthorize Federal Aviation Administration, and repeal Essential Air Service subsidy program (EAS). We strongly oppose any actions to repeal the EAS program for the eligible communities for which it was intended for.

The essential in EAS is just that: "Essential" to the access, survival, and economy of isolated and rural communities throughout America, as well as Alaska which do not have alternatives:

- The EAS program was intended for - and has successfully kept - scheduled air service to those cities and rural Alaskan communities that were served at the time of deregulation, and, which would otherwise lose or have lost ALL air service after the airline deregulation of 1978, and in any anticipated subsequent and more recently poor market conditions.

- EAS ensures small communities served by air carriers before the deregulation, can maintain minimal service to retain their link to the national air transportation system. It guarantees air service even during: low passenger volumes; low profitability to air carriers; less than ideal operating conditions (great distances and remote areas, weather, and mountainous terrain); and periods where air carriers will simply leave for better, easier, and more profitable market areas.

- EAS provides and maintains stability to the National Aviation Transportation System and network in America, by ensuring the system is not overly modified or changed suddenly, again simply due to carrier profitability in some communities or areas at the expense of those smaller and less profitable markets.

- EAS keeps ticket prices to MANY smaller rural communities down. As an example, even with EAS subsidies, ticket costs to some communities can be over $1,100. such as Adak, Alaska, and other cities ranging in population from 35,000 to a few hundred. Nearly every community in Southeast Alaska depends on EAS to receive jet and even any scheduled air service in that area. Without EAS, ticket prices would more than DOUBLE costs of air travel to RURAL communities throughout Alaska; as well as in many cities throughout the U.S.

- In Alaska, EAS provides funding subsidies to 44 of 300+ communities, with 38 of those relying on aircraft as the primary access and transport mode because there is NO other transportation access alternative —they are completely isolated from any roads.

301 Calista Court, Suite A, Anchorage, AK 99518
t: (907) 279-5516 • f: (907) 272-5060 • calista@calistacorp.com

- The EAS program provides an average $285,559 community subsidy in Alaska, as compared to the average subsidy in other U.S. communities of $1,495,505. Other U.S. communities actually have roads and other transportation mode options and backup.

- Unlike most parts of the U.S. with a long history of infrastructure building and access to well established National Transportation System roads, highways, railroads, buses, ferries, and airports; Alaska is a new state and the only state in the union where a majority (82 percent) of our 300+ remote communities are inaccessible and unlikely (due to being largely or entirely surrounded by Federal wilderness, preserves, park, and restricted lands) to ever become accessible by roads! This problem was realized during the original drafting, debates, and establishment of the EAS program. Airports and airways in Alaska have had to by necessity, had to serve as 'highways' in order to provide reliable, scheduled air service that would become essential to the health, safety, economy, and literally survival of people living in our state. We have 8 times the enplanements and 39 times the freight per capita compared to the rest of the U.S.; and aviation provides 1 in 10 jobs and is the 5th largest employer in Alaska.

- Even the smallest of air carriers often provides a full or part time job in most communities they serve assisting with schedules, passengers, and cargo; while, each runway and airport also has an employee to maintain and operate the smallest of facilities. Airport, carrier, and related service positions provide critical jobs that help support the economy and rural communities.

A better solution (rather than repeal an entire important program such as EAS), would be updating the criteria utilized for EAS eligibility; as well as, including consideration of what nearby airports, carriers', and modes of transportation communities have for access options to receive EAS program funds.

In summary, complete elimination of EAS could destabilize some small communities, would have an extremely negative impact on the integrity of Alaska's interconnected aviation system, and seriously reduce air service. EAS has been and will continue to be critical for the aviation transportation system network, provides important jobs, and enables access for rural isolated communities across America.

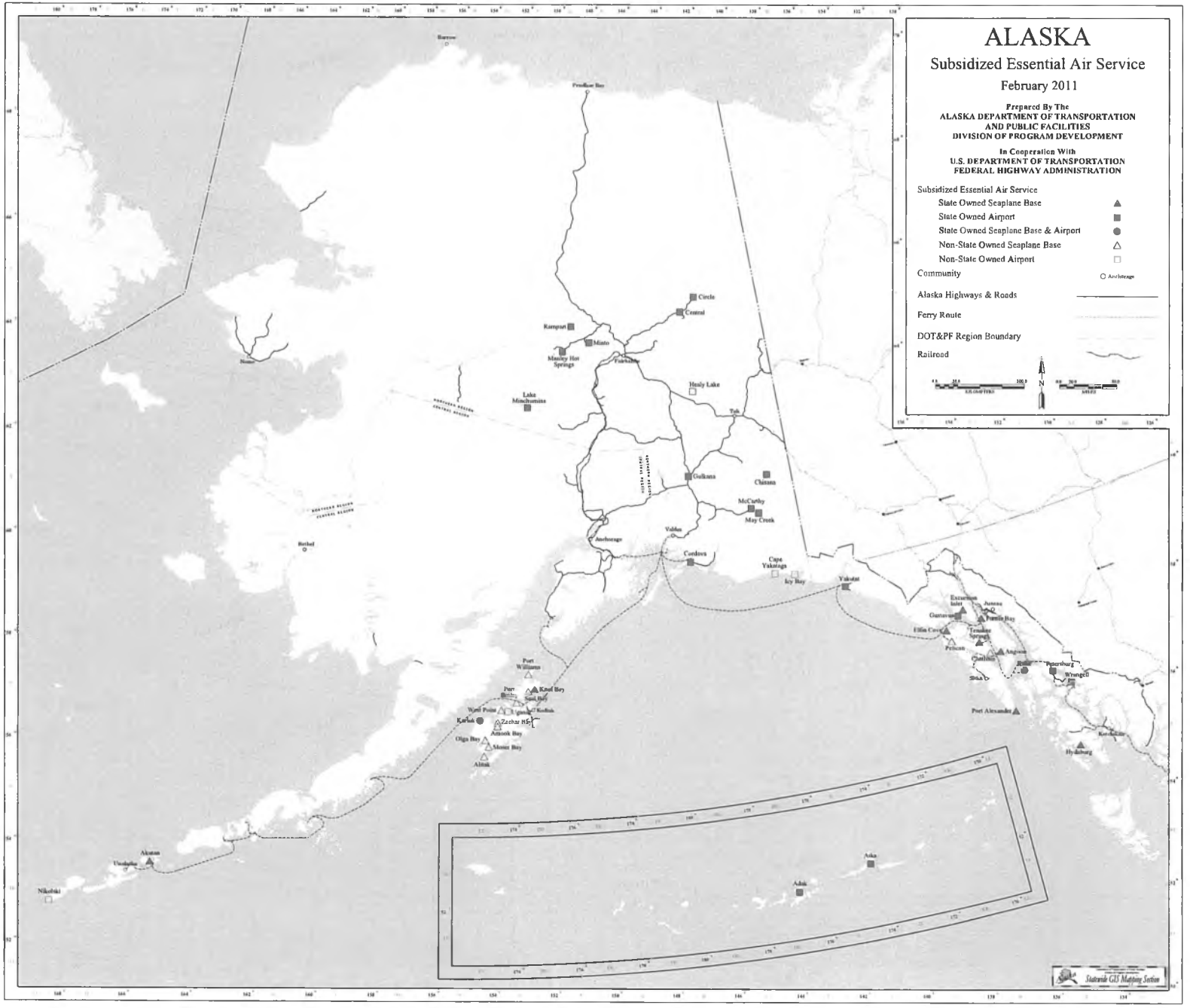
Thank you for your attention and consideration to this serious matter. Please do not hesitate to contact us with questions, or if we can assist in defending this essential program (907) 644-6309.

Sincerely,

CALISTA CORPORATION

Christine Klein, AAE
Executive Vice President & COO

301 Calista Court, Suite A, Anchorage, AK 99518
t: (907) 279-5516 • f: (907) 272-5060 • calista@calistacorp.com



The Essential Air Service Program in Alaska

The Airline Deregulation Act, passed in 1978, gave airlines almost total freedom to determine which markets to serve domestically and what fares to charge for that service. The Essential Air Service (EAS) program was put into place to guarantee that small communities that were served by certificated air carriers before deregulation maintain a minimal level of scheduled air service. The US DOT (United States Department of Transportation) administers the EAS program to ensure that smaller communities retain a link to the national air transportation system with a Federal subsidy where necessary.

There are currently 44 communities in the State of Alaska that receive subsidized air service under the EAS program.

Alaskan communities receiving EAS (Essential Air Service) subsidies set benchmarks for need and cost effectiveness in the program.

- Alaska Communities receiving EAS are the most remote and isolated in the nation.
- There are 44 Alaska communities that receive EAS. Of those communities only 6 are connected to the national transportation system by a road.
- Of those 6, one, McCarthy, does not have road maintenance in the winter months.
- Of the remaining 5, only one is on a paved road (Gulkana) and that one is over 210 miles from the nearest med hub airport.
- The remaining 38 communities are completely isolated from the road system and rely on air travel as their primary means of transportation.
- Alaska communities receiving EAS subsidy far exceed the recommendations to qualify as remote communities.
- The average community subsidy in Alaska is $285,559
- The average community subsidy in the rest of the U.S. is $1,495,505
- Air travel in Alaska is not a convenience; it is a critical transportation mode that provides basic day to day necessities and access to health facilities.

Subsidized Essential Air Service Locator Index

Adak HH13	Kivel Bay O7
Akutan I9	Lake Minchumina O5
Alitak N8	Manley P4
Amook Bay O8	May Creek T6
Angoon X8	McCarthy T6
Aska H12	Minto Q4
Cape Yakataga T6	Moser Bay N8
Central S4	Nikolski G10
Chatham X8	Olga Bay N8
Chitina T5	Pelican W8
Circle S4	Petersburg Y8
Cordova S6	Port Alexander X8
Elfin Cove W7	Port Bailey O8
Excursion Inlet X7	Port Williams O7
Fuster Bay X7	Kamparl P4
Gulkana S5	Seal Bay O7
Gustavus X7	Tenakee X8
Healy Lake S5	Ugaalk O8
Hydaburg Y9	West Point O8
Icy Bay U7	Wrangell Y8
Kake Y8	Yakutat V7
Karluk N8	Zachar Bay O8



FOR IMMEDIATE RELEASE
February 3, 2011
2011-024

Contact: Julie Hasquet, Press Secretary
(907) 258-9304 office
(907) 350-4846 cell

Begich Defends Lifeline for 44 Alaska Communities

Sen. McCain seeks to strip funding for Essential Air Services

Defending a vital lifeline that supports dozens of Alaska communities, U.S. Sen. Mark Begich led Senate colleagues from rural state in denouncing a proposal from Sen. John McCain (R-Ariz.) that would eliminate the Essential Air Services (EAS) program.

EAS provides critical subsidies in support of commercial air service to 44 Alaska communities who rely on air transport as their primary source of goods, mail and medical supplies.

"This amendment is worse than political grandstanding, it's just plain reckless and seriously endangers thousands of Alaskans in dozens of communities from getting food on their tables, heating fuel for their homes, and medical supplies in their clinics," Begich said. "Eliminating EAS means driving up the price of air transportation which inflates the cost of milk, toilet paper, diapers and everything Sen. McCain's constituents can find in a box store or shopping mall."

Begich was joined on a letter to Sen. McCain opposing the elimination of EAS by Sens. Ben Nelson (D-NE), Bob Casey (D-PA) and Joe Manchin (D-WV) all who represent significant rural populations that depend on EAS. Established in 1978 following the deregulation of the airline industry, EAS has grown into a vital, non-controversial program connecting Americans living in rural communities with the rest of the world. The program provides over $12 million in subsidies to air carriers in Alaska each year.

"Terminating the EAS program also means eliminating hundreds of jobs for Alaska's air carriers, many of which are small businesses. At a time when the economy is recovering, it makes no sense to pass an amendment which would put Alaska's small businesses out of work," Begich said.

McCain's proposal comes in the form of an amendment to the FAA Reauthorization legislation currently on the floor of the Senate. Dozens of local communities and air carriers in Alaska have contacted Sen. Begich about the issue, encouraging him to work to preserve the EAS program.

The letter to Sen. McCain is attached.

###

Julie Hasquet
Press Secretary
Office of U.S. Senator Mark Begich
(907) 258-9304
E-newsletter signup: begich.senate.gov



United States Senate

WASHINGTON, DC 20510

February 1, 2011

The Honorable John McCain
United States Senate
241 Russell Senate Office Building
Washington, DC 20510-0001

Dear Senator McCain:

We are writing to express our opposition to your amendment to the FAA Reauthorization bill repealing the Essential Air Service (EAS) program. As it is currently drafted, we will not support your amendment, and will be calling upon other Senators representing communities that benefit from the EAS program to oppose it as well.

As you know, the Essential Air Service was established after the 1978 deregulation of the airline industry and has grown into a vital, non-controversial, program that connects Americans living in rural communities with the rest of the world. According to May 2010 data, there are 109 airports in the contiguous 48 states, Hawaii and Puerto Rico, as well as 44 in Alaska, receiving subsidized service.

Eliminating the program will have a devastating impact on the economies of rural communities. At a moment when the nation's economic recovery is starting to gain momentum, it makes little sense to reduce personal and business travel volume by cutting off residents of rural areas. And at a time when jobs are already so hard to come by in our rural communities, it makes even less sense to enact cuts that will only make the problem worse.

Over the years, Congress and the Department of Transportation have worked to streamline the EAS program to increase its efficiency, mostly by eliminating subsidy support for communities that are within a reasonable driving distance of a major hub airport. The FAA Reauthorization bill currently being debated by the Senate proposes a number of additional improvements, such as allowing new financial incentives for EAS carriers to encourage better service; allowing longer-term EAS contracts if such an arrangement is in the public interest; allowing

incentives for large airlines to code-share on service to small communities; and requiring large airlines to code-share on EAS flights in up to ten communities.

Because we strongly believe in this program and understand the fiscal challenges facing our nation, we would welcome the opportunity to discuss ways to improve EAS. But we strongly oppose ending it. We ask that you abandon your attempts to repeal EAS and work with us to ensure its continued success across the nation.

Sincerely,

Mark Begich
United States Senator

E. Benjamin Nelson
United States Senator

Robert P. Casey Jr.
United States Senator

Joe Manchin III
United States Senator

CC: The Honorable John Rockefeller
The Honorable Kay Bailey Hutchison

David Scott

From: Joy Journeay, AACA [joy@alaskaaircarriers.org]
Sent: Wednesday, February 02, 2011 9:16 AM
To: David Scott
Subject: Bill to repeal Essential Air Service

David:
I don't know if my board members let Donny know, but Senator McCain introduced a bill to repeal Essential Air Service yesterday (see text below). Begich is speaking against the bill today on the Senate floor. Could you be sure Donny knows about this. Thanks.
Joy

C. Joy Journeay
Executive Director
Alaska Air Carriers Association
2301 Merrill Field Drive, Suite A-3
Anchorage, Alaska 99501
907 277-0071 277-0072 fax

McCain introduced an Amendment to repeal EAS. (text below) EAS subsidies keep ticket pricing to MANY villages down. This can more than DOUBLE ticket prices to RURAL ALASKA. We need MANY letters to Begich TODAY!

Begich will be speaking on the floor TOMORROW against the Amendment. He needs letters representing how people will be affected, how many people will be put out of work, etc.

We need letters from Alaskans representing their villages and business and how it will be impacted by this bill. How many employees would it put out of work? How much would prices be raised for the communities you serve? Send to james_feldman@begich.senate.gov
We need letters ASAP.... preferably today, so that Begich can read from them tomorrow: the sooner they come, the more effective they will be before this gains momentum!

SA 4. Mr. McCAIN submitted an amendment intended to be proposed by him to the bill S. 223, to modernize the air traffic control system, improve the safety, reliability, and availability of transportation by air in the United States, provide modernization of the air traffic control system, reauthorize the Federal Aviation Administration, and for other purposes; which was ordered to lie on the table; as follows:

Beginning on page 128, strike line 5 and all that follows through page 141, line 9, and insert the following:

SEC. 411. REPEAL OF ESSENTIAL AIR SERVICE PROGRAM.

(a) In General.--Subchapter II of chapter 417 of title 49, United States Code, is repealed.

(b) Conforming Amendments.--Title 49, United State Code, is further amended--

(1) in section 329(b)(1), by striking ``except that'' and all the follows through the semicolon;

(2) in section 40109(f)(3)(B), by striking ``, including the minimum'' and all that follows through ``this title'';

(3) in section 40117(e)(2), by striking subparagraph (B) and redesignating subparagraphs (C) through (F) as subparagraphs (B) through (E), respectively;

(4) in section 41110--

(A) in subsection (a)(2)(B), by striking ``41712, and 41731-41742'' and
inserting ``and 41712''; and

(B) in subsection (c)--

(i) in paragraph (1), by striking ``carrier--'' and all that follows through ``does not provide'' and inserting ``carrier does not provide''; and

(ii) in paragraph (2), by striking ``(1)(B)'' and inserting ``(1)''; and

(5) in section 47124(b)(3)(C), by striking clause (iv) and redesignating clauses (v) through (vii) as clauses (iv) through (vi), respectively.

Alaskan Subsidized EAS Report - June 1, 2009

Total	Community	Docket	Carrier	Hub	Subsidy Rate @ June 1, 2009	Rate Order	Rate Ends	Aircraft	Seats
1	Adak	00-8556	Alaska	ANC	$1,483,122	2008-3-36	6/30/2010	B-737	72
1	Akhiok	07-0020	Servant	ADQ	$51,709	2008-2-10	3/31/2010	PA-32	5
1	Akutan	00-7068	PenAir	DUT	$654,964	2009-5-4	4/30/2011	Goose	9
1	Alitak	00-6945	Island Air	ADQ	$16,289	2009-4-23	10/31/2011	C-206	5
1	Amook Bay	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Angoon	06-25542	Alaska Seaplane	JNU	$101,359	2008-12-27	1/31/2011	Beaver	5
1	Atka	95-363	PenAir	DUT	$513,803	2008-3-36	6/30/2010	T-1040	9
1	Cape Yakataga	96-2009	Alsek	YAK	$39,000	2008-7-28	10/31/2010	Cessna	4
1	Central	98-3621	Warbelow's	FAI	$85,612	2007-10-6	11/30/2009	Navajo	8
1	Chatham	97-3134	Ward Air	JNU	$8,640	2008-6-27	9/30/2010	C-185	3
1	Chisana	98-4574	40-Mile	TOK	$65,546	2008-4-41	5/31/2010	C-185	3
1	Circle	98-3621	Warbelow's	FAI	$85,612	2007-10-6	11/30/2009	Navajo	8
1	Cordova	98-4899	Alaska	ANC/JNU	$2,726,212	2009-2-3	4/30/2011	B-737	72
1	Elfin Cove	02-11586	Alaska Seaplane	JNU	$92,886	2007-9-7	5/31/2010	Beaver	6
1	Excursion Inlet	02-12014	Wings	JNU	$34,659	2008-8-16	8/31/2010	C-206	5
1	Funter Bay	97-3134	Ward Air	JNU	$8,640	2008-6-27	9/30/2010	C-185	3
1	Gulkana	95-492	Ellis Air	ANC	$251,300	2008-12-19	1/31/2011	PA-31	6
1	Gustavus	98-4899	Alaska	JNU	$340,777	2009-2-3	1/31/2011	B-737	72
1	Healy Lake	98-3546	40-Mile	FAI	$77,683	2008-4-41	5/31/2010	C-206	5
1	Hydaburg	99-6245	Taquan	KTN	$86,755	2007-10-12	10/31/2010	Beaver	6
1	Icy Bay	96-2009	Alsek	YAK	$39,000	2008-7-28	10/31/2010	Cessna	4
1	Kake	08-0217	Wings	JNU	$314,302	2008-8-16	8/31/2010	C-208	9

1	Karluk	04-19342	Island Air	ADQ	$29,481	2009-2-5	3/31/2010	BN-2A	9
1	Kitoi Bay	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Lake Minchumina	08-0237	Tatonduk	FAI	$42,560	2008-9-21	10/31/2010	PA-32	5
1	Manley	04-17563	Warbelow's	FAI	$42,085	2008-7-20	8/31/2010	C-206	3
1	May Creek	96-2009	Ellis Air	GKN	$86,676	2008-12-19	1/31/2011	C-185	3
1	McCarthy	96-2009	Ellis Air	GKN	$86,676	2008-12-19	1/31/2011	C-185	3
1	Minto	04-17563	Warbelow's	FAI	$42,085	2008-7-20	8/31/2010	C-206	3
1	Moser Bay	00-6945	Island Air	ADQ	$16,289	2009-4-23	10/31/2011	C-206	5
1	Nikolski	95-363	PenAir	DUT	$469,786	2008-3-36	6/30/2010	Goose	9
1	Olga Bay	00-6945	Island Air	ADQ	$16,289	2009-4-23	10/31/2011	C-206	5
1	Pelican	02-11586	Alaska Seaplane	JNU	$92,886	2007-9-7	5/31/2010	Beaver	6
1	Petersburg	98-4899	Alaska	JNU/KTN	$673,598	2009-2-3	4/30/2011	B-737	72
1	Port Alexander	99-6244	Harris	SIT	$49,739	2008-1-5	2/28/2010	C-185	3
1	Port Bailey	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Port Williams	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Rampart	2008-201	Warbelow's	FAI	$86,701	2008-9-20	9/30/2010	Navajo	9
1	Seal Bay	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Tenakee	06-25542	Alaska Seaplane	JNU	$63,748	2008-12-27	1/31/2011	Beaver	5
1	Uganik	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	West Point	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
1	Wrangell	98-4899	Alaska	JNU/KTN	$673,598	2009-2-3	4/30/2011	B-737	72
1	Yakutat	98-4899	Alaska	ANC/JNU	$2,726,212	2009-2-3	4/30/2011	B-737	72
1	Zachar Bay	00-6945	Island Air	ADQ	$12,957	2009-4-23	10/31/2011	C-206	5
45				Total:	$12,379,933				

LOCAL BOUNDARY COMMISSION: APPROVAL OF ANNEXATION BY GUSTAVUS

<TARGET><BILL></BILL><SUBJECT>LOCAL BOUNDARY COMMISSION APPROVAL OF ANNEXATION BY GUSTAVUS</SUBJECT><COMM>SCRA27</COMM></TARGET>

NO ACTION
TAKEN.

4/26/12

DAVID SCOTT

Alaska State Legislature

Senate

Office of the Secretary

Official Business

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Memorandum

TO: Senator Olson, Chair, Community and Regional Affairs Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: January 20, 2012

SUBJECT: Local Boundary Commission Statement of Decision

Attached you will find the report President Stevens referred to the Community and Regional Affairs Committee:

Local Boundary Commission Statement of Decision, City of Gustavus' Annexation
from Lynn Chrystal, Chair, Local Boundary Commission, Department of Commerce, Community and Economic Development
in accordance with art. X, sec. 12, Alaska Constitution

KW:lc

State of Alaska
Local Boundary Commission

550 West Seventh Avenue, Suite 1770 • Anchorage, Alaska 99501
Telephone: 907-269-4559 • Fax 907-269-4539

January 18, 2011

The Honorable Gary Stevens
President
Alaska State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182
ATTN: Senate Secretary Kirsten Waid

Subject: Legislative Review Annexation by the City of Gustavus

Dear President Stevens:

The Local Boundary Commission ("commission") presents to the Second Session of the Twenty-Seventh Alaska State Legislature the commission's decision to approve the annexation of approximately 16 square miles to the City of Gustavus ("City"). This presentation is done pursuant to article X, section 12, of Alaska's constitution. Under article X, section 12, the commission "may present proposed changes to the legislature during the first ten days of any regular session. The change shall become effective forty-five days after presentation or at the end of the session, whichever is earlier, unless disapproved by a resolution concurred in by a majority of the members of each house."

After careful review, the commission approved the annexation of the territory referred to as "Falls Creek" by a vote of 5-0. The commission also approved the annexation of the territory referred to as "Icy Passage" by a vote of 5-0.

On September 15, 2011, the commission issued its written decision. The decision is enclosed for your reference. These documents and all public materials regarding this annexation petition can also be found at: http://commerce.alaska.gov/dca/lbc/2010_City_of_Gustavus_Annexation/.

Members: Lynn Chrystal, Chair;
John Harrington, First Judicial District; Robert Harcharek, Second Judicial District;
Larry Semmens, Third Judicial District; Lavell Wilson, Fourth Judicial District

Should you have any questions, please contact Local Boundary Commission staff at 907-269-4559 (Brent Williams), 907-269-4587 (Don Burrell), or at LBC@alaska.gov. Thank you for your consideration.

Sincerely,

LOCAL BOUNDARY COMMISSION

Lynn Chrystal

Lynn Chrystal
Chair

Enclosures:

(1) LBC *Statement of Decision*, City of Gustavus' annexation

Members

Lynn Chrystal
Chair
At Large

John Harrington
Member
First Judicial District

Bob Harcharek
Member
Second Judicial District

Larry Semmens
Vice Chair
Third Judicial District

Lavell Wilson
Member
Fourth Judicial District

Local Boundary Commission

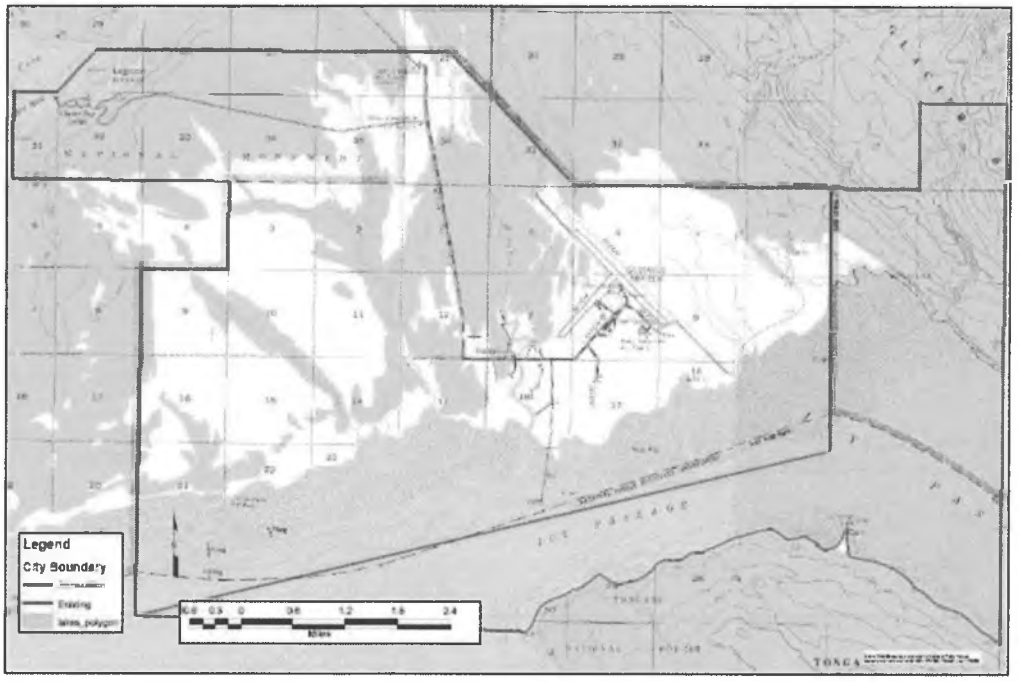
Decision

In the Matter of the December 16, 2010, Petition by the City of Gustavus to annex approximately 16 square miles of land and water.

Section I
Introduction

On December 16, 2010, the City of Gustavus petitioned the Local Boundary Commission (also referred to as "LBC" or "commission") to annex approximately 16 square miles of land and water. The territory proposed for annexation is described as follows and is shown on the map below:

The City of Gustavus proposes to annex approximately 16 square miles including approximately 4 square miles of Falls Creek drainage uplands, and approximately 12 square miles of Icy Passage tidelands and submerged lands between present City limits and Pleasant Island.



SECTION II
PROCEEDINGS

- **Submission and Review of Petition**
  The petition was submitted to LBC staff (also referred to as "Commerce") on November 15, 2010, and accepted for filing on December 16, 2010.

- **Deposit of Petition**
  On January 10, 2011, the City of Gustavus provided a copy of the City's prospective petition at the following location:

City of Hoonah	Hoonah Indian Association
Richard Levitt President, Gustavus Electric Company	Commissioner Dan Sullivan State of Alaska, Department of Natural Resources
Haines Borough	

- **Posting of Notice**
  On January 10, 2011, notice was posted at the following locations within and surrounding the territory proposed for annexation:

Gustavus City Hall	U.S. Post Office, Gustavus
Gustavus Public Library	City of Gustavus website
Gustavus Dray	Bear Track Mercantile
Glacier Bay National Park Headquarters	

- **Public Notice**
  On January 10, 2011, a public service announcement was sent to the following radio stations to broadcast for 14 days:

  KTOO

  Notice of the petition was published in the *Juneau Empire* and *Capital City Weekly* on December 22, 2010, December 29, 2010, and January 5, 2011. The notice was also posted on the state's *Online Public Notice System*, as well as on the Division of Community and Regional Affairs and LBC websites.

- **Service of Petition**
  On January 10, 2011, the City of Hoonah, the Haines Borough, Gustavus Electric Company, Hoonah Indian Association, and the Commissioner of the Alaska Department of Natural Resources were served, via United States Postal Service, complete copies of the petition and the Public Notice.

- **Deadline for Initial Comments**
  The notice of filing invited written public comment concerning the proposed annexation by Friday, March 4, 2011. Staff received no public comments during this public comment period regarding the proposed annexation.

- **Gustavus Annexation Preliminary Report Distribution**
  On Friday, May 20, 2011, Commerce distributed copies of its 84 page *Preliminary Report Regarding the Proposal to Annex by legislative review, approximately 16 square miles of land and water to the City of Gustavus* to interested parties including the petitioner, LBC members, and others.

- **Receiving Timely Comments on Preliminary Report**
  The public comment period for the preliminary report began Friday, May 20, 2011, upon mailing of the preliminary report and ended Wednesday, June 22, 2011. Commerce received one submitted comment from the petitioner regarding the Commerce preliminary report.

- **Final Report Distribution**
  On July 22, 2011, Commerce distributed copies of its final report to the Local Boundary Commission regarding the proposal to annex by legislative review, approximately 16 square miles of water and land to the City of Gustavus to interested parties including the petitioner, the LBC members, and others.

- **Notice of Local Boundary Commission Public Hearing and Decisional Meeting**
  The Local Boundary Commission chair scheduled a public hearing regarding the City of Gustavus' annexation petition. Formal notice of the hearing had been given by Commerce under 3 AAC 110.550.

  Commerce published the full notice in the *Juneau Empire* on July 18, August 1, and August 15, 2011. The notice was also posted on the state's *Online Public Notice System*, as well as on the Division of Community and Regional Affairs and LBC websites.

Additionally, notice of the hearing was provided to the Petitioner's representative (Mayor Jim Mackovjak). The city posted the notice.

- **LBC Public Hearing Regarding the City of Gustavus' Annexation Petition**
  In accordance with 3 AAC 110.550 and 3 AAC 110.560, the commission held a duly noticed public hearing on Wednesday, August 17, 2011, regarding the City of Gustavus' annexation petition. The hearing began at 1:00 p.m. in the Gustavus City Hall, in Gustavus, Alaska, and was teleconferenced for the city, residents affected by this annexation petition, and the city's sworn testimony.

  The commission heard sworn testimony from City of Gustavus witnesses, as well as public comments supporting the proposed annexation. There were no comments in opposition. The decisional meeting immediately followed the public hearing.

- **LBC Decisional Meeting Regarding the City of Gustavus' Annexation Petition**
  In accordance with 3 AAC 110.570, the LBC held a duly noticed decisional meeting on Wednesday, August 17, 2011, regarding the City of Gustavus' annexation petition. The commission voted 5 to 0 to approve the petition as submitted.

SECTION III
FINDINGS AND CONCLUSIONS

The record in this proceeding includes the City of Gustavus' annexation petition and supporting materials, written comment received on the petition, Commerce preliminary and final reports, and testimony received at the LBC's August 17th public hearing on the petition.

There are city annexation standards for the legislative review method that the LBC is required to apply. They are found at 3 AAC 110.090 – 3 AAC 110.140 and 3 AAC 110.900 – 3 AAC 110.982.

Section III of this decisional statement recounts such application by the commission. Based on the evidence in the record, the LBC has reached the findings and conclusions set out in this section.

A. 3 AAC 110.090. Need.

Two standards relate to the need for city government in the territory proposed for annexation. First, 3 AAC 110.090(a) states that a territory may be annexed to a city provided that the commission determines that there is a reasonable need for city government in the territory. Second, 3 AAC 110.090(b) states that territory may not be annexed to a city if the commission determines that essential municipal services can be provided more efficiently and more effectively by another existing city or by an organized borough, on an areawide basis or nonareawide basis, or through a borough service area.

By concurrence, the commission finds that 110.090 has been met because there is a reasonable need for city government in the territory due to at least the need for emergency services. Further, essential municipal services cannot be provided more efficiently and/or more effectively by another existing city or by an organized borough, on an areawide basis or nonareawide basis, or through a borough service area.

B. 3 AAC 110.100. Character.

Alaska law allows a territory to be annexed to a city provided that the territory is compatible in character with the annexing city. (3 AAC 110.100).

Gustavus is a stable and well established community. The territories proposed for annexation are uninhabited. The community focuses on and relies upon the Falls Creek and Icy Passage territories for recreation (boating, hiking, camping, etc.) and actual and potential resources (source of hydroelectric power, rock, community water supply, appropriate sites for moorage, anchoring, communication facilities, etc.). The use will not only continue, but will presumably increase, which will further integrate the territories to the community. Falls Creek is also linked by the road system, which strengthens the bond between the city and the territory. Icy Passage, specifically, is essentially an extension of the city. It is used by the city for community purposes such as moorage and transportation. It is viewed by Gustavus residents as being part of Gustavus due to resources and transportation in the territory. The dock originates within the city, and extends nearly to the city boundaries.

By concurrence, the commission finds that the territories proposed for annexation in the petition satisfies 3 AAC 110.100's requirements.

C. 3 AAC 110.110. Resources.

Alaska law allows a territory to be annexed to a city if the commission determines that the economy within the proposed expanded boundaries of the city has the human and

financial resources necessary to provide essential city services on an efficient, cost-effective level (3 AAC 110.110).

The city has six municipal functions: Library, recycling and refuse disposal, fire and EMS, road maintenance, internet service, and small boat facilities and services. By petitioning to add these two territories, the city has not taken on more than it can fiscally sustain. As a second class city, Gustavus does not operate a school system. It does not have a police department, and only employs four paid staff. The city's population is 442. While it is not large, it is one of the state's largest second class cities, and larger than several first class cities.

The economy within the proposed expanded boundaries of the city does include the human and financial resources necessary to provide essential municipal services on an efficient, cost-effective level because Gustavus' minimal government, potential tax revenue, reasonably sound economy, expected lower shipping costs and increased visitation due to the new dock and the start of ferry service, low financial impact of the proposed annexation, and its population size provide those resources.

By concurrence, the commission finds that the territory described in the petition meets 3 AAC 110.110.

D. 3 AAC 110.120. Population.

3 AAC 110.120 states that "[t]he population within the proposed expanded boundaries of the city must be sufficiently large and stable to support the extension of city government."

The proposed expanded boundaries will require little additional services from the city, and hence not require an increase in the city's population to support those services. Gustavus' population is stable, and shows marginal increase. By concurrence, the commission finds that Gustavus' proposed post-annexation population is sufficiently large and stable to support extending city government.

3 AAC 110.130. Boundaries.

There are five standards related to boundaries that the commission must consider.

1. 3 AAC 110.130(a)

3 AAC 110.130(a) states that the proposed expanded boundaries of the city must include all land and water necessary to provide for the development of essential municipal services in an efficient, cost-effective manner.

The LBC finds that the proposed expanded boundaries of the city do include all land and water necessary to provide for the development of essential municipal services in an efficient, cost-effective manner.

2. 3 AAC 110.130(b)

3 AAC 110.130(b) states that territory that is noncontiguous to the annexing city or that would create enclaves in the annexing city, does not include all land and water necessary to develop essential municipal services in an efficient, cost-effective manner (absent a specific and persuasive contrary showing).

Both territories are contiguous to the city. Annexation would not create enclaves. The commission did inquire about why the petitioner did not include Pleasant Island, an island frequently used for recreation and other potential municipal purposes by the City of Gustavus. The petitioner indicated that it was previously suggested during the incorporation petition that that would be "overreaching" and may preclude the petition from being approved, if included.

3. 3 AAC 110.130(c)(1)

The expanded boundaries of the City of Gustavus must be on a scale suitable for city government, and may include only that territory comprising an existing local community, plus reasonably predictable growth, development, and public safety needs during the ten years following the effective date of annexation.

The proposed expanded boundaries of the city are on a scale suitable for city government because the city presently encompasses 29.2 sq. miles of land and 10.0 sq. miles of water. If annexation is approved, the city would grow from 39.2 to 55.2 square miles of land and water. This is an adequate amount of land and water to provide the development of all essential municipal services.

4. 3 AAC 110.130(c)(2)

The proposed expanded boundaries of the City of Gustavus may not include entire geographical regions or large unpopulated areas, except if those boundaries are justified by the application of standards in 3 AAC 110.090 – 3 AAC 110.135 and are otherwise suitable for city government.

The proposed expanded boundaries of the city do not include entire geographical regions or large unpopulated areas. If, *arguendo* they did, these boundaries are justified by the applying the standards in 3 AAC 110.090 – 3 AAC 110.135, and are otherwise suitable for city government. They are otherwise suitable for city government.

5. 3 AAC 110.130(d)

3 AAC 110.130(d) states that "if a petition for annexation to a city describes boundaries overlapping the boundaries of an existing organized borough, the petition for annexation must also address and comply with the standards and procedures for either annexation of the enlarged city to the existing organized borough or detachment of the enlarged city from the existing organized borough. If a petition for annexation to a city describes boundaries overlapping the boundaries of another existing city, the petition for annexation must also address and comply with the standards and procedures for detachment of territory from a city, merger of cities, or consolidation of cities."

The proposed expanded boundaries of the City of Gustavus do not overlap either an existing borough or an existing city and so 3 AAC 110.130(d) is not applicable to the petition.

By concurrence, the commission finds that the petition has met 3 AAC 110.130(a), 3 AAC 110.130(b), 3 AAC 110.130(c), and 3 AAC 110.130(d) collectively.

E. 3 AAC 110.135. Best Interests of the State.

3 AAC 110.135 examines AS 29.06.040(a)'s best interests of the state requirement. Alaska's constitution promotes maximum local government with a minimum of local government units and prevention of duplication of tax levying jurisdictions. (Article X, §1).

The commission finds that the proposed annexation would have no effect upon the number of local government units. The annexation meets the best interests of the state requirement because the city is the appropriate government for the territory.

We find that the petition satisfies 3 AAC 110.135's requirement for annexation because, *inter alia*, it would promote a minimum number of local government units, it would promote maximum local self-government, and it would minimize conflicts and impediments to marine traffic. Further, the state would need to be less involved in local matters. The annexation is in the best interests of the state. 3 AAC 110.135 is met.

F. 3 AAC 110.140. Legislative Review.

For territory to be annexed under the legislative review method the commission must determine that at least one of eight circumstances enumerated in 3 AAC 110.140 exists. Here, we find that several circumstances are met.

By concurrence, the commission finds that the health, safety, or general welfare of city residents is or will be endangered by conditions existing or potentially developing in the territory, and annexation will enable the city to regulate or control the detrimental effects of those conditions. The LBC further finds that the extension of city services or facilities into the territory is necessary to enable the city to provide adequate services to city residents, and it is impossible or impractical for the city to extend the facilities or services unless the territory is within the boundaries of the city. The commission finds that residents or property owners within the territory receive, or may be reasonably expected to receive, directly or indirectly, the benefit of city government without commensurate tax contributions, whether these city benefits are rendered or received inside or outside the territory, and no practical or equitable alternative method is available to offset the cost of providing these benefits. The LBC finds that the annexation of the territory will enable the city to plan and control reasonably anticipated growth or development in the territory that otherwise may adversely impact the city.

The commission further finds that annexation of the territories will promote maximum local self-government, as determined under 3 AAC 110.981; and a minimum number of local government units, as determined under 3 AAC 110.982 and in accordance with art. X, sec. 1, Constitution of the State of Alaska. Additionally, the commission finds annexation of the territory will enhance the extent to which the city meets the standards for incorporation of cities, as set out in the Constitution of the State of Alaska, AS 29.05, and in 3 AAC 110.005 - 3 AAC 110.042, and is in the best interests of the state. The commission determines that specific policies set out in the Constitution of the State of Alaska, AS 29.04, AS 29.05, or AS 29.06 are best served through annexation of the territory by the legislative review process, and that annexation is in the best interests of the state.

For these reasons, the commission finds that 3 AAC 110.140 has been met.

G. 3 AAC 110.900. Transition.

3 AAC 110.900 concerns whether the transition plan contains all the required information, and that all required actions were undertaken to prepare for a smooth transition. There are six parts to 3 AAC 110.900 that the commission reviewed.

The commission considers the prospective transition of extending essential city services into the territories proposed for annexing to be elementary and uncomplicated. In

particular, the commission notes that annexation would not involve the transfer of assets or liabilities from one local government to another.

The commission finds that 3 AAC 110.900's requirements have been satisfied with respect to the current annexation proposal based on the rationale below.

1. 3 AAC 110.900(a)

3 AAC 110.900(a) requires the petition to include a practical plan demonstrating the capacity of the annexing city to extend essential city services into the territories proposed for annexation in the shortest practical time after the effective date of the proposed annexation. The LBC deems that 3 AAC 110.900(a) has been satisfied because the petition includes such a transition plan, and that the plan was well developed.

2. 3 AAC 110.900(b)

3 AAC 110.900(b) requires that the petition include a practical plan for the assumption of all relevant and appropriate powers, duties, rights, and functions presently exercised by an existing borough, city, unorganized borough service area, or other appropriate entity located within the boundaries proposed for change.

The commission finds that there is a transition plan and that the city indicates in its transition plan when the transition would occur. The commission finds that the city would be formally assuming duties that it already provides. The commission finds that there is very little external transition to be done, but that the transition plan was prepared in consultation with the officials of each existing borough, city, and organized borough service area. We find that the plan was designed to affect an orderly, efficient, and economical transfer within the shortest practical time, not to exceed two years after the effective date of the proposed change. We find no reason that the transition would not take effect in under two years. We find that 3 AAC 110.900(b) has been satisfied.

3. 3 AAC 110.900(c)

3 AAC 110.900(c) requires that the petition must include a practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of an existing borough, city, unorganized borough service area, and other entity located within the boundaries proposed for annexation. The commission finds that 3 AAC 110.900(c) is met due to the quality of the plan. The LBC further finds that officials were consulted, and that the transition would take effect in under two years. The LBC finds that 3 AAC 110.900(c) is met.

4. 3 AAC 110.900(d)

3 AAC 110.900(d) is not a requirement, but it's an option that the LBC may exercise to require an agreement for the assumption of powers, duties, rights, and functions, and for the transfer and integration of assets and liabilities. We do not exercise that option here.

5. 3 AAC 110.900(e)

The transition plan must state the names and titles of all officials of each existing borough, city, and unorganized borough service area that were consulted by the petitioner. The dates on which that consultation occurred and the subject addressed during that consultation must also be listed. The commission finds that 3 AAC 110.900 is moot.

6. 3 AAC 110.900(f)

If a petitioner has requested consultation, and borough officials have declined to consult or were unavailable during reasonable times, the petitioner may ask the LBC to waive that requirement. As no such request was received, no such waiver was granted.

H. 3 AAC 110.910. Statement of Nondiscrimination

As provided by 3 AAC 110.910, an annexation proposal may not be approved by the commission if the effect of the annexation would deny any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin.

We find no evidence that the effect of the proposed change denies any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin.

I. 3 AAC 110.970. Determination of Essential Municipal Services.

Essential municipal services were discussed under 3 AAC 110.090. The essential municipal services must be reasonably necessary to the community, promote maximum, local self-government, and cannot be provided more efficiently and more effectively by the creation or modification of some other political subdivision of the state.

The commission finds that essential municipal services could not be provided more efficiently and more effectively by the creation or modification of some other political

subdivision of the state. The nearest municipalities are the Haines Borough and the City of Hoonah.

For those reasons, we find that the petition has met 3 AAC 110.970's requirements.

J. 3 AAC 110.981. Determination of Maximum Local Self-Government.

The approval of this petition extends city government to the territory proposed for annexation where borough government does not currently exist. The annexation would bring local government to a part of the unorganized borough where no local government currently exists. Annexation would also promote maximum local self-government by empowering Gustavus in the potential development of Falls Creek, and local control of the harbor in Icy Passage.

For those reasons, the commission finds that the proposed boundary change promotes maximum local self government under art. X, sec. 1, Constitution of the State of Alaska.

K. 3 AAC 110.982. Minimum Number of Local Government Units.

The commission finds that Alaska's constitution promotes minimizing the number of local government units unless creating additional units is found to serve the best interests of the state. Annexing the territory would not increase the number of local government units. Annexation would only change the size of the existing city. By annexing this territory, the city would not enlarge its boundaries to such a degree that it would be better to incorporate a new city. The 16 miles of land and water proposed for annexation would be highly unlikely to be self sustainable if it were to incorporate as its own local government unit.

The commission finds that this annexation proposal will enlarge the city, would not create new local government units, and has met the requirements of 3 AAC 110.982.

SECTION IV
ORDER OF THE COMMISSION

The commission concludes that all of the relevant standards and requirements have been met for annexing the territory consisting of the original 16 square miles of territory described in the petition. If approved, the city of Gustavus would encompass the existing 39.2 square miles plus the additional 16 square miles to a combined 55.2 square

miles of land and water. The commission approves the City of Gustavus annexation petition annexing approximately 16 square miles of land and water.

CITY OF GUSTAVUS CORPORATE BOUNDARIES

The territory of the City, should the proposed annexation be approved, is generally described as all lands and waters contained within the following metes and bounds:

Beginning at the northeast corner of Section 3 (T40S, R59E), Copper River Meridian; as shown on USGS Quadrangle Juneau (B-5) (minor revisions 1966), the true point of beginning;

Thence east along the north boundary of Section 2 (T40S, R59E);

Thence along the west and north boundaries of Section 36 (T39S, R59E);

Thence south along the eastern boundaries of Section 36 (T39S, R59E), Section 1 (T40S, R59E) and Section 12 (T40S, R59E), approximately 2.75 miles to the north shore of Icy Passage;

Thence south across Icy Passage to the mean high tide line of Pleasant Island;

Thence westerly along the mean high tide meander line following the north shore of Pleasant Island to the island's westernmost tip, in Section 31 (T40S, R59E) near National Geodetic Survey Monument "Ant";

Thence westerly across Icy Strait to a point in Icy Strait 1.2 miles south of the mean high tide line along the common boundaries of Sections 20 and 21 (T40S, R58E);

Thence continuing north along said section line to the northwest corner of Section 9 (T40S, R58E);

Thence east to the northeast corner of Section 9 (T40S, R58E);

Thence north to the northwest corner of Section 3 (T40S, R58E);

Thence west along the township line dividing T39S and T40S, to the mean high tide line of Glacier Bay;

Thence continuing west approximately 375 feet to a point (protracted quarter corner of Section 31 (T39S, R58E) in Glacier Bay;

Thence north 1 mile to a point (protracted quarter corner of Section 31 (T39S, R58E) in Bartlett Cove;

Thence east 1/2 mile to a point (protracted northeast corner of Section 31 (T39S, R58E) in Bartlett Cove;

Thence northeast (N45 degrees east) approximately 3/4 mile to the protracted center of Section 29 (T39S, R58E) in Bartlett Cove;

Thence east approximately 1/4 mile to a point where the line of mean high tide meets the south boundary of the northeast 1/4 of Section 29 (T39S, R58E);

Thence continuing east to the protracted center of Section 25 (T39S, R58E);

Thence southeast to the northwest corner of Section 5 (T40S, R59E);

Thence east to the northeast corner of Section 3 (T40S, R59E), the true point of beginning.

Approved in writing this 15th day of September, 2011.

LOCAL BOUNDARY COMMISSION

By: Lynn Chrystal x
Lynn Chrystal, Chair

Attest:

By: R. Brent Williams x
Brent Williams, Staff

RECONSIDERATION BY THE COMMISSION

Per 3 AAC 110.580(a) "within 18 days after a written statement of decision is mailed under 3 AAC 110.570(f), a person may file an original and five copies of a request for reconsideration of all or part of the decision, describing in detail the facts and analyses that support the request for reconsideration."

Per 3 AAC 110.580(e) "the commission will grant a request for reconsideration or, on its own motion, order reconsideration of a decision only if the commission determines that

(1) a substantial procedural error occurred in the original proceeding;
(2) the original vote was based on fraud or misrepresentation;
(3) the commission failed to address a material issue of fact or a controlling principle of law; or
(4) new evidence not available at the time of the hearing relating to a matter of significant public policy has become known."

Additionally, per 3 AAC 110.580(f) "if the commission does not act on a request for reconsideration within 30 days after the decision was mailed under 3 AAC 110.570(f), the request is automatically denied."

Also, per 3 AAC 110.580(f) "if the commission orders reconsideration or grants a request for reconsideration within 30 days after the decision was mailed under 3 AAC 110.570(f), the commission will allow a petitioner or respondent 10 days after the date reconsideration is ordered or the request for reconsideration is granted to file an original and five copies of a responsive brief describing in detail the facts and analyses that support or oppose the decision being reconsidered."

JUDICIAL APPEAL

A decision of the LBC may be appealed to the Superior Court under AS 44.62.560(a) and Rules of Appellate Procedure 602(a)(2).

SB

96

<TARGET><BILL>SB 96</BILL><SUBJECT>SB
96</SUBJECT><COMM>SCRA27</COMM></TARGET>

27-LS0571\I
Bullock/Bullard
3/15/11

CS FOR SENATE BILL NO. 96( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR KOOKESH

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Village Safe Water Act."

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

*** Section 1.** AS 46.07.080(2) is amended to read:

(2) "village" means **a village listed in 43 U.S.C. 1610 or 1615** [AN UNINCORPORATED COMMUNITY] that has between 25 and **1,000 residents** [600 PEOPLE RESIDING WITHIN A TWO-MILE RADIUS], a second class city, or a first class city **or home rule city** with not more than **1,000** [600] residents.

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

TRANSITION. Notwithstanding the amendment to AS 46.07.080(2) by sec. 1 of this Act, a village for which Village Safe Water Act project funding was appropriated in a capital budget bill approved by the legislature for a fiscal year before fiscal year 2012 shall remain eligible to receive that Village Safe Water Act project funding after the effective date of this Act regardless of whether the village meets the definition of "village" in AS 46.07.080(2) as amended by sec. 1 of this Act.

SENATOR ALBERT M. KOOKESH
ALASKA STATE LEGISLATURE SENATE DISTRICT C

State Capitol, Room 11
Juneau AK, 99801-118
907-465-3473
888-288-3473
FAX 907-465-2827

SPONSOR STATEMENT

CSSB 96 (C&RA): "An Act relating to the Village Safe Water Act"

This bill makes the following changes to the Village Safe Water Act:

1. Raises the maximum population eligible for funding from 600 to 1000 for villages and first-class cities. This would allow those municipalities which are still facing clean water and sanitation issues to receive VSW grants despite their population growth. First Class cities Sand Point, King Cove, Hoonah and Klawock would become eligible for VSW grants.

2. Adds home rule cities whose population is below 1000 residents. This would allow Nenana to become eligible to apply for VSW funding.

3. Changes the definition of village from "unincorporated community" to a village listed in 43 U.S.C. 1610 or 15 (ANCSA). This would make it mandatory for an applicant to have a structured government in place.

These changes to the Village Safe Water Act would direct the program funding to those regions of Alaska it was intended to help. Many villages in Alaska lack basic sanitation needs including safe sources of drinking water or hygienic means of sewage disposal.

The Department of Environmental Conservation is in full support of this bill. I urge your support the passing of this bill.

David Scott

From: Carlson-Van Dort, Marit K (DEC) [marit.carlson-van.dort@alaska.gov]
Sent: Tuesday, March 15, 2011 9:59 AM
To: David Scott
Cc: Griffith, Bill (DEC); Kent, Lynn J T (DEC)
Subject: RE: SB 96 Language

David,

We will shoot to get you an analysis of which districts would be most affected by the proposed changes in eligibility by early afternoon, but in the meantime, here are lists of communities that would be affected:

Regarding the communities that will be affected by the 600 to 1000 amendment:

The following 5 villages (1st class cities or unincorporated) now have a population between 600 and 1000. These communities have all received VSW funding in the past, but are not longer eligible under the current statute:

Klawock Hoonah King Cove Kipnuk Akiachak

In addition, the following 3 villages (1st class cities or unincorporated) have a population over 550 and are growing:

Kasigluk Galena Saint Mary's

Regarding the unincorporated communities with no local government ("homeowner associations"):

The following communities have no existing local government (neither a municipal government nor a federally recognized tribe) but have received funding through the VSW program:

Badger	Lake Minchumina	Nikolaevsk	Slana
Richardson	Lowell Point	Point Baker	Voznesenka
Elfin Cove	McCarthy	Port Alsworth	Whale Pass
Glennallen	Naukati	Port Protection	Anchor Point
Hyder (subdivision)			

In addition, the following communities represent a partial list of the communities which are eligible under the current VSW Act, would no longer be eligible under the proposed amendments, and have never received a VSW grant in the past:

Aleneva	Four Mile Road	Lake Louise	Salamatof
Beluga	Fox	Livengood	Salcha
Big Delta	Fox River	Lutak	Seldovia Village
Buffalo Soapstone	Funny River	McKinley Park	Shemya Station
Central	Game Creek	Mendeltna	Silver Springs
Chase	Glacier View	Moose Creek	Skwentna
Chiniak			Susitna
Clam Gulch	Halibut Cove	Mosquito Lake	Tolsona
Cooper Landing	Happy Valley	Mud Bay	Tonsina
Copperville	Harding-Birch Lakes	Nelchina	Trapper Creek
Covenant Life	Hollis	Northway Junction	Two Rivers
Crown Point	Hope	Paxson	Whale Pass
Cube Cove	Jakolof Bay	Petersville	Whitestone Logging Camp

Dry Creek	Kasilof	Pleasant Valley	
Edna Bay	Kenny Lake	Point MacKenzie	Willow Creek
Ferry	King Salmon	Primrose	Womens Bay
Fort Greely	Knik River	Red Dog Mine	

Marit Carlson Van Dort
Legislative Liaison/Special Assistant to the Commissioner
Alaska Department of Environmental Conservation
(907) 465-5871phone
(907) 465-5070 fax

Edna Bay	Kenny Lake	Point MacKenzie	Willow Creek
Ferry	King Salmon	Primrose	Womens Bay
Fort Greely	Knik River	Red Dog Mine	

Märit Carlson-Van Dort
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From: David Scott [mailto:David_Scott@legis.state.ak.us]
Sent: Mon 3/14/2011 8:09 PM
To: Carlson-Van Dort, Marit K (DEC)
Subject: SB 96 Language

The earlier the better - thanks. Then I will also need to know the communities that will be affected by the 600 to 1000 amendment and then the neighborhood associations...? This will take some thought. Who would be against? What districts? What reps? What senators? Unorganized?? Within boroughs??? I'm all for changing it but I need some ammo.

David Scott
Office of Sen. Donny Olson

Sent from my iPhone.
Please excuse any typos.

From: Carlson-Van Dort, Marit K (DEC)
Sent: Tuesday, March 15, 2011 9:59 AM
To: Scott, David (LAA)
Cc: Griffith, Bill (DEC); Kent, Lynn J T (DEC)
Subject: RE: SB 96 Language

David,

We will shoot to get you an analysis of which districts would be most affected by the proposed changes in eligibility by early afternoon, but in the meantime, here are lists of communities that would be affected:

Regarding the communities that will be affected by the 600 to 1000 amendment:

The following 5 villages (1st class cities or unincorporated) now have a population between 600 and 1000. These communities have all received VSW funding in the past, but are not longer eligible under the current statute:

Klawock Hoonah King Cove Kipnuk Akiachak

In addition, the following 3 villages (1st class cities or unincorporated) have a population over 550 and are growing:

Kasigluk Galena Saint Mary's

Regarding the unincorporated communities with no local government ("homeowner associations"):

The following communities have no existing local government (neither a municipal government nor a federally recognized tribe) but have received funding through the VSW program:

Badger	Lake Minchumina	Nikolaevsk	Slana
Elfin Cove	Lowell Point	Point Baker	Voznesenka
Glennallen	McCarthy	Port Alsworth	Whale Pass
Hyder (subdivision)	Naukati	Port Protection	Anchor Point

In addition, the following communities represent a partial list of the communities which are eligible under the current VSW Act, would no longer be eligible under the proposed amendments, and have never received a VSW grant in the past:

Aleneva	Four Mile Road	Lake Louise	Salamatof
Beluga	Fox	Livengood	Salcha
Big Delta	Fox River	Lutak	Seldovia Village
Buffalo Soapstone	Funny River	McKinley Park	Shemya Station
Central	Game Creek	Mendeltna	Silver Springs
Chase	Glacier View	Moose Creek	Skwentna
Chiniak			Susitna
Clam Gulch	Halibut Cove	Mosquito Lake	Tolsona
Cooper Landing	Happy Valley	Mud Bay	Tonsina
Copperville	Harding-Birch Lakes	Nelchina	Trapper Creek
Covenant Life	Hollis	Northway Junction	Two Rivers
Crown Point	Hope	Paxson	Whale Pass
Cube Cove	Jakolof Bay	Petersville	Whitestone Logging Camp
Dry Creek	Kasilof	Pleasant Valley	

David Scott

From: Carlson-Van Dort, Marit K (DEC) [marit.carlson-van.dort@alaska.gov]
Sent: Tuesday, March 15, 2011 12:50 PM
To: David Scott
Cc: Griffith, Bill (DEC); Kent, Lynn J T (DEC)
Subject: FW: SB 96 Language

David,

We identified the communities that would benefit the most and those that would benefit the least if the suggested amendments are made - see table below. Those that will benefit are basically the communities that are near or over 600 people. Those that may not are unincorporated communities with recent or on-going VSW projects of significant size.

Many Bush communities would benefit from the changes, but especially the ones in the YK Delta (Hoffman/Herron). This is because there are so many water and sewer needs in those districts that we can't afford to fund. Changing the statute would reduce the number of eligible communities and allow us to focus on the communities with the greatest need (YK Delta has the most need).

	Senate District	Senator	House District	Representative
Benefit Most				
Klawock	C	Kookesh	5	Bill Thomas
Hoonah	C	Kookesh	5	Bill Thomas
King Cove	S	Hoffman	37	Edgmon
Kipnuk	S	Hoffman	38	Herron
Akiachak	S	Hoffman	38	Herron
Kasigluk	S	Hoffman	38	Herron
Galena	C	Kookesh	6	Dick
St. Mary's	T	Olson	39	Foster
Benefit Least				
Glennallen	F	Coghill	12	Feige
Lowell Point	R	Stevens	35	Seaton
Nikolaevsk	Q	Wagoner	34	Chenault
Slana	C	Kookesh	6	Dick
Anchor Point	R	Stevens	35	Seaton
Voznesenka	R	Stevens	35	Seaton

Märit Carlson-Van Dort
Legislative Liaison/Special Assistant to the Commissioner
Alaska Department of Environmental Conservation
(907) 465-5871phone

David Scott

From: Koeneman, Crystal A (CED) [crystal.koeneman@alaska.gov]
Sent: Friday, March 11, 2011 1:29 PM
To: Sen. Donny Olson; Carlson-Van Dort, Marit K (DEC); clair.fishwick@alaska.gov; Thayer, Curtis W (CED)
Cc: David Scott
Subject: RE: SB 96

Loren,

AS 46.07.080(2) defines which entities are eligible for sanitation grants under the Village Safe Water (VSW) program. The home rule city is a certain type of municipality that is currently excluded. Under the proposed definition, one community would be added to the list of those eligible for VSW grants and that would be the City of Nenana which has a population of 549.

Let me know if you have any further questions. Thanks!!!

Crystal Koeneman, Special Assistant
Commerce, Community & Economic Development
9th Floor | State Office Building, Juneau, AK 99811
☎: 907.465.2503(w)/907.321.8517(c) | 🖷: 907.465.5442
✉: crystal.koeneman@alaska.gov

From: Sen. Donny Olson [mailto:Senator_Donny_Olson@legis.state.ak.us]
Sent: Friday, March 11, 2011 10:19 AM
To: Carlson-Van Dort, Marit K (DEC); clair.fishwick@alaska.gov; Thayer, Curtis W (CED); Koeneman, Crystal A (CED)
Cc: Scott, David (LAA)
Subject: SB 96

Good morning,

Regarding SB 96, an act relating to the Village Safe Water Act, it reads "* **Section 1.** AS 46.07.080(2) is amended to read: "village" means an unincorporated community that has between 25 and 600 people residing within a two-mile radius, a second class city, or a first class **or home rule** city with not more than 600 residents."

Can you please explain the "home rule" and how it affects or will affect the Village Safe Water program? This bill is scheduled to go before the floor on **Tuesday, March 15**.

Thanks so much for your time and cooperation.

Sincerely,

Loren Peterson

Staff to Senator Donald Olson
Senate District T
p: 907 465-3707
f: 907 465-4821
Alaska State Capitol, Room #508
Juneau, AK 99801-1182

David Scott

From: Koeneman, Crystal A (CED) [crystal.koeneman@alaska.gov]
Sent: Monday, March 14, 2011 10:21 AM
To: David Scott
Subject: FW: Home rule cities

Let me know if this answers your questions!

Crystal Koeneman

From: Ruby, Scott (CED)
Sent: Monday, March 14, 2011 10:20 AM
To: Koeneman, Crystal A (CED)
Subject: RE: Home rule cities

According to the numbers we have now (2010 Census is coming out this week or next week).

There would be no home rule cities added, the next smallest one is Cordova at 2,126

First Class Cities that would be added include:
King Cove 744
Hoonah 764
Klawock 782

If for some reason they changed the wording in the definition from "first class or home rule city" to "first class or home rule municipality" , then that would include borough's and the following would be added.

Home rule borough
Yakutat 628

Skagway is the only 1st class borough, but it's population is 865

Scott

From: Koeneman, Crystal A (CED)
Sent: Monday, March 14, 2011 10:08 AM
To: Ruby, Scott (CED)
Subject: Home rule cities

If they were to increase the number in SB 96 from 600 to either 700 or 800 what other cities would they be looking at adding? Sen. Olson is curious.

(2) "village" means an unincorporated community that has between 25 and 600 people residing within a two-mile radius, a second class city, or a first class **or home rule** city with not more than [600] **700/800** residents.

Crystal Koeneman, Special Assistant
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Alaska Department of Environmental Conservation Village Safe Water Program

The Alaskans We Serve

Rural Alaska is characterized by over 280 isolated villages scattered across an area more than twice the size of Texas. Populations in these communities are predominately Native and range between 25 and 6,000 residents, averaging about 300 residents per village. Nearly all villages are accessible by air and water only. Most residents practice a blended subsistence lifestyle and depend heavily on moose, caribou, walrus, whale, seal and fish for their food supply. Unemployment rates frequently exceed 50%. Many of these communities lack a safe source of drinking water or a safe means of sewage disposal – The Village Safe Water Program (VSW) is working to change this. As one of the three Facility Programs established within the Department of Environmental Conservation, Division of Water, the role of the VSW program is to work with rural communities to develop sustainable sanitation facilities.

How the Program Works

Communities apply each year to VSW for grants for sanitation projects. The applications are scored, based heavily on the proposed project's ability to address assessed critical public health needs, as well as the communities' demonstrated capacity to operate and maintain the facilities. Grants are awarded for the highest ranking projects. Federal and state funding for this program is administered and managed by the State of Alaska's Village Safe Water (VSW) program. VSW provides technical and financial support to Alaska's smallest communities to design and construct water and wastewater systems. VSW works directly with community officials to make sure that planning results in facilities that are appropriate for each community, that facilities are properly and efficiently constructed, and that state and federal grant funds are used effectively and efficiently. In some cases, funding is awarded by VSW through the Alaska Native Tribal Health Consortium, who in turn assist communities in design and construct of sanitation projects.

Focus on Local Capacity

Local capacity is a vital component of developing sustainable sanitation systems throughout rural Alaska. Construction is only approved once communities have met agreed upon performance criteria and have demonstrated the capacity to operate and manage sanitation facilities. Although local capacity requirements may occasionally delay construction, they are an essential element of a comprehensive statewide sanitation plan.

The role of the Village Safe Water Program is to work with rural communities to develop sustainable sanitation facilities.

Progress to Date

Appropriations through EPA and USDA coupled with state funding have resulted in substantial improvements in the health, safety, and well-being of thousands of Alaskans. In 1994 only 37% of rural Alaska households had adequate sanitation facilities. Today, 77% of rural Alaskan homes have running water and flush toilets.

With federal and state support, the percentage of rural households with basic sanitation services has increased by over 30% over the past decade. Similarly, there has been a significant increase in the number of trained rural utility operators, clerks, and managers.

Types of Systems Used in Alaska

Climate, physical conditions, population density, community capacity, capital costs , operation/maintenance costs, and regulations are among the factors that must be considered in determining the type of system best suited to a particular community.

The types of systems built with assistance through the VSW program include:

- 'washeterias': centrally located community buildings with flush toilets, drinking water to haul home, and laundry and shower facilities
- septic tanks and wells, and
- piped systems (both above ground and underground)
- tank haul systems: separate holding tanks provide potable water and store wastewater for each home. Haul vehicles and equipment operated by the city fill the water tanks and remove the waste from sewage tanks.

Funding the Village Safe Water Program

Efforts to improve sanitation conditions in rural and Native Alaska began with a modest endevor in the 1960's and 1970's by the Indian Health Service. The State of Alaska became involved in 1972 with the passage of the Village Safe Water Act. Between 1972 and 1994, the state contributed $300 million to sanitation projects. The U.S. Department of Agriculture (USDA) and the Environmental Protection Agency (EPA) started providing funding in 1994 and 1995 respectively. Since 1994 when the federal/state Rural and Native Alaska Sanitation Development program began, the State has contributed an additional $240 million to improve rural sanitation conditions and EPA/ USDA together have contributed $537 million. The funding level this year (federal fiscal year 2005) for the Village Safe Water program is $45 million through EPA, $26 million through

Post Construction

Once a project is complete, the community's local governing body takes ownership of the system and is responsible for its ongoing operation, maintenance and management. The Department of Environmental Conservation offers technical support and hands-on training in system operation and maintenance, and the Alaska Department of Commerce, Community and Economic Development offers utility management training and assistance. Together, these programs offer an insurance policy that safeguards sanitation systems by training local residents the necessary skills to properly operate, maintain, and manage their sanitation

Remaining Needs

Sanitation conditions in most Alaska villages have vastly improved. Yet one family in three still does not have access to a sanitary means of sewage disposal or an adequate supply of safe drinking water in their homes. For members of these families, buckets or pit privies are the only methods for disposing of human waste, and water must be hauled by individuals from community watering points or untreated sources such as creeks or rivers.

Every year, an assessment of the sanitation needs of Native Americans across the country is completed for the Indian Health Service. According to this assessment, the estimated total sanitation need of Alaska's 220 Native Villages is $565 million. This assessment does not include the needs of 65 rural Alaska villages that are non-Native.

Contacts

For more information visit our website at:
http://www.dec.state.ak.us/water/vsw/index.htm

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Denise Liccioli

From: Carolyn Kuckertz
Sent: Thursday, March 17, 2011 10:56 AM
To: pressreleasedistribution
Subject: Senator Wagoner Creates Statehood Protection Fund
Attachments: 031711_Statehood_Protection_Fund.pdf

ALASKA STATE LEGISLATURE

Senator Thomas Wagoner
Press Release

For Immediate Release: March 17th, 2011

Senator Wagoner Creates Statehood Protection Fund

JUNEAU-Today, Senator Wagoner took a stand in defense of state's rights. In the Senate Finance Subcommittee on Fish and Game, Wagoner introduced an amendment to the Governor's operating budget that would set aside $103 million for use by the Department of Fish and Game and other state agencies to defend state interests when a federal agency interferes with state management of resources, particularly its wildlife.

"In 1959, Alaska became a state and the federal government ceded 102,550,000 acres of the United State's public land to the new state. The land was intended to support the state through development of its resources and expansion of its communities. Sometimes we find that we have to defend our state use of resources from federal intrusion. This appropriation, symbolically based on the acreage we were granted, establishes a statehood protection fund of $1.00 for each acre."

Wagoner introduced the amendment in response to testimony from Cory Rossi of the Alaska Department of Fish and Game. Mr. Rossi testified about an ongoing struggle on Unimak Island between the state and the U.S. Fish and Wildlife Service over management of the Alaska Maritime National Wildlife Refuge caribou herd.

"Unimak is only one example of the conflict between state and federal resource management priorities and philosophies," Wagoner noted. "Other conflicts between the state and federal agencies have gained public attention in recent years- from RS 2477 land access rights, to fisheries management, to oil and gas permitting."

"The state needs funds to support negotiation, and if need be litigation, with federal agencies over the state's management of wildlife and other state resources. This statehood protection fund will give agencies the support they need," Wagoner explained during this morning's hearing, which can be heard here.

For more information, please contact Mary Jackson in Senator Wagoner's office at (907) 465-2828.

(Pub. L. 92–203, §15, Dec. 18, 1971, 85 Stat. 705; Pub. L. 96–487, title IX, §908, Dec. 2, 1980, 94 Stat. 2447.)

REFERENCES IN TEXT

The Alaska National Interest Lands Conservation Act, referred to subsec. (b), is Pub. L. 96–487, Dec. 2, 1980, 94 Stat. 2371, as amended. For complete classification of this Act to the Code, see Short Title note set out under section 3101 of Title 16, Conservation, and Tables.

AMENDMENTS

1980—Pub. L. 96–487 designated existing provision as subsec. (a) and added subsec. (b).

§ 1615. Withdrawal and selection of public lands; funds in lieu of acreage

(a) Withdrawal of public lands; list of Native villages

All public lands in each township that encloses all or any part of a Native village listed below, and in each township that is contiguous to or corners on such township, except lands withdrawn or reserved for national defense purposes, are hereby withdrawn, subject to valid existing rights, from all forms of appropriation under the public land laws, including the mining and mineral leasing laws, and from selection under the Alaska Statehood Act, as amended:

Angoon, Southeast.
Craig, Southeast.
Hoonah, Southeast.
Hydaburg, Southeast.
Kake, Southeast.
Kasaan, Southeast.
Klawock, Southeast.
Saxman, Southeast.
Yakutat, Southeast.

(b) Native land selections; Village Corporations for listed Native villages; acreage; proximity of selections; conformity to Lands Survey System

During a period of three years from December 18, 1971, each Village Corporation for the villages listed in subsection (a) of this section shall select, in accordance with rules established by the Secretary, an area equal to 23,040 acres, which must include the township or townships in which all or part of the Native village is located, plus, to the extent necessary, withdrawn lands from the townships that are contiguous to or corner on such townships. All selections shall be contiguous and in reasonably compact tracts, except as separated by bodies of water, and shall conform as nearly as practicable to the United States Lands Survey System.

(c) Tlingit-Haida settlement

The funds appropriated by the Act of July 9, 1968 (82 Stat. 307), to pay the judgment of the Court of Claims in the case of The Tlingit and Haida Indians of Alaska, et al. against The United States, numbered 47,900, and distributed to the Tlingit and Haida Indians pursuant to the Act of July 13, 1970 (84 Stat. 431) [25 U.S.C. 1211], are in lieu of the additional acreage to be conveyed to qualified villages listed in section 1610 of this title.

(d) Withdrawal of lands for selection for village of Klukwan; benefits under this chapter; existing entitlements; forest reserves; quitclaims to Chilkat Indian Village; location, character, and value of lands to be withdrawn; withdrawal and selection periods; nonwithdrawal of lands selected or nominated for selection by other Native Corporation or located on Admiralty Island

(1) The Secretary is authorized and directed to withdraw seventy thousand acres of public lands, as defined in section 1602 of this title, in order that the Village Corporation for the village of Klukwan may select twenty-three thousand and forty acres of land. Such Corporation and the shareholders thereof shall otherwise participate fully in the benefits provided by this chapter to the same extent as they would have participated had they not elected to acquire title to their former reserve as provided by section 1618(b) of this title: *Provided*, That nothing in this subsection shall affect the existing entitlement of any Regional Corporation to lands pursuant to section 1613(h)(8) of this title: *Provided further*, That no such lands shall be withdrawn from an area previously withdrawn as a forest reserve without prior consultation with the Secretary of Agriculture: *Provided further*, That the foregoing provisions of this subsection shall not become effective unless and until the Village Corporation for the village of Klukwan shall quitclaim to Chilkat Indian Village, organized under the provisions of the Act of June 18, 1934 (48 Stat. 984), as amended by the Act of May 1, 1936 (49 Stat. 1250) [25 U.S.C. 461 et seq.], all its right, title, and interest in the lands of the reservation defined in and vested by the Act of September 2, 1957 (71 Stat. 596), which lands are hereby conveyed and confirmed to said Chilkat Indian Village in fee simple absolute, free of trust and all restrictions upon alienation, encumbrance, or otherwise: *Provided further*, That the United States and the Village Corporation for the village of Klukwan shall also quitclaim to said Chilkat Indian Village any right or interest they may have in and to income derived from the reservation lands defined in and vested by the Act of September 2, 1957, after December 18, 1971, and prior to January 2, 1976.

(2) The lands withdrawn by the Secretary pursuant to paragraph (1) of this subsection shall be located in the southeastern Alaska region and shall be of similar character and comparable value, to the extent possible, to those of the Chilkat Valley surrounding the village of Klukwan. Such withdrawal shall be made within six months of October 4, 1976, and the Village Corporation for the village of Klukwan shall select, within one year from the time that the withdrawal is made, and be conveyed, twenty-three thousand and forty acres. None of the lands withdrawn by the Secretary for selection by the Village Corporation for the village of Klukwan shall have been selected by, or be subject to an outstanding nomination for selection by, any other Native Corporation organized pursuant to this chapter, or located on Admiralty Island.

(Pub. L. 92–203, §16, Dec. 18, 1971, 85 Stat. 705; Pub. L. 94–204, §§9, 10, Jan. 2, 1976, 89 Stat. 1150;

Pub. L. 94–456, §1, Oct. 4, 1976, 90 Stat. 1934; Pub. L. 95–178, §1, Nov. 15, 1977, 91 Stat. 1369.)

REFERENCES IN TEXT

The public land laws, referred to in subsec. (a), are classified generally to this title.

The mining laws and the mineral leasing laws, referred to in subsec. (a), are classified generally to Title 30, Mineral Lands and Mining.

The Alaska Statehood Act, as amended, referred to in subsec. (a), is Pub. L. 85–508, July 7, 1958, 72 Stat. 239, as amended, which is set out as a note preceding section 21 of Title 48, Territories and Insular Possessions. For complete classification of this Act to the Code, see Tables.

Act of July 9, 1968 (82 Stat. 307), referred to in subsec. (c), is Pub. L. 90–392, July 9, 1968, 82 Stat. 307, known as the Second Supplemental Appropriation Act, 1968, which is not classified to the Code.

The United States Court of Claims, referred to in subsec. (c), and the United States Court of Customs and Patent Appeals were merged effective Oct. 1, 1982, into a new United States Court of Appeals for the Federal Circuit by Pub. L. 97–164, Apr. 2, 1982, 96 Stat. 25, which also created a United States Claims Court [now United States Court of Federal Claims] that inherited the trial jurisdiction of the Court of Claims. See sections 48, 171 et seq., 791 et seq., and 1491 et seq. of Title 28, Judiciary and Judicial Procedure.

Act of July 13, 1970 (84 Stat. 431), referred to in subsec. (c), is Pub. L. 91–335, July 13, 1970, 84 Stat. 431, which enacted section 1211 of Title 25, Indians. For complete classification of this Act to the Code, see Tables.

Act of June 18, 1934, as amended by the Act of May 1, 1936, referred to in subsec. (d)(1), is act June 18, 1934, ch. 576, 48 Stat. 984, as amended by act May 1, 1936, ch. 254, §1, 49 Stat. 1250, popularly known as the Indian Reorganization Act, is classified generally to subchapter V (§461 et seq.) of chapter 14 of Title 25. For complete classification of this Act to the Code, see Short Title note set out under section 461 of Title 25 and Tables.

Act of September 2, 1957, referred to in subsec. (d)(1), is Pub. L. 85–271, Sept. 2, 1957, 71 Stat. 596, which is not classified to the Code.

AMENDMENTS

1977—Subsec. (b). Pub. L. 95–178 struck out provisions relating to allocations received by the Regional Corporation for the southeastern Alaska region under section 1613(h)(8) of this title and selection and conveyance of such allocated lands.

1976—Subsec. (a). Pub. L. 94–456, §1(a), struck out "Klukwan, Southeast." from list of villages.

Subsec. (b). Pub. L. 94–204, §10, inserted provisions relating to the selection and conveyance of such allocation as the Regional Corporation for the southeastern Alaska region shall receive.

Subsec. (d). Pub. L. 94–456, §1(b), designated existing provisions as par. (1), substituting provision relating to authorization and direction of Secretary to withdraw lands in order that the Village Corporation may select twenty-three thousand and forty acres for provision that the lands enclosing and surrounding the village which were withdrawn by subsec. (a) are rewithdrawn to the same extent and for the same purposes as provided by said subsec. (a) for one year from January 2, 1976, during which the Village Corporation shall select an area equal to twenty-three thousand and forty acres in accordance with subsec. (b) and inserting proviso against withdrawal of such lands from an area previously withdrawn as a forest reserve without prior consultation with the Secretary of Agriculture, and added par. (2).

Pub. L. 94–204, §9, added subsec. (d).

§1616. Joint Federal-State Land Use Planning Commission for Alaska

(a), (b) Omitted

(c) Prohibition against selection of lands from withdrawn area in event of withdrawal of utility and transportation corridor across public lands

In the event that the Secretary withdraws a utility and transportation corridor across public lands in Alaska pursuant to his existing authority, the State, the Village Corporations and the Regional Corporations shall not be permitted to select lands from the area withdrawn.

(d) Public Land Order Numbered 4582 revoked; withdrawal of unreserved public lands; classification and reclassification of lands; opening lands to appropriation; administration; contracting and other authority of Secretary not impaired by withdrawal

(1) Public Land Order Numbered 4582, 34 Federal Register 1025, as amended, is hereby revoked. For a period of ninety days after December 18, 1971, all unreserved public lands in Alaska are hereby withdrawn from all forms of appropriation under the public land laws, including the mining (except locations for metalliferous minerals) and the mineral leasing laws. During this period of time the Secretary shall review the public lands in Alaska and determine whether any portion of these lands should be withdrawn under authority provided for in existing law to insure that the public interest in these lands is properly protected. Any further withdrawal shall require an affirmative act by the Secretary under his existing authority, and the Secretary is authorized to classify or reclassify any lands so withdrawn and to open such lands to appropriation under the public land laws in accord with his classifications. Withdrawals pursuant to this paragraph shall not affect the authority of the Village Corporations, the Regional Corporations, and the State to make selections and obtain patents within the areas withdrawn pursuant to section 1610 of this title.

(2)(A) The Secretary, acting under authority provided for in existing law, is directed to withdraw from all forms of appropriation under the public land laws, including the mining and mineral leasing laws, and from selection under the Alaska Statehood Act, and from selection by Regional Corporations pursuant to section 1610 of this title, up to, but not to exceed, eighty million acres of unreserved public lands in the State of Alaska, including previously classified lands, which the Secretary deems are suitable for addition to or creation as units of the National Park, Forest, Wildlife Refuge, and Wild and Scenic Rivers Systems: *Provided*, That such withdrawals shall not affect the authority of the State and the Regional and Village Corporations to make selections and obtain patents within the areas withdrawn pursuant to section 1610 of this title.

(B) Lands withdrawn pursuant to paragraph (A) hereof must be withdrawn within nine months of December 18, 1971. All unreserved public lands not withdrawn under paragraph (A) or subsection (d)(1) of this section shall be avail-

oil and gas. In the event the United States or the State elects to take royalties in kind, there shall be paid into the Fund on account thereof an amount equal to the royalties that would have been paid into the Fund under the provisions of this section had the royalty been taken in cash.

(g) Alaska Native Fund payments; cessation; reimbursement for advance payments

The payments required by this section shall continue only until a sum of $500,000,000 has been paid into the Alaska Native Fund less the total of advance payments paid into the Alaska Native Fund pursuant to section 407 of the Trans-Alaska Pipeline Authorization Act. Thereafter, payments which would otherwise go into the Alaska Native Fund will be made to the United States Treasury as reimbursement for the advance payments authorized by section 407 of the Trans-Alaskan Pipeline Authorization Act. The provisions of this section shall no longer apply, and the reservation required in patents under this section shall be of no further force and effect, after a total sum of $500,000,000 has been paid to the Alaska Native Fund and to the United States Treasury pursuant to this subsection.

(h) Final payment; order of computation

When computing the final payment into the Fund the respective shares of the United States and the State with respect to payments to the Fund required by this section shall be determined pursuant to this subsection and in the following order:

(1) first, from sources identified under subsections (b) and (c) hereof; and

(2) then, from sources identified under subsection (d) hereof.

(i) Outer Continental Shelf mineral revenues; provisions of section inapplicable

The provisions of this section do not apply to mineral revenues received from the Outer Continental Shelf.

(Pub. L. 92–203, § 9, Dec. 18, 1971, 85 Stat. 694; Pub. L. 93–153, title IV, § 407(b), Nov. 16, 1973, 87 Stat. 591.)

REFERENCES IN TEXT

The Mineral Leasing Act of 1920, referred to in subsec. (a), is act Feb. 25, 1920, ch. 85, 41 Stat. 437, as amended, known as the Mineral Leasing Act, which is classified generally to chapter 3A (§ 181 et seq.) of Title 30, Mineral Lands and Mining. For complete classification of this Act to the Code, see Short Title note set out under section 181 of Title 30 and Tables.

The Alaska Statehood Act, referred to in subsecs. (b), (c), and (d), is Pub. L. 85–508, July 7, 1958, 72 Stat. 339, as amended, which is set out as a note preceding section 21 of Title 48. For complete classification of this Act to the Code, see Tables.

Section 407 of the Trans-Alaska Pipeline Authorization Act, referred to in subsec. (g), probably means section 407(a) of Pub. L. 93–153, which is set out as a note below.

AMENDMENTS

1973—Subsec. (g). Pub. L. 93–153 inserted provisions covering advance payments into the Alaska Native Fund pursuant to section 407 of the Trans-Alaska Pipeline Authorization Act and the reimbursement of the United States Treasury for payments made.

ADVANCE PAYMENTS TO ALASKA NATIVES UNTIL COMMENCEMENT OF DELIVERIES OF NORTH SLOPE CRUDE OIL TO PIPELINE

Section 407(a) of Pub. L. 93–153 authorized $5,000,000 to be paid from the United States Treasury to the Alaska Native Fund every six months of each fiscal year beginning with the fiscal year ending June 30, 1976, as advance payments chargeable against revenues paid under this section until delivery of North Slope crude oil to a pipeline commenced.

§ 1609. Limitation of actions

(a) Complaint, time for filing; jurisdiction; commencement by State official; certainty and finality of vested rights, titles, and interests

Notwithstanding any other provision of law, any civil action to contest the authority of the United States to legislate on the subject matter or the legality of this chapter shall be barred unless the complaint is filed within one year of December 18, 1971, and no such action shall be entertained unless it is commenced by a duly authorized official of the State. Exclusive jurisdiction over such action is hereby vested in the United States District Court for the District of Alaska. The purpose of this limitation on suits is to insure that, after the expiration of a reasonable period of time, the right, title, and interest of the United States, the Natives, and the State of Alaska will vest with certainty and finality and may be relied upon by all other persons in their relations with the State, the Natives, and the United States.

(b) Land selection; suspension and extension of rights

In the event that the State initiates litigation or voluntarily becomes a party to litigation to contest the authority of the United States to legislate on the subject matter or the legality of this chapter, all rights of land selection granted to the State by the Alaska Statehood Act shall be suspended as to any public lands which are determined by the Secretary to be potentially valuable for mineral development, timber, or other commercial purposes, and no selections shall be made, no tentative approvals shall be granted, and no patents shall be issued for such lands during the pendency of such litigation. In the event of such suspension, the State's right of land selection pursuant to section 6 of the Alaska Statehood Act shall be extended for a period of time equal to the period of time the selection right was suspended.

(Pub. L. 92–203, § 10, Dec. 18, 1971, 85 Stat. 696.)

REFERENCES IN TEXT

The Alaska Statehood Act and section 6 of the Alaska Statehood Act, referred to in subsec. (b), are Pub. L. 85–508, July 7, 1958, 72 Stat. 339, and section 6 thereof, as amended, and are set out as a note preceding section 21 of Title 48, Territories and Insular Possessions. For complete classification of this Act to the Code, see Tables.

§ 1610. Withdrawal of public lands

(a) Description of withdrawn public lands; exceptions; National Wildlife Refuge lands exception; time of withdrawal

(1) The following public lands are withdrawn, subject to valid existing rights, from all forms

of appropriation under the public land laws, including the mining and mineral leasing laws, and from selection under the Alaska Statehood Act, as amended:

(A) The lands in each township that encloses all or part of any Native village identified pursuant to subsection (b) of this section;

(B) The lands in each township that is contiguous to or corners on the township that encloses all or part of such Native village; and

(C) The lands in each township that is contiguous to or corners on a township containing lands withdrawn by paragraph (B) of this subsection.

The following lands are excepted from such withdrawal: lands in the National Park System and lands withdrawn or reserved for national defense purposes other than Naval Petroleum Reserve Numbered 4.

(2) All lands located within the townships described in subsection (a)(1) hereof that have been selected by, or tentatively approved to, but not yet patented to, the State under the Alaska Statehood Act are withdrawn, subject to valid existing rights, from all forms of appropriation under the public land laws, including the mining and mineral leasing laws, and from the creation of third party interests by the State under the Alaska Statehood Act.

(3)(A) If the Secretary determines that the lands withdrawn by subsections (a)(1) and (2) hereof are insufficient to permit a Village or Regional Corporation to select the acreage it is entitled to select, the Secretary shall withdraw three times the deficiency from the nearest unreserved, vacant and unappropriated public lands. In making this withdrawal the Secretary shall, insofar as possible, withdraw public lands of a character similar to those on which the village is located and in order of their proximity to the center of the Native village: *Provided*, That if the Secretary, pursuant to section 1616, and 1621(e) of this title determines there is a need to expand the boundaries of a National Wildlife Refuge to replace any acreage selected in the Wildlife Refuge System by the Village Corporation the withdrawal under this section shall not include lands in the Refuge.

(B) The Secretary shall make the withdrawal provided for in subsection (3)(A) hereof on the basis of the best available information within sixty days of December 18, 1971, or as soon thereafter as practicable.

(b) List of Native villages subject to chapter; review; eligibility for benefits; expiration of withdrawals for villages; alternative eligibility; eligibility of unlisted villages

(1) The Native villages subject to this chapter are as follows:

NAME OF PLACE AND REGION

Afognak, Afognak Island.
Akhiok, Kodiak.
Akiachak, Southwest Coastal Lowland.
Akiak, Southwest Coastal Lowland.
Akutan, Aleutian.
Alakanuk, Southwest Coastal Lowland.
Alatna, Koyukuk-Lower Yukon.
Aleknagik, Bristol Bay.
Allakaket, Koyukuk-Lower Yukon.
Ambler, Bering Strait.
Anaktuvuk, Pass, Arctic Slope.
Andreafsey, Southwest Coastal Lowland.
Aniak, Southwest Coastal Lowland.
Anvik, Koyukuk-Lower Yukon.
Arctic Village, Upper Yukon-Porcupine.
Atka, Aleutian.
Atkassok, Arctic Slope.
Atmautlauk, Southwest Coastal Lowland.
Barrow, Arctic Slope.
Beaver, Upper Yukon-Porcupine.
Belkofsky, Aleutian.
Bethel, Southwest Coastal Lowland.
Bill Moore's, Southwest Coastal Lowland.
Biorka, Aleutian.
Birch Creek, Upper Yukon-Porcupine.
Brevig Mission, Bering Strait.
Buckland, Bering Strait.
Candle, Bering Strait.
Cantwell, Tanana.
Canyon Village, Upper Yukon-Porcupine.
Chalkyitsik, Upper Yukon-Porcupine.
Chanilut, Southwest Coastal Lowland.
Cherfornak, Southwest Coastal Lowland.
Chevak, Southwest Coastal Lowland.
Chignik, Kodiak.
Chignik Lagoon, Kodiak.
Chignik Lake, Kodiak.
Chistochina, Copper River.
Chitina, Copper River.
Chukwuktoligamute, Southwest Coastal Lowland.
Circle, Upper Yukon-Porcupine.
Clark's Point, Bristol Bay.
Copper Center, Copper River.
Crooked Creek, Upper Kuskokwim.
Deering, Bering Strait.
Dillingham, Bristol Bay.
Dot Lake, Tanana.
Eagle, Upper Yukon-Porcupine.
Eek, Southwest Coastal Lowland.
Egegik, Bristol Bay.
Eklutna, Cook Inlet.
Ekuk, Bristol Bay.
Ekwok, Bristol Bay.
Elim, Bering Strait.
Emmonak, Southwest Coastal Lowland.
English Bay, Cook Inlet.
False Pass, Aleutian.
Fort Yukon, Upper Yukon-Porcupine.
Gakona, Copper River.
Galena, Koyukuk-Lower Yukon.
Gambell, Bering Sea.
Georgetown, Upper Kuskokwim.
Golovin, Bering Strait.
Goodnews Bay, Southwest Coastal Lowland.
Grayling, Koyukuk-Lower Yukon.
Gulkana, Copper River.
Hamilton, Southwest Coastal Lowland.
Holy Cross, Koyukuk-Lower Yukon.
Hooper Bay, Southwest Coastal Lowland.
Hughes, Koyukuk-Lower Yukon.
Huslia, Koyukuk-Lower Yukon.
Igiugig, Bristol Bay.
Iliamna, Cook Inlet.
Inalik, Bering Strait.
Ivanof Bay, Aleutian.
Kaguyak, Kodiak.
Katovik, Arctic Slope.
Kalskag, Southwest Coastal Lowland.
Kaltag, Koyukuk-Lower Yukon.

Karluk, Kodiak.
Kasigluk, Southwest Coastal Lowland.
Kiana, Bering Strait.
King Cove, Aleutian.
Kipnuk, Southeast Coastal Lowland.
Kivalina, Bering Strait.
Kobuk, Bering Strait.
Kokhanok, Bristol Bay.
Koliganek, Bristol Bay.
Kongiganak, Southwest Coastal Lowland.
Kotlik, Southwest Coastal Lowland.
Kotzebue, Bering Strait.
Koyuk, Bering Strait.
Koyukuk, Koyukuk-Lower Yukon.
Kwethluk, Southwest Coastal Lowland.
Kwigillingok, Southwest Coastal Lowland.
Larsen Bay, Kodiak.
Levelock, Bristol Bay.
Lime Village, Upper Kuskokwim.
Lower Kalskag, Southwest Coastal Lowland.
McGrath, Upper Kuskokwim.
Makok, Koyukuk-Lower Yukon.
Manley Hot Springs, Tanana.
Manokotak, Bristol Bay.
Marshall, Southwest Coastal Lowland.
Mary's Igloo, Bering Strait.
Medfra, Upper Kuskokwim.
Mekoryuk, Southwest Coastal Lowland.
Mentasta Lake, Copper River.
Minchumina Lake, Upper Kuskokwim.
Minto, Tanana.
Mountain Village, Southwest Coastal Lowland.
Nabesna Village, Tranana.
Naknek, Bristol Bay.
Napaimute, Upper Kuskokwim.
Napakiak, Southwest Coastal Lowland.
Napaskiak, Southwest Coastal Lowland.
Nelson Lagoon, Aleutian.
Nenana, Tanana.
Newhalen, Cook Inlet.
New Stuyahok, Bristol Bay.
Newtok, Southwest Coastal Lowland.
Nightmute, Southwest Coastal Lowland.
Nikolai, Upper Kuskokwim.
Nikolski, Aleutian.
Ninilchik, Cook Inlet.
Noatak, Bering Strait.
Nome, Bering Strait.
Nondalton, Cook Inlet.
Nooiksut, Arctic Slope.
Noorvik, Bering Strait.
Northeast Cape, Bering Sea.
Northway, Tanana.
Nulato, Koyukuk-Lower Yukon.
Nunapitchuk, Southwest Coastal Lowland.
Ohogamiut, Southwest Coastal Lowland.
Old Harbor, Kodiak.
Oscarville, Southwest Coastal Lowland.
Ouzinkie, Kodiak.
Paradise, Koyukuk-Lower Yukon.
Pauloff Harbor, Aleutian.
Pedro Bay, Cook Inlet.
Perryville, Kodiak.
Pilot Point, Bristol Bay.
Pilot Station, Southwest Coastal Lowland.
Pitkas Point, Southwest Coastal Lowland.
Platinum, Southwest Coastal Lowland.
Point Hope, Arctic Slope.
Point Lay, Arctic Slope.
Portage Creek (Ohgsenakale), Bristol Bay.
Port Graham, Cook Inlet.
Port Heiden (Meshick), Aleutian.
Port Lions, Kodiak.
Quinhagak, Southwest Coastal Lowland.
Rampart, Upper Yukon-Porcupine.
Red Devil, Upper Kuskokwim.
Ruby, Koyukuk-Lower Yukon.
Russian Mission or Chauthalue (Kuskokwim), Upper Kuskokwim.
Russian Mission (Yukon), Southwest Coastal Lowland.
St. George, Aleutian.
St. Mary's, Southwest Coastal Lowland.
St. Michael, Bering Strait.
St. Paul, Aleutian.
Salamatof, Cook Inlet.
Sand Point, Aleutian.
Savonoski, Bristol Bay.
Savoonga, Bering Sea.
Scammon Bay, Southwest Coastal Lowland.
Selawik, Bering Strait.
Seldovia, Cook Inlet.
Shageluk, Koyukuk-Lower Yukon.
Shaktoolik, Bering Strait.
Sheldon's Point, Southwest Coastal Lowland.
Shishmaref, Bering Strait.
Shungnak, Bering Strait.
Slana, Copper River.
Sleetmute, Upper Kuskokwim.
South Naknek, Bristol Bay.
Squaw Harbor, Aleutian.
Stebbins, Bering Strait.
Stevens Village, Upper Yukon-Porcupine.
Stony River, Upper Kuskokwim.
Takotna, Upper Kuskokwim.
Tanacross, Tanana.
Tanana, Koyukuk-Lower Yukon.
Tatilek, Chugach.
Tazlina, Copper River.
Telida, Upper Kuskokwim.
Teller, Bering Strait.
Tetlin, Tanana.
Togiak, Bristol Bay.
Toksook Bay, Southwest Coastal Lowland.
Tulusak, Southwest Coastal Lowland.
Tuntutuliak, Southwest Coastal Lowland.
Tununak, Southwest Coastal Lowland.
Twin Hills, Bristol Bay.
Tyonek, Cook Inlet.
Ugashik, Bristol Bay.
Unalakleet, Bering Strait.
Unalaska, Aleutian.
Unga, Aleutian.
Uyak, Kodiak.
Venetie, Upper Yukon-Porcupine.
Wainwright, Arctic Slope.
Wales, Bering Strait.
White Mountain, Bering Strait.

(2) Within two and one-half years from December 18, 1971, the Secretary shall review all of the villages listed in subsection (b)(1) hereof, and a village shall not be eligible for land benefits under section 1613(a) and (b) of this title, and any withdrawal for such village shall expire, if the Secretary determines that—

(A) less than twenty-five Natives were residents of the village on the 1970 census enumeration date as shown by the census or other evidence satisfactory to the Secretary, who shall make findings of fact in each instance; or

(B) the village is of a modern and urban character, and the majority of the residents are non-Native.

Any Native group made ineligible by this subsection shall be considered under section 1613(h) of this title.

(3) Native villages not listed in subsection (b)(1) hereof shall be eligible for land and benefits under this chapter and lands shall be withdrawn pursuant to this section if the Secretary within two and one-half years from December 18, 1971, determines that—

(A) twenty-five or more Natives were residents of an established village on the 1970 census enumeration date as shown by the census or other evidence satisfactory to the Secretary, who shall make findings of fact in each instance; and

(B) the village is not of a modern and urban character, and a majority of the residents are Natives.

(Pub. L. 92–203, § 11, Dec. 18, 1971, 85 Stat. 696.)

REFERENCES IN TEXT

The public land laws, referred to in subsec. (a)(1), are classified generally to this title.

The mining laws and the mineral leasing laws, referred to in subsec. (a)(1), are classified generally to Title 30, Mineral Lands and Mining.

The Alaska Statehood Act, as amended, referred to in subsec. (a)(1), (2), is Pub. L. 85–508, July 7, 1958, 72 Stat. 339, as amended, which is set out as a note preceding section 21 of Title 48, Territories and Insular Possessions. For complete classification of this Act to the Code, see Tables.

§ 1611. Native land selections

(a) Acreage limitation; proximity of selections and size of sections and units; waiver

(1) During a period of three years from December 18, 1971, the Village Corporation for each Native village identified pursuant to section 1610 of this title shall select, in accordance with rules established by the Secretary, all of the township or townships in which any part of the village is located, plus an area that will make the total selection equal to the acreage to which the village is entitled under section 1613 of this title. The selection shall be made from lands withdrawn by section 1610(a) of this title: *Provided*, That no Village Corporation may select more than 69,120 acres from lands withdrawn by section 1610(a)(2) of this title, and not more than 69,120 acres from the National Wildlife Refuge System, and not more than 69,120 acres in a National Forest: *Provided further*, That when a Village Corporation selects the surface estate to lands within the National Wildlife Refuge System or Naval Petroleum Reserve Numbered 4, the Regional Corporation, for that region may select the subsurface estate in an equal acreage from other lands withdrawn in section 1610(a) of this title within the region, if possible.

(2) Selections made under this subsection (a) of this section shall be contiguous and in reasonably compact tracts, except as separated by bodies of water or by lands which are unavailable for selection, and shall be in whole sections and, wherever feasible, in units of not less than 1,280 acres: *Provided*, That the Secretary in his discretion and upon the request of the concerned Village Corporation, may waive the whole section requirement where—

(A)(i) a portion of available public lands of a section is separated from other available public lands in the same section by lands unavailable for selection or by a meanderable body of water;

(ii) such waiver will not result in small isolated parcels of available public land remaining after conveyance of selected lands to Native Corporations; and

(iii) such waiver would result in a better land ownership pattern or improved land or resource management opportunity; or

(B) the remaining available public lands in the section have been selected and will be conveyed to another Native Corporation under this chapter.

(b) Allocation; reallocation considerations

The difference between twenty-two million acres and the total acreage selected by Village Corporations pursuant to subsection (a) of this section shall be allocated by the Secretary among the eleven Regional Corporations (which excludes the Regional Corporation for southeastern Alaska) on the basis of the number of Natives enrolled in each region. Each Regional Corporation shall, not later than October 1, 2005, reallocate such acreage among the Native villages within the region on an equitable basis after considering historic use, subsistence needs, and population. The action of the Secretary or the Corporation shall not be subject to judicial review. Each Village Corporation shall select the acreage allocated to it from the lands withdrawn by section 1610(a) of this title.

(c) Computation

The difference between thirty-eight million acres and the 22 million acres selected by Village Corporations pursuant to subsections (a) and (b) of this section shall be allocated among the eleven Regional Corporations (which excludes the Regional Corporation for southeastern Alaska) as follows:

(1) The number of acres each Regional Corporation is entitled to receive shall be computed (A) by determining on the basis of available data the percentages of all land in Alaska (excluding the southeastern region) that is within each of the eleven regions, (B) by applying that percentage to thirty-eight million acres reduced by the acreage in the southeastern region that is to be selected pursuant to section 1615 of this title, and (C) by deducting from the figure so computed the number of acres within that region selected pursuant to subsections (a) and (b) of this section.

(2) In the event that the total number of acres selected within a region pursuant to subsections (a) and (b) of the section exceeds the percentage of the reduced thirty-eight million acres allotted to that region pursuant to subsection (c)(1)(B) of this section, that region shall not be entitled to receive any lands under this subsection (c). For each region so affected the difference between the acreage calculated pursuant to subsection (c)(1)(B) of this section and the acreage selected pursuant to subsections (a) and (b) of this section shall be deducted from the acreage calculated under subsection (c)(1)(C) of

LOCAL GOVERNMENT IN ALASKA

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Section 1 - Alaska has just two types of municipal government - cities and organized boroughs.

Unlike most other states that typically have local government structures consisting of many overlapping local government service providers, Alaska's system of local government is simple, efficient, and effective. It consists of just two types of municipal government as described below.

A. Cities.

Federal law did not allow the incorporation of city governments in Alaska until 1900. The City of Skagway was the first city government incorporated in Alaska.

A city government is a municipal corporation and political subdivision of the State of Alaska. It generally encompasses a single community.

On average, the corporate boundaries of cities in Alaska encompass just over 27 square miles. However, there are wide variations in the size of individual cities. The City of Skagway encompasses the largest area (466 square miles), while the City of Kiana encompasses the smallest area (0.3 square miles).

Current State law restricts the inclusion of large geographical regions or large unpopulated areas in cities. [3 AAC 110.040(b) - (c); 3 AAC 110.130(c) - (d)]. A city is also part of the borough in which it is located. [Art. X, § 7, Ak. Const.]

Presently, there are 145 city governments in Alaska. In 2000, those cities were inhabited by 161,591 individuals or 25.7% of the state's total population of 628,800.

The 2000 population of cities ranged from a high of 31,423 (City of Fairbanks) to a low of 24 (City of Kupreanof).

B. Organized Boroughs.

Prior to statehood, federal law prohibited the creation of counties in Alaska

Like a city, an organized borough in Alaska is a municipal corporation and political subdivision of the State of Alaska. However, organized boroughs are intermediate-sized governments – much larger than cities.

Alaska's Constitution requires that the entire state be divided into boroughs, organized or unorganized. The Constitution also requires that each borough embrace an area and population with common interests to the maximum degree possible. (Art. X, § 3, Ak. Const.) The "maximum common interests" clause must be harmonized with the provisions of Article X, § 1 of Alaska's Constitution that call for minimum numbers of local governments. Together, those constitutional provisions promote large boroughs embracing natural regions.

Presently, there are 16 organized boroughs in Alaska. On average, organized boroughs encompass just over 17,400 square miles (644 times the average size of cities). Like cities, the size of individual organized boroughs varies considerably. The largest organized borough is the North Slope Borough (93,823 square miles), while the Bristol Bay Borough is the smallest (918 square miles)



In 2000, Alaska's 16 organized boroughs were inhabited by 545,664 individuals, or 86.8% of the total population of the state. Of the 545,664 residents of organized boroughs in Alaska, 98,246 (18.0%) also lived within a city government during 2000.

Organized boroughs encompass about 43 percent of the geographic area of Alaska. State law provides that the part of Alaska outside organized boroughs comprises a single unorganized borough. As it is presently configured, the unorganized borough encompasses 374,843 square miles. The unorganized borough was inhabited by 83,136 residents in 2000. Additional information about the unorganized borough is provided later.

Section 2 – Classification of Cities and Boroughs.

A. Cities.

There are three different classifications of city governments in Alaska – home rule, first class, and second class cities. A community must have at least 400 permanent residents to form a home rule or first class city.

First and second class cities are general law cities – State law defines their powers, duties, and functions. General law is distinct from home rule. Home rule cities have all legislative powers not prohibited by law or charter. Details about the differences between the two types of government are provided in Section 3.

Table 1 lists the number of cities of each classification and indicates whether those cities are inside or outside an organized borough. The classification and location of cities are significant in terms of the powers and duties of city governments in Alaska as addressed in Section 3.

Table 1
Cities Governments in Alaska

Classification	Within Organized Boroughs		Within the Unorganized Borough		Total	
	Number of Cities	2000 Population	Number of Cities	2000 Population	Number of Cities	2000 Population
Home Rule Cities	7	62,496	5	13,104	12	75,600
First Class Cities	8	22,112	13	17,537	21	39,649
Second Class Cities	34	13,638	78	32,704	112	46,342
Total	49	98,246	96	63,345	145	161,591

B. Organized Boroughs.

The word "borough" has its origins in 5th century Europe. It means "place organized for local government purposes." A number of countries and a number of states in the US have boroughs; however, they are unlike boroughs in Alaska.

There are five different classifications or types of organized boroughs in Alaska. These are unified home rule, non-unified home rule, first class, second class, and third class.[1] First, second, and third class boroughs are general law governments.

Table 2 lists the number of boroughs according to classification. Details about the distinctions among the different classifications of boroughs are provided in Section 3.

Table 2
Organized Boroughs in Alaska

Classification	Number	2000 Population
Unified Home Rule	3	300,833
Non-unified Home Rule	5	18,917
First Class	0	0
Second Class	7	223,398
Third Class	1	2,516
Total	16	545,664

1 A unified municipality is an organized borough. A unified municipality is defined as such by the Local Boundary Commission in 3 AAC 110.990(1). Alaska's constitution recognizes only two types of municipalities, cities and boroughs (Art. X, Sec. 2). The legislature consistently treats unified municipalities as boroughs. For example, state statutes utilize the same standards for incorporation of a borough as they do for incorporation of a unified municipality (AS 29.05.031). By contrast, the legislature has established separate standards for incorporation of a city (AS 29.05.011). Another example is found in the fact that newly formed unified municipalities and boroughs are entitled to identical organization grants and other transitional assistance (AS 29.05.190; 29.05.210), whereas newly formed cities are entitled to different levels of organization grants and transitional assistance. Yet another example is found in AS 29.06.410 which describes the powers of a unified municipality to include all powers granted to a home rule borough. Additionally, all of the existing unified municipalities in Alaska recognize themselves as boroughs in that each is governed by an assembly. Art. X, Sec. 4 of Alaska's constitution reserves the term "assembly" for the governing body of a borough, whereas Art. X, Sec. 8 of Alaska's constitution reserves the term "council" for the governing body of a city. Lastly, none of the unified municipalities exhibits characteristics that are exclusive to city governments.

Section 3 – Alaska's Cities and Organized Boroughs – both General Law and Home Rule – Enjoy Broad Powers.

A. Provisions Applicable to all Local Governments in Alaska.

Article X of Alaska's Constitution establishes the framework for local government in Alaska. Section 1 of the local government article states the following with respect to the purpose and construction of the constitutional provisions regarding local government:

> The purpose of this article is to provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions. *A liberal construction shall be given to the powers of local government units.* (emphasis added)

All local governments in Alaska – general law cities, home rule cities, general law boroughs, and home rule boroughs – enjoy broad powers. The Alaska Supreme Court has noted with respect to the constitution provision for a liberal construction of the powers of local government as follows:

> The constitutional rule of liberal construction was intended to make explicit the framers' intention to overrule a common law rule of interpretation which required a narrow reading of local government powers.[2]

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[2] The rule, called Dillon's rule states:

[a] municipal corporation possesses and can exercise the following powers and not others. First, those granted in express words; second, those necessarily implied or necessarily incident to the powers expressly granted; third, those absolutely essential to the declared objects and purposes of the corporation – not simply convenient, but indispensable.

Merrian v. Moody's Executors, 25 Iowa 163, 170 (1868). The minutes of the constitutional convention reveal that the liberal construction clause of Article X, Section 1 was intended to assure that general law municipalities, as well as those having home rule powers, would not be governed by this rule, but would have their powers liberally interpreted. The following colloquy between delegates Hellenthal and Victor Fischer is illustrative:

HELLENTHAL: Is there a compelling reason for the retention of the last sentence in the section?

V. FISCHER: Mr. President, we were advised by our committee consultants that due to the fact that in the past, courts have very frequently, or rather generally interpreted the powers of local government very strictly under something called "Dillon's Rule", or something like that, that a statement to this

(Liberati v. Bristol Bay Borough, 584 P.2d 1115, 1120 [Alaska 1978])

B. General Law Cities and Boroughs.

As noted in Section 2, general law local governments derive their powers from laws enacted by the State legislature. The constitutional principle of liberal construction of local government powers is reflected in the laws enacted by the legislature granting powers to general law governments. Among the statutes are the following provisions:

> Sec. 29.35.400. General construction. A liberal construction shall be given to all powers and functions of a municipality conferred in this title.
>
> Sec. 29.35.410. Extent of powers. Unless otherwise limited by law, a municipality has and may exercise all powers and functions necessarily or fairly implied in or incident to the purpose of all powers and functions conferred in this title.

In 1983, the Alaska Supreme Court addressed Article X, Section 1 along with the similar version of the two statutes noted above that was in effect at the time. The Court concluded that a second class (general law) borough had powers beyond those expressly stated in law. Specifically, the Court concluded that even though State statutes did not specifically authorize a second class borough to dispose of land by lottery, that power was "fairly implied." *(Gilman v. Martin*, 662 P.2d 120, 124 [Alaska 1983])

In reaching its conclusion that a general law government had implied powers, the court cited the irreconcilable conflict rule that it utilized in *Jefferson v. State,* 527 P.2d 37, 43 (Alaska 1974).

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effect was rather important, particularly in connection with the local government provisions of the article to make sure that it would be interpreted to give it the maximum amount of flexibility that we desire to have in it and to provide the maximum powers to the legislature and to the local government units to carry out the intent of this article.

. . . .

HELLENTHAL: Now I refer to Section 11. Doesn't Section 11 clearly reverse this rule that you refer to as Dillon's Rule?

V. FISCHER: That would apply to home rule, cities and boroughs, but the point is that there may be a lot of local government units in Alaska over the years that may not be granted the home rule authority by the legislature and it may not want to adopt a home rule charter. Alaska Constitutional Convention Proceedings, Part 4, 2690 – 96.

The court made no distinction as to the deference due to an enactment by a home rule municipality as compared to an enactment by a general law municipality. The application of the irreconcilable conflict rule in *Gilman v. Martin* clearly enhanced the powers of general law municipalities in Alaska.

Those powers were further enhanced to a great degree in 1985 when the State legislature eliminated the enumerated list of regulatory powers of general law municipalities (former AS 29.48.035) and the enumerated list of authorized facilities and services of general law municipalities (former AS 29.48.030). The enumerated lists of powers were replaced with the broadest possible grant of powers to general law municipalities; i.e., "...any power not otherwise prohibited by law." [AS 29.35.200(a) & (c); 210(c) & (d); 220(d); 250(a); 260(a)]

The statutory grant of powers to general law municipalities has no general limitations such as '...any municipal power' or ...'any local government power' which would imply that the granted powers were limited to those that the court might think of as typical or appropriate local government powers. Finding such an implied limitation would be difficult in light of the language of Article X, § 1, *Liberati v. Bristol Bay Borough*, *Gilman v. Martin*, and the literal language of the statutory grant of powers.

Similarly, it may be relevant that the second sentence of Article X, § 1 reads "A liberal construction shall be given to the powers of local government units" instead of, "A liberal construction shall be given to local government powers." The latter implies that there is some definition or judicial understanding of what constitutes local government powers and invites a court to define what is encompassed by the term before it applies a liberal construction to the power being questioned. If it is not typically a "local government power" as envisioned by the courts across the nation, then the court need not apply a liberal construction to it. The actual language of Alaska's Constitution does not lend itself as easily to such an interpretation and, coupled with the language of the Title 29 grants ("any power not otherwise prohibited by law"), would make it difficult for a court (in a well briefed case) to resort to limiting Alaska municipal powers to common understandings of what powers are traditional municipal powers.

As a practical matter, under the present language of Title 29, the nature of the powers to which a general law municipality has access are substantially the same as those to which a home rule

municipality has access, bearing in mind the specific Title 29 limitations that apply to general law municipalities.

C. Distinctions Among General Law Boroughs.

A principal distinction between a first class borough and a second class borough relates to the authority to assume powers. A first class borough may exercise any power not prohibited by law on a non-areawide basis (i.e., in the area of the borough outside cities) by adopting an ordinance. In contrast, a second class borough must gain voter approval for the authority to exercise many non-areawide powers.

The powers of a third class borough are even more restrictive. A third class borough can only exercise education and taxation on an areawide basis. A third class borough may exercise other powers, however, with one exception, those powers can be exercised only on a service area basis after voter approval is obtained.

D. Home Rule Cities and Boroughs.

While general law local governments in Alaska have broad powers, home rule local governments have even greater powers. Article X, Section 11 of Alaska's Constitution provides that:

A home rule borough or city may exercise all legislative powers not prohibited by law or by charter.

Adoption of a home rule charter promotes maximum local self-government to the greatest extent possible. Tom Morehouse and Vic Fischer, recognized experts in Alaska local government, wrote the following account of the views of the constitutional convention delegates with regard to this matter:



Committee on Local Government meeting during the Alaska Constitutional Convention, February 1956

An oft-repeated theme of the [Alaska constitutional] convention, and one of the stated purposes of the local government article, was provision of maximum local self-government to the people of Alaska. . . . Home rule was held to be the vehicle for strengthening both state and local governments by permitting the people to deal with local problems at the local level. It was also to be the means for promoting local government adaptation in a state with great variations in geographic, economic, social, and political

conditions.

This home rule philosophy was not believed to be inconsistent with a strong state role in local affairs. As the above discussion indicates, the exercise of state authority was considered essential in matters of incorporation and boundaries, i.e., the creation of local governments and their areas of jurisdiction were felt to be matters ultimately of state responsibility. When properly established, however, their internal organization and operations were to be primarily local concerns, particularly in the case of home rule units. Moreover, a "strong state role" also meant that the state would support local governments with financial aid and technical assistance.

Before Alaska became a state, there was little self-determination either at territorial or local levels. Federal law prescribed the powers of the territorial legislature, severely limiting the scope and types of local government that could be established and restricting the powers that could be exercised by incorporated cities. Throughout its deliberations, therefore, the Local Government Committee emphasized the need for effective constitutional provisions for home rule.

(Thomas A. Morehouse and Victor Fischer, *Borough Government in Alaska*, p. 56 [1971].)

In 1963, the Alaska Supreme Court ruled as follows:

> By constitutional provision cities have "the powers and functions conferred by law or charter." (footnote omitted) The meaning of this provision is that where a home rule city is concerned the charter, and not a legislative act, is looked to in order to determine whether a particular power has been conferred upon the city. It would be incongruous to recognize the constitutional provisions stating that a home rule city "may exercise all legislative powers not prohibited by law or by charter" and then to say that the power of a home rule city is measured by a legislative act."

(Lien v. City of Ketchikan, 383 P.2d 721, 723 [Alaska 1963])

In 1974, the Alaska Supreme Court ruled that the prohibitions referred to in Article X, Section 11 can be either in express or implied terms. Specifically, the Court stated:

> The prohibition must be either by express terms or by implication such as where the statue and ordinance are so substantially irreconcilable that one cannot be given its substantive effect if the other is to be accorded with weight of law.

(Jefferson v. State, 527 P.2d 37, 43 [Alaska, 1974])

There are 135 sections of the current Alaska Statutes that specifically refer to home rule local governments. Most of those (102) are found in Title 29 of the Alaska Statutes dealing with municipal government. The remaining 33 are scattered in 19 other titles of the Alaska Statutes.

Section 4. The Duties of Cities and Boroughs Depend Upon Classification. City Duties also vary in terms of Location Inside or Outside Organized Boroughs.

All local governments have certain fundamental duties such as conducting elections and holding regular meetings of the governing bodies. Beyond this, the duties of municipalities in Alaska vary considerably.

All organized boroughs as well as home rule and first class cities in the unorganized borough must operate municipal school districts. Second class cities in the unorganized borough and cities in organized boroughs are not authorized to do so.

All organized boroughs (except third class boroughs), along with home rule and first class cities in both the unorganized borough and third class boroughs must also exercise planning, platting, and land use regulation. Second class cities in the unorganized borough are permitted, but not required, to exercise those powers. Home rule, first class, and second class cities in organized boroughs may exercise planning, platting, and land use regulation powers only if those powers have been delegated to them by the borough (except that home rule and first class cities in a third class borough must exercise those powers).

Organized boroughs also have the duty to collect municipal property, sales, and use taxes levied within their boundaries.

Otherwise, municipal powers are exercised at the discretion of local governments. Second class cities are not obligated by law to provide any particular service.

Organized boroughs may provide services on three levels. These are (1) areawide (i.e., throughout the entire borough); (2) nonareawide (i.e., in that part of the borough outside of cities); and (3) service area (the size and configuration of service areas may vary, they may even include cities under certain circumstances).[3] Alaska's Constitution (Article X, § 5) and Alaska Statutes (AS 29.35.450) prohibit the creation of new service areas if services can be provided by an existing service area, annexation to a city, or incorporation of a new city.

Tables 3 and 4 provide additional information concerning the powers and duties of the various types of cities and boroughs.

Section 5 – The Unorganized Borough is Unlike an Organized Borough.

Unlike cities and organized boroughs, the unorganized borough is not a municipal corporation or political subdivision of the State of Alaska. Rather, it is an instrumentality of the State – a unit of state government.

Unorganized boroughs were intended to serve as a means to decentralize State services and to foster local participation in the administration of state programs within regions not ready or suited for organized borough status.

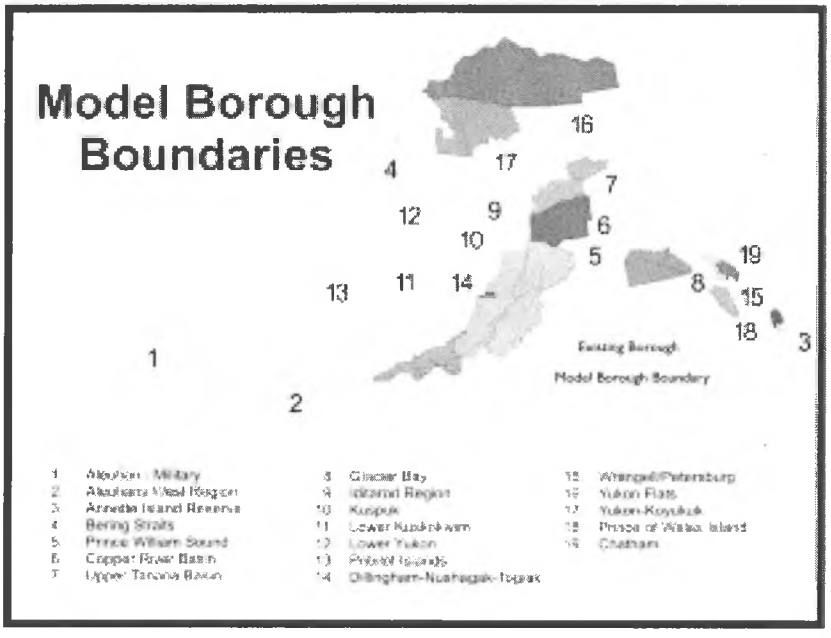
Art. X, § 6 of Alaska's constitution stipulates that, "The legislature shall provide for the performance of services it deems necessary or advisable in unorganized boroughs, allowing for maximum local participation and responsibility. It may exercise any power or function in an unorganized borough which the assembly may exercise in an organized borough."

To carry out the constitutional mandate that the entire state be divided into boroughs, organized or unorganized, the 1961 legislature enacted a law providing that all areas not within the boundaries of an organized borough constitute a single unorganized borough. (AS 29.03.010)

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3 "service area" means an area in which borough services are provided that are not offered on an areawide or nonareawide basis, or in which a higher or different level of areawide or nonareawide services are provided; borough service areas are not local governments, they lack legislative and executive powers; nonetheless, borough service areas are local government *units* in the context of the minimum of local government units clause found in Article X, § 1 of Alaska's Constitution;

From its beginning, the unorganized borough has never embraced an area and population with common interests to the maximum degree possible. In 1991 and 1992, the Local Boundary Commission defined model borough boundaries throughout the unorganized borough according to standards for setting boundaries of organized boroughs. [see Report on Model Borough Boundaries]



The legislature has enacted two key provisions to allow for local participation and responsibility in the delivery of State services in the unorganized borough. These are described below.

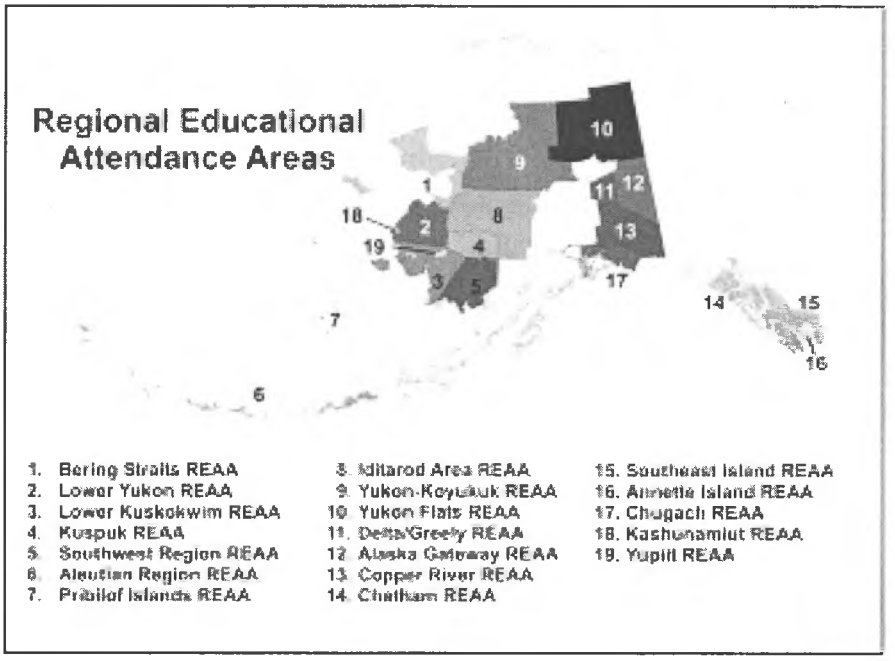
Regional educational attendance areas (REAAs) are state service areas to provide public education to the unorganized borough, except within home rule and first class cities. The 1975 legislature required the Department of Community and Regional Affairs, in consultation with the Department of Education and local communities, to divide the unorganized borough into educational service areas. The criteria used to establish the boundaries of REAAs are similar in many respects to the criteria for setting boundaries of organized boroughs. [AS 14.08.031] In a number of instances, the model borough boundaries set by the Local Boundary Commission in 1991-1992 follow the boundaries of REAAs.

Initially, 21 REAAs were established. These were: Adak, Alaska Gateway (headquartered in Tok), Aleutian Region, Annette Island, Bering Straits, Chatham (headquartered in Angoon), Chugach

(serving Prince William Sound), Copper River, Delta/Greely, Iditarod Area, Kuspuk, Lake and Peninsula, Lower Kuskokwim, Lower Yukon, Northwest Arctic, Pribilof Islands, Railbelt, Southeast Island, Southwest Region, Yukon Flats, and Yukon-Koyukuk.

In 1985, Bureau of Indian Affairs stopped funding schools in Akiachak, Akiak, Tuluksak, Chevak and Chefornak. The 1985 Legislature passed a law allowing the formation of two "federal transfer regional educational attendance areas" to assume the operation of those schools, subject to voter approval.

Voters in Chevak approved the proposition to form the Kashunamiut REAA. Voters in the other communities, except Chefornak, also approved the proposition to form the Yupiit REAA. Consequently, Chefornak became part of the Lower Kuskokwim REAA.



Since the mid-1970s, five organized boroughs have formed. The formation of the Northwest Arctic Borough, Lake and Peninsula Borough and Denali Borough, resulted in the dissolution of the REAAs in those areas.

In the case of the other two new boroughs, the Aleutians East Borough and the City and Borough of Yakutat took in only portions of the REAAs in those regions. Thus, in those two instances, the REAAs remained in existence.

On July 1, 1997, the Adak REAA was merged into the Aleutian Region REAA.

Coastal resource service areas (CRSAs) may be formed in the unorganized borough to perform certain duties under the Alaska Coastal Management Program (AS 46.40.110 - 46.40.180). CRSAs are organized to develop and recommend for State approval a coastal management plan for the area within the boundaries of the CRSA. The State implements the plan. CRSAs are advisory only and have no implementing authority.

There are presently four CRSAs in the unorganized borough. These are the Bristol Bay CRSA, the Aleutians West CRSA, the Cenaliulriit CRSA and the Bering Straits CRSA.

The Bristol Bay CRSA conforms to the boundaries of the Southwest Region REAA and includes the first class City of Dillingham. The Aleutians West CRSA has the same boundaries as the Aleutian Region REAA and includes the first class City of Unalaska. Although the Adak REAA is geographically in the middle of the Aleutians West CRSA, it is excluded from that service area.

The Cenaliulriit CRSA encompasses four REAAs. These are the Lower Yukon, Lower Kuskokwim, Kashunamiut and Yupiit REAAs. The latter two are the small federal transfer REAAs formed in 1985. The Cenaliulriit CRSA excludes the second class City of Bethel.

The Bering Straits CRSA conforms to the boundaries of the Bering Straits REAA. The first class City of Nome is excluded from that CRSA.

Salmon Production Regional Associations. AS 16.10.380 provides that a qualified salmon production regional association, when it becomes a nonprofit corporation under AS 10.20, is established as a service area in the unorganized borough under AS 29.03.020 for the purpose of providing salmon enhancement services.

Other Service Areas in the Unorganized Borough. AS 29.03.020. provides that the legislature may establish, eliminate, or change service areas of the unorganized borough. Specifically, it provides that:

Allowing for maximum local participation, the legislature may establish, alter, or abolish service areas within the unorganized borough to provide special services, that may include but are not limited to schools, utilities, land use regulations, and fire

protection. A new service area may not be established if the new service can be provided by an existing service area, by incorporation as a city, or by annexation to a city.

Other Entities

Other entities may be established under State or federal law to provide public or quasi-public services to residents of Alaska. They include; tribal governments, port authorities, local emergency planning committees, soil and water conservation districts, regional housing authorities, civil defense districts, consolidated health districts, telephone and electrical cooperatives, historical districts, grazing districts public utility districts, registration districts and local improvement districts. It is beyond the scope of this discussion to provide details about these other entities other than to recognize their existence.

TABLE 3
POWERS AND DUTIES OF CITIES

POWERS AND DUTIES	HOME RULE CITY	FIRST CLASS CITY	SECOND CLASS CITY	REFERENCE
Public Education	If the city is in the unorganized borough it must provide the service in accordance with AS 14. A home rule city is not permitted to do so within organized boroughs.	Same as for a home rule city.	The city is not allowed to provide the service under any circumstance.	AS 29.35.260(b) AS 14.12.010 AS 14.12.025
Planning, Platting & Land Use Regulation	If the city is in the unorganized borough or a 3rd class borough, it must exercise the powers. If it is in an organized borough, it may be permitted by borough to exercise the powers.	Same as for a home rule city, except the power must be exercised in accordance with AS 29.40.	The city is not required to exercise the powers in any circumstance, but may be permitted in all cases in the manner described for first class cities.	AS 29.35.250(c) AS 29.35.260(c)
Property Tax	The city may tax up to 30 mills, except where a higher levy is necessary to avoid default on debt. Some home rule charters require voter approval to authorize the levy property taxes.	The city may tax up to 30 mills except where a higher levy is necessary to avoid default on debt. Voter approval is not required by statute, however, some general law municipal governments have more restrictive limitations imposed at the local level.	The city may tax up to 20 mills, except where a higher levy is required to avoid default. Voter approval is required.	AS 29.45.550- AS 29.45.590;
Sales Tax	The rate of levy may be limited by charter. Requirements for voter approval may also be set by charter	There is no limit on the rate of levy of sales taxes; however, voter approval is required.	Same as for a first class city.	AS 29.45.700
Other Powers	Possess all legislative powers not prohibited by law or charter	May exercise other powers not prohibited by law	May exercise other powers not prohibited by law	Art. X, § 11 Ak. Const.. AS 29.35.250
City Council composition and apportionment	Determined by charter or ordinance.	6 members elected at-large, except the council may provide for election other than at-large.	7 members elected at-large, except the council may provide for election other than at-large.	AS 29.20.130

Table continued on next page

TABLE 3 - Continued
POWERS AND DUTIES OF CITIES

POWERS AND DUTIES	HOME RULE CITY	FIRST CLASS CITY	SECOND CLASS CITY	REFERENCE
Election and Term of Mayor	Determined by charter or ordinance.	Elected at large for a 3-year term, unless a different term not to exceed 4 years is provided by ordinance.	Elected from the city council for a 1-year term, unless a longer term is provided by ordinance. Mayor is selected by council (or by voters upon adoption of ordinance)	AS 29.20.230 AS 29.20.240
Vote by Mayor	Determined by charter or ordinance.	May vote to break a tie vote on the city council.	Votes on all matters.	AS 29.20.250
Veto Power of the Mayor	Determined by charter or ordinance, except veto is not permitted of ordinance prohibiting possession of alcohol.	Has veto power with the same exception noted for home rule cities.	Has no veto power.	AS 29.20.270
Power of Eminent Domain	Permitted by statute.	Permitted by statute.	Permitted, but requires voter approval.	AS 29.35.030
Ability to Attain Home Rule Status	Already has home rule status.	Voters may adopt home rule charter.	May not adopt home rule charter without first reclassifying to a first class city.	AS 29.10.010

TABLE 4
POWERS AND DUTIES OF ORGANIZED BOROUGHS

POWER	UNIFIED MUNICIPALITY AND HOME RULE BOROUGH	FIRST CLASS BOROUGH	SECOND CLASS BOROUGH	THIRD CLASS BOROUGH
Public Education (education powers have been broadly interpreted by the Ak Dept of Law)	The borough or unified municipality must provide the service areawide in accordance with AS 14.	Same as for a home rule borough.	Same as for a home rule borough.	Same as for a home rule borough.
Planning, Platting & Land Use Regulation	The borough or unified municipality must exercise the powers areawide, but not necessarily in accordance with AS 29.40.	The borough must exercise the powers areawide; in accordance with AS 29.40; the borough may allow cities to assume such powers within their boundaries	Same as for a first class borough.	The borough may exercise the power only on a service area basis with approval by the voters or , in certain circumstances, with approval from DNR
Provide Transportation Systems, Water & Air Pollution Control, Animal Regulation	Determined by charter or ordinance.	May be exercised on an areawide, nonareawide or service area basis by ordinance.	May be exercised on an areawide or nonareawide basis by ordinance; approval from voters or property owners required for service area powers.	May be exercised only on a service area basis with voter approval or, in certain circumstances, with approval from DNR.
License Day Care Facilities	Determined by charter or ordinance.	May be exercised on an areawide, nonareawide or service area basis by ordinance.	May be exercised on an areawide basis by ordinance; voter approval required for exercise on a nonareawide or service area basis.	May be exercised only on a service area basis, with voter approval or, in certain circumstances, approval from DNR.

Table continued on next page

TABLE 4 - Continued
POWERS AND DUTIES OF ORGANIZED BOROUGHS

POWER	UNIFIED MUNICIPALITY AND HOME RULE BOROUGH	FIRST CLASS BOROUGH	SECOND CLASS BOROUGH	THIRD CLASS BOROUGH
Regulate Fireworks, Provide Solid & Septic Waste Disposal, Housing Rehabilitation, Economic Development, Roads & Trails, EMS Communications, Regulate Motor Vehicles and Development Projects	Determined by charter or ordinance	May be exercised areawide upon approval of areawide voters or by transfer of powers from all cities; may be exercised by ordinance on a nonareawide or service area basis.	May be exercised areawide upon approval of areawide voters; or by transfer of powers from all cities; may be exercised by ordinance on a nonareawide basis; may be exercised on a service area basis with voter approval	May be exercised only on a service area basis with voter approval or, in certain circumstances, approval from DNR.
Hazardous Substance Control	Determined by charter or ordinance	Same as above.	Same as above.	May be exercised by ordinance but only on a nonareawide basis.
Other Powers Not Prohibited	Determined by charter or ordinance	Same as above.	May be exercised areawide upon approval of areawide voters; or by transfer of powers from all cities and approval of nonareawide voters; may be exercised nonareawide upon approval of nonareawide voters; may be exercised on a service area basis with voter approval	may be exercised only on a service area basis, which requires voter approval or, in certain circumstances, approval from DNR.

Table continued on next page

TABLE 4 - Continued
POWERS AND DUTIES OF ORGANIZED BOROUGHS

POWER	UNIFIED MUNICIPALITY AND HOME RULE BOROUGH	FIRST CLASS BOROUGH	SECOND CLASS BOROUGH	THIRD CLASS BOROUGH
Property Tax	Limited to 30 mills except where a higher levy is necessary to avoid default on debt; voter approval to levy property taxes is required by some charters	Same as home rule except there is no charter. Still some general law boroughs have more limited taxing authority established by local action.	Same as for a first class borough.	Same as for a first class borough.
Sales Tax	The rate of levy may be limited by charter and voter approval to levy sales taxes may be required by charter.	No limit exists on the rate of levy; however, voter approval is required to levy sales taxes.	Same as for a first class borough.	Same as for a first class borough.
Assembly composition and apportionment	Flexible; determined according to AS 29.20.060 - 29.20.120	Same as for a home rule borough.	Same as for a home rule borough.	Same as home rule; assembly is also the school board
Election and Term of Mayor	Established by charter or ordinance.	Elected at large for a 3 year term, unless a different term not to exceed 4 years is provided by ordinance.	Same as for a first class borough.	Same as for a first class borough.
Vote by Mayor	Established by charter or ordinance.	may vote to break a tie vote only if the borough has a manager form of government	Same as for a first class borough.	Same as for a first class borough.
Veto Power of the Mayor	Generally determined by charter, except veto not permitted of ordinance prohibiting possession of alcohol.	generally has veto power, except veto not permitted of ordinance prohibiting possession of alcohol.	Same as for a first class borough.	Same as for a first class borough.
Ability to Attain Home Rule Status	Already has home rule status.	Voters may adopt home rule charter.	Same as for a first class borough.	Same as for a first class borough.

POPULATION CHARACTERISTICS OF MUNICIPAL GOVERNMENTS IN ALASKA

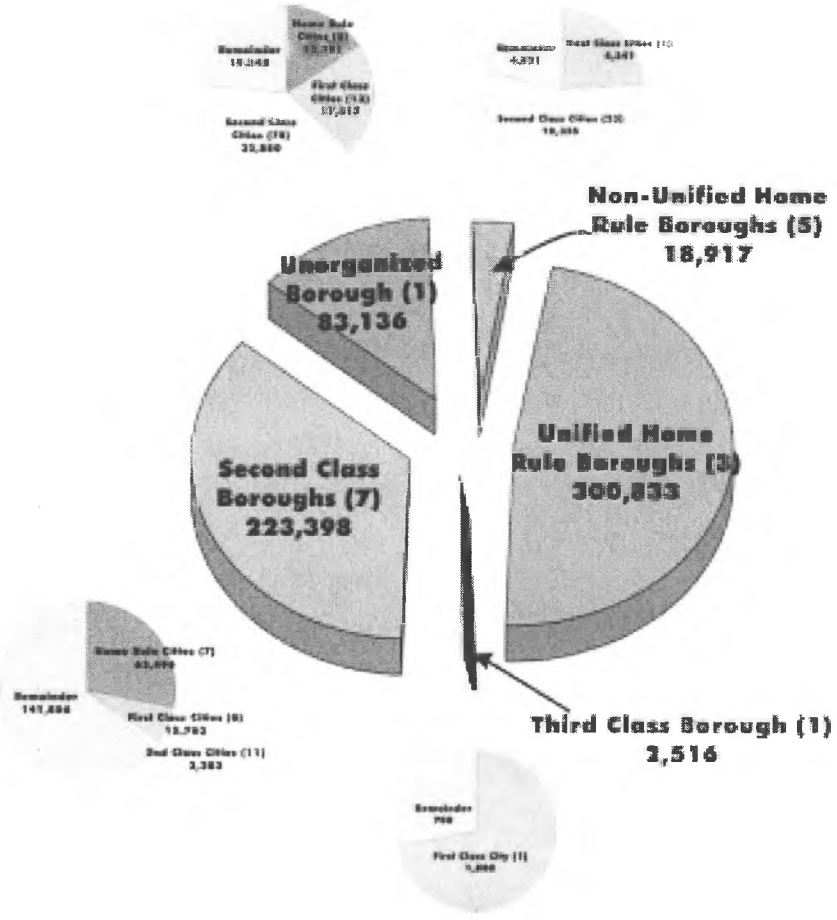
(based on July 1, 2000 population figures)

96.9% of Alaskans live in at least one municipal government; the remaining 3.1% live outside a municipal government

86.8% of Alaskans live within organized boroughs; the remaining 13.2% live in the unorganized borough

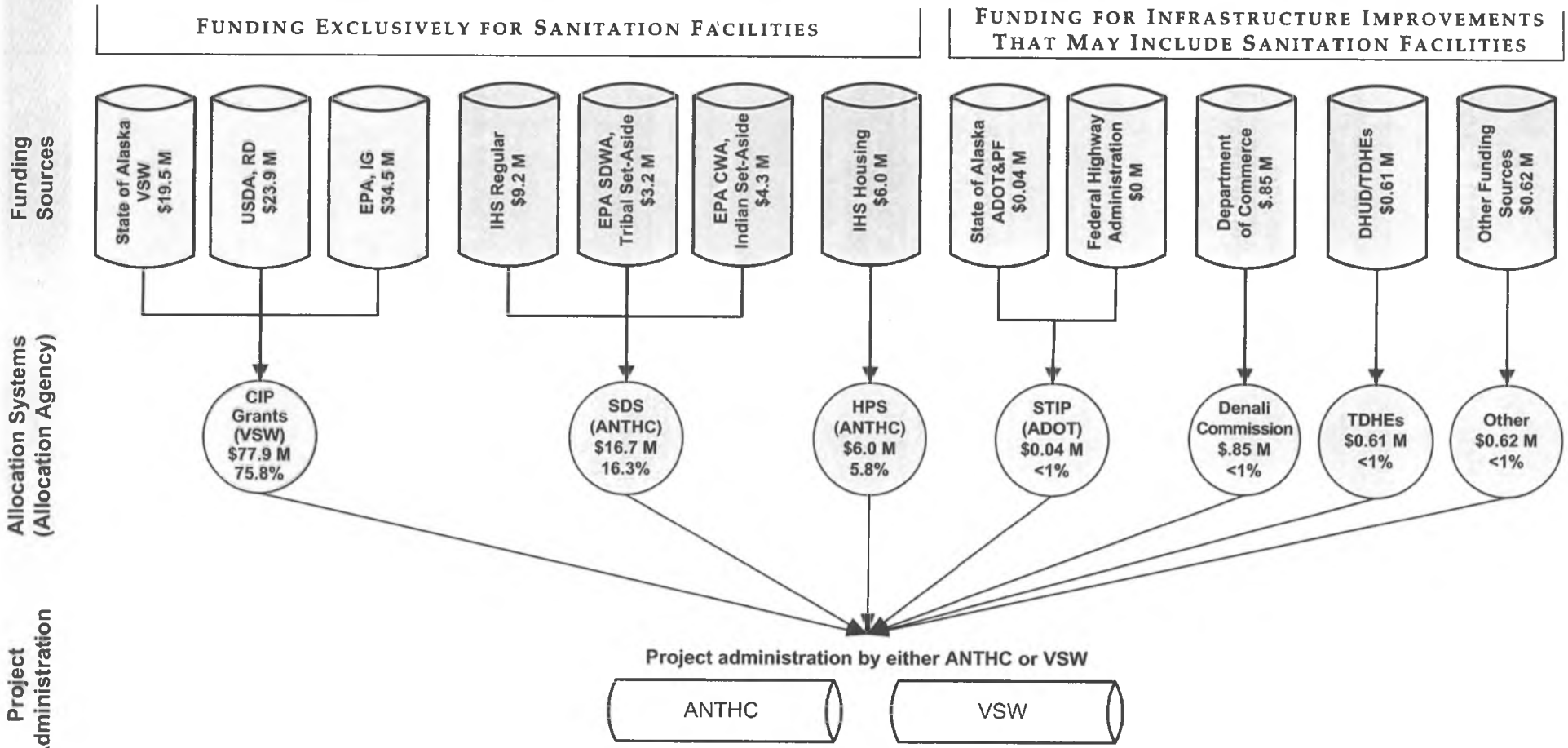
82.0% of organized borough residents receive municipal services exclusively from their borough; the remaining 18.0% receive municipal services from their city government and their borough.

91.7% of Alaskans live in municipal school districts; the remaining 8.3% of Alaskans live in regional educational attendance areas



Primary Sources of Alaska Rural Sanitation Facility Improvement Funding: Three-Year Average of Federal Fiscal Years 2005 - 2007

(i.e., an average of $103 million was annually allocated)



Source: ANTHC, Division of Environmental Health and Engineering; and State of Alaska, Village Safe Water

Abbreviations:

ADOT&PF: Alaska Dept. of Transportation & Public Facilities
ANTHC: Alaska Native Tribal Health Consortium
CIP: Capital Improvement Project
CWA, ISA: Clean Water Act, Indian Set-Aside
DHUD: Dept. of Housing & Urban Development
EPA: Environmental Protection Agency
HPS: Housing Priority System
IG: Infrastructure Grant
IHS: Indian Health Services
SDS: Sanitation Deficiency System
SDWA, TSA: Safe Drinking Water Act, Tribal Set-Aside
STIP: Statewide Transportation Improvement Program
TDHEs: Tribally Designated Housing Entities
USDA, RD: U.S. Dept. of Agriculture, Rural Development
VSW: Village Safe Water

Primary Sources of Alaska Rural Sanitation Facility Improvement Funding

ANTHC Form 1040, February 2007

Funding Allocation Summary FY 99/00 -- FY 05/06
Major Sources of Sanitation Facility Improvement Funding

SDS project funds allocated FY 1999--2006

Funding Source	1999	2000	2001	2002	2003	2004	2005	2006	Estimated 2007	Total FY99-FY05
IHS Regular	$ 10,472,000	$ 10,732,000	$ 10,800,000	$ 11,473,000	$ 11,787,900	$ 10,174,000	$ 9,217,100	$ 9,434,000	$ 9,000,000	$ 99,090,000
EPA CWA-ISA	$ 2,344,000	$ 2,398,000	$ 6,813,300	$ 6,830,330	$ 8,190,600	$ 5,966,700	$ 4,652,200	$ 4,397,000	$ 4,000,000	$ 56,592,130
EPA SDWA-TSA	$ 10,305,600	$ 8,050,250	$ 4,020,400	$ 3,958,200	$ 3,752,600	$ 3,500,000	$ 3,554,800	$ 3,039,100	$ 3,000,000	$ 55,180,950
Total Funding	**$ 23,121,600**	**$ 21,180,250**	**$ 21,633,700**	**$ 22,261,530**	**$ 23,731,100**	**$ 19,640,700**	**$ 17,424,100**	**$ 16,870,100**	**$ 16,000,000**	**$ 180,863,080**

HPS project funds allocated FY 1999--2006

Funding Source	1999	2000	2001	2002	2003	2004	2005	2006	Estimated 2007	Total FY99-FY05
IHS Housing	$ 5,800,000	$ 6,259,000	$ 6,300,000	$ 6,036,950	$ 6,080,000	$ 6,044,000	$ 5,962,900	$ 5,987,000	$ 6,000,000	$ 63,469,850

VSW CIP Grant Application Program project funds allocated SFY 2000--2007, FFY 1999-2006

Funding Source	2000	2001	2002	2003	2004	2005	2006	2007	Estimated 2008	Total SFY00-SFY06
State of Alaska	$ 20,644,950	$ 15,371,250	$ 16,985,400	$ 19,873,800	$ 21,241,300	$ 19,899,800	$ 21,442,900	$ 18,516,120	$ 15,000,000	$ 168,975,520
EPA IG	$ 28,000,000	$ 26,649,450	$ 31,750,600	$ 36,494,500	$ 35,133,800	$ 32,960,900	$ 39,807,600	$ 31,905,490	$ 22,500,000	$ 277,702,340
RD	$ 20,000,000	$ 19,464,400	$ 19,200,000	$ 23,120,000	$ 28,583,900	$ 26,734,600	$ 24,312,700	$ 23,642,880	$ 22,500,000	$ 200,058,480
Total Funding	**$ 68,644,950**	**$ 61,485,100**	**$ 67,936,000**	**$ 79,488,300**	**$ 84,959,000**	**$ 79,595,300**	**$ 85,563,200**	**$ 74,064,490**	**$ 60,000,000**	**$ 616,736,340**

Denali Commission project funds allocated FY 2001--2006

Funding Source	1999	2000	2001	2002	2003	2004	2005	2006	Estimated 2007	Total FY99-FY06
Denali Commission	---	---	---	$ 3,509,650	$ 415,000	$ 1,319,600	$ 705,350	$ 742,000	$ 1,100,000	$ 5,534,600
Total Funding	**$ 97,566,550**	**$ 88,924,350**	**$ 99,379,350**	**$111,296,430**	**$ 115,185,100**	**$ 106,599,600**	**$109,655,550**	**$ 97,663,590**	**$ 83,100,000**	**$866,603,870**

ANTHC Sanitation Facility Funding Sources, Intended Uses, Limitations

Source	*Use*	*Limitations*
IHS Regular	Community and individual sanitation facilities, including interior plumbing for Native-owned homes.	DHUD-funded or non-Native-owned homes can only be served with community facilities.
EPA, SDWA - TSA	Community water facilities for Native Alaskan communities. Will pay for design studies.	No individually owned facilities (interior plumbing, service lines, individual wells). No sewer or solid waste facilities. No capitol equipment.
EPA, CWA – ISA	Community sewer facilities for Native Alaskan communities. Will pay 50% of washeteria cost. Will pay for individually owned septic tanks and drainfields.	No interior plumbing or service lines. No water or solid waste facilities.
IHS Housing	Individual water and sewer facilities for "like-new," Native-owned homes.	Cannot be used for interior plumbing.
State of Alaska, VSW	Community and individual sanitation facilities, including interior plumbing. Will pay for planning projects.	Sanitation facilities improvements to DHUD-constructed homes requires advance coordination by DEHE with VSW and DHUD.
USDA, RD	Community and individual water, sewer, and solid waste facilities. Home service lines and interior plumbing (as of February 2001), conceptual planning, design studies.	
EPA, Infrastructure Grant	Community and individual water and sewer facilities including interior plumbing. Will pay for planning projects.	Will not provide plumbing or service lines for DHUD-constructed homes built after 2000.
ADOT/PF	Roads and boardwalks associated with sanitation facilities.	
DHUD/TDHEs	Individual water and sewer facilities for DHUD-funded homes (primarily used for service lines).	

SB 122

<TARGET><BILL>SB 122</BILL><SUBJECT>SB 122</SUBJECT><COMM>SCRA27</COMM></TARGET>

27-LS0789\B
Bailey
1/27/12

CS FOR SENATE BILL NO. 122(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to real estate transfer fees; and providing for an effective date."

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

* **Section 1.** AS 34.15 is amended by adding a new section to read:

Sec. 34.15.105. Transfer fee covenants prohibited. (a) A document that conveys real estate may not include a provision that requires a subsequent grantee or grantor to pay a transfer fee to convey the real estate, except a document that conveys real estate may include a provision that requires a transfer fee if the fee is

(1) payable on a one-time basis only on the next transfer of the interest in real property;

(2) a loan assumption fee or similar fee charged by a person holding a lien on the property; or

(3) a fee or commission paid to a licensed real estate broker for brokerage services.

(b) In this section, "transfer fee" does not include

(1) a tax, assessment, fee, or charge imposed by a governmental

New Text Underlined *[DELETED TEXT BRACKETED]*

authority;

(2) a recording fee;

(3) a fee payable to a nonprofit, mandatory homeowners association, condominium association, or cooperative under an applicable declaration or covenant; or

(4) a fee payable to an organization described in 26 U.S.C. 501(c)(3) or (c)(4) (Internal Revenue Code) used exclusively for cultural, educational, charitable, recreational, environmental, conservation, or similar activities that benefit the real estate conveyed.

(c) A provision that violates this section is void.

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

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

SB 122 Real Estate Transfer Fees/Title Plants
Sponsor Statement

Currently, Alaska law allows a deed to real estate to contain a covenant requiring that a fee be paid to the original seller for any subsequent transfer of title. While the practice is unquestionably a benefit to the original seller, who can depend upon a steady income from property the seller no longer owns long after performing any service that might merit such a payment. According to Harvard Law School's Joseph William Singer, courts in the state of New York outlawed the practice in 1852 as a vestige of feudalism. Lately, Idaho, Indiana, Mississipi, and Montana have come around and passed their own prohibitions. There appears to be no justification for allowing such practice to continue in Alaska.

Title plants maintained by title insurance companies are today only obligated to contain records going back 25 year. Alaskans participating in this industry believe that a more appropriate length of time would be 40 years. The current statute was passed in 1974, a short 16 years after statehood.

Your support for this bill is much appreciated.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 122**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB122-DCCED-INS-01-19-12
Title: Real Estate Transfer Fees/Title Plants
Sponsor: Senate Labor & Commerce
Requester: Senate Community & Regional Affairs

Dept. Affected: DCCED
Appropriation: Insurance
Allocation: Insurance
OMB Component Number: 354

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Initial Version

Prepared by: Linda S. Hall, Director — Phone: 907-465-2560
Division: Insurance — Date/Time: 1/20/12 6:30 PM
Approved by: Susan K. Bell, Commissioner — Date: 1/21/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 122
2012 LEGISLATIVE SESSION

Analysis

SB 122 requires that records be maintained for 50 years instead of the current limit of 25 years. It also provides that a document that conveys real estate may not include a provision that requires a subsequent transfer fee to convey the real estate.

There is no fiscal impact associated with this legislation.

N

YUKON TITLE
Company, Inc.

January 23, 2012

Senator Donald Olson, Chairman
Senate Community & Regional Affairs Committee
120 4th Street, Room 508
State Capital
Juneau, AK 99801

Re: SB 122

Dear Chairman Olson,

Yukon Title Company, Inc. is the largest provider of title insurance and escrow services in northern Alaska. We serve the 10 northern recording districts in our great state. Yukon Title is Alaskan owned and operated and is proud to employ 26 Alaskan professionals.

Yukon Title Company, Inc. fully supports the amendments to SB 122 as provided by the Alaska Land Title Association; "An act relating to real estate transfer fees and increasing the length of time title records must be maintained by a title plant". This legislation assures a healthy industry and promotes the hiring of Alaska Residents.

Thank you.

Sincerely,

Roger L Floerchinger
President

714 Gaffney Road • Fairbanks, Alaska 99701
Phone: 907-456-3474 • Fax: 907-456-3476 • E-mail: trust@yukontitle.com • Website: www.yukontitle.com

AlaskaUSA®
Title Agency

January 24, 2012

Honorable Donald Olson, Chair
Senate Community & Regional Affairs Committee
P.O. Box 1630
Nome, AK 99762-1630

Dear Senator Olson:

Re: Senate Bill No.122 (Real Estate Transfer Fees/Title Plants)

This letter is written to express our concerns and opposition to Senate Bill 122 and specifically to the proposed amendment to AS 21.66.200 that would increase the length of time title plant records must be maintained. Our opposition is based on the belief that the amendment will limit and ultimately reduce competition in the title plant industry. It also ignores the technological advances made over the last decade by the State of Alaska and the industry.

Senate Bill 122 suggests that the length of time title records must be maintained by a title plant has a direct correlation to the time requirement of title search guidelines. In fact, there is no such correlation. The length of time required in a title search is dictated by the title insurance underwriters who are assuming the risk, and is totally unrelated to the number of years of records maintained by a title plant.

Several years ago, Mike Price, owner of Fidelity Title Agency of Alaska (FTAA) wrote a paper entitled "The Illusory Benefit of the Privately Owned Title Plant" (copy enclosed) wherein the following facts were recited:

- One-half of all title companies throughout the United States do not maintain private title plants, but examine by abstract from the public records as does FTAA.
- Fidelity National Title, our underwriter, reports that there is statistically no distinction in the number of claims or errors occurring by abstracting from public records as opposed to private title plants."

Mr. Price concludes by saying, "I hope I have dispelled the illusion that a privately maintained title plant is the only, or even preferred, method of document storage and retrieval for the title examiner. Our method of document indexing and retrieval has been accepted by the State of Alaska, our underwriter, and thousands of abstractors across the country."

We concur with Mr. Price's statements. Title insurance underwriters have not experienced an increase in claims or losses through title searches of public records as opposed to private title plants.

Any increase to title plant record requirements, such as included in Senate Bill 122, would take a giant step backwards and will only benefit a few existing title plants. The current law has the private and public sector working together to improve access to title records, which translates into lower cost and quicker turnaround times in title processing. This is good for business and the consumer.

SB 122 would restrict competition and unnecessarily increase business operating costs, neither of which is in the consumers' best interests. Accordingly, we do not believe this is good public policy.

Thank you for the opportunity to provide Alaska USA Title Agency's concerns on the proposed title plant record requirement changes in Senate Bill 122.

Sincerely,

Crystal Peltola
Vice President/General Manager

Enclosure

cc: Linda Hall, Director, Alaska Division of Insurance
Curtis Thayer, Deputy Commissioner, Commerce, Community and Economic Development
Dan Foust, CEO/Executive Director, Alaska Housing Finance Corporation

Fidelity Title Agency of Alaska

The Illusory Benefit of the Privately Owned Title Plant

By Michael W. Price, Owner, Fidelity Title Agency of Alaska

A myth has arisen that in order to be a superior title insurance agency, a privately owned title plant must be maintained. This assertion is only an illusion.

1. The Title Plant and The Title Abstractor

What is the purpose of a title plant and what does it consist of? The answer is that it is a compilation of all documents recorded in the official records of a given locale and its purpose is to provide all documents needed for a professional title examination.

Here is the illusion. The title examiner will retrieve the same exact documents from either the public records or a private title plant. Why? Because every title company uses the same data (recorded documents). FTAA maintains and retrieves those documents by use of the only official index recognized by the State, the grantor/grantee index. Three of the six Anchorage title companies use this method. The other three companies consort in one plant that actually "re-posts" to its own index. That index is not official and can lead to mis-posting errors. See below. Fidelity Title Agency of Alaska has access to every document officially recorded which imparts constructive notice to the general public. The "private title plant" has these same documents, no more, no less.

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- The grantor/grantee index utilized by FTAA is the only official retrieval index statutorily authorized.
- Prior to licensing, the State Division of Insurance required us to examine and prepare a preliminary report on multiple parcels of property, one being a commercial building. When compared to preliminary commitments acquired by the State from other title agencies, our reports were found to be equal or better and thus we were licensed without qualification.
- One-half of all title companies throughout the United States do not maintain private title plants, but examine by abstract from the public records, as does FTAA.
- Essentially there are no title plants in New England and very few in the East (some of the most populated areas). Therefore, East Coast lenders will not find abstracting from the public records to be objectionable.
- Fidelity National Title, our underwriter, reports that there is statistically no distinction in the number of claims or errors occurring by abstracting from public records as opposed to private title plants. Considering that the abstracts on the East Coast have a 200-year-old title chain compared to Alaska's 50-year chain, this is a significant fact for your client's consideration.
- Privately maintained title plants generally have an additional chance for posting errors when indexing a second time and are self corrupting by heavy reliance of examination only from the last prior forward. In fact, the largest claim every paid in Alaska (a multi-million dollars loss) arose from a mis-posting of a deed to a privately maintained title plant. The mis-posted deed was in the official grantor/grantee index had it been relied upon. See Bank of California vs. First American Title Insurance Company.

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Fidelity Title Agency
of Alaska

- FTAA, on commercial transactions, will abstract the entire chain of title from patent forward.
- We are confident that our commercial title officers will review more, not fewer, documents affecting a parcel through our examination method.

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If the entire process at a title agency could be represented by the numbers 1 through 10, the amount of work and contribution made by the escrow officer would surely be represented by the numbers 4 through 10. A title claim will arise statistically on a national average one out of every 2,000 examinations, but a less experienced closer can negatively impact each and every transaction.

4. Summary: Fidelity Title Agency of Alaska

Fidelity Title Agency of Alaska was created to specialize in commercial, multi-unit and high-end residential title and escrow services. Quality, not quantity, is our mission. Having practiced real estate law for more than 25 years, I had the opportunity to visit various parts of the country, and in doing so, learned that title agencies based upon public record abstracting were not only common but also the norm in many parts of the country. Further, there has successfully arisen in the last decade, niche title insurance agencies that focused on professionalism while not placing primary emphasis on market share. Of significance to the independent businessperson, FTAA is the only title agency in Anchorage completely owned by Alaskans, and not affiliated with other real estate or mortgage companies.

I hope I have dispelled the illusion that a privately maintained title plant is the only, or even preferred, method of document storage and retrieval for the title examiner. Our method of document indexing and retrieval has been accepted by the State of Alaska, our underwriter, and thousands of abstractors across the country.

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Fidelity Title Agency
of Alaska

January 23, 2012

The Honorable Senator Donald Olson
Chairman, Senate Community & Regional Affairs Committee
120 4th Street, Rm. 508
State Capital
Juneau, AK 99801

Fidelity Title Agency of Alaska has operated as a Title Insurance Limited Producer within the State of Alaska for 8 years. Currently we conduct business with 1 direct operation while also supporting a network of Agents that employ Alaskans throughout the state. We provide Title Insurance products and service as well as Escrow Services to Alaskans in every city, village and borough within the State of Alaska.

Fidelity Title Agency of Alaska fully supports the changes proposed by the Alaska Land Title Association to SB122 "An Act relating to real estate transfer fees and increasing the length of time title records must be maintained by a title plant" which are contained in the pending committee Substitute.

We urge passage and stand ready to respond to any questions.

Respectfully Submitted,

Leslie Plikat

Leslie Plikat
Vice President/Title & Escrow Operations Manager

3150 C Street • Suite 220 • Anchorage, Alaska 99503
Phone (907) 277-6601 • Fax (907) 277-6613 • E-mail: fidelity@alaska.com

MAT-SU TITLE INSURANCE AGENCY, INC.

"The Valley's Only Locally Owned and Operated Title Company"

January 23, 2012

The Honorable Senator Donald Olson
Chairman, Senate Community & Regional Affairs Committee
120 4th Street, Room 508
State Capital
Juneau, AK 99801

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Respectfully Submitted,

Terri Wesley
Manager

1981 E. Palmer Wasilla Hwy # 100 WASILLA, ALASKA 99654 TELE: (907) 376-5294 FAX (907) 376-1237
IN STATE TOLL FREE: 1-877-377-5294 WEB PAGE: mat-sutitle.com E-MAIL: mstitle@mtaonline.net

First American Title

TERRY E. BRYAN
VICE PRESIDENT
ALASKA STATE MANAGER

January 21, 2012

The Honorable Senator Donald Olson
Chairman, Senate Community & Regional Affairs Committee
120 4th Street, Rm. 508
State Capital
Juneau, AK 99801

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Respectfully Submitted,

Terry E. Bryan
Vice President – Alaska State Manager

3035 C Street, Anchorage, AK 99503
TEL 907.561.1844 • FAX 907.561.1948
terbryan@firstam.com • www.firstam.com

Five Frequently Asked Questions about Title Insurance

1. What is Title Insurance?

Most kinds of insurance are self-explanatory. Fire insurance protects against losses from fire. Collision insurance guards against the cost of a dented, damaged car. But what does it mean to insure your title to real estate?

Real estate has always been considered a valuable possession. It is so basic a form of wealth that many special laws have been enacted to protect ownership of land and the buildings which stand on the and; You should realize whenever you buy property that the owner who is selling it to you has extremely strong rights, as do his family and heirs.

Also, there may be others - in addition to the owner - who have "rights" in the property you are going to buy. These may be overnmental bodies, or contractors who performed work on the property, or other individuals who have perfectly proper unpaid claims against the property.

Anyone who has such a claim is, in a sense, a part-owner. The property may be sold - to you - without the party who has a claim knowing about the sale. And you may know nothing about such a claim at the time you buy. It doesn't matter. Such claims may remain attached to the real estate you have purchased.

2. Why do I need Title Insurance?

Title Insurance protects the equity in your home. For a low one-time premium your home will be protected against hidden risks or undiscovered interests, such as liens, claims or encumbrances.

Owning real estate is one of the most precious values of freedom. When you buy a home, you want to be sure the property is properly conveyed and free from unexpected adverse interests.

Once purchased, title insurance remains in effect for as long as you own your home, adding security and peace of mind to home ownership.

3. Will you get a clear title?

It is of the greatest importance that you do. But this means that you must be informed about any of these claims against the property so that you can make certain they are cleared up before you buy.

And it means that you must be protected against any undiscovered claims that may arise in the future to threaten your title and the possession of your property. Title insurance provides this two-fold protection.

4. How do you learn what claims there are against the property?

By a search of the public records. This is the first step a title insurance company takes in order to insure your title. Title insurance companies maintain "plants"; that is, giant databases of title records, in many cases dating back over a hundred years.

Each day, recorded documents affecting real property and property owners are posted to these title plants. In this way, title insurance companies keep track of every entry on public record which might affect every parcel of land.

One of the first tasks that will performed is a title search. Some of the things a title search uncovers are any unpaid taxes or mortgages, judgments against previous owners, easements, and many other court actions or recorded documents which affect title to real estate.

The title insurance company will perform the search and report their findings in the preliminary title report.

The seller, and real estate agent can then work together with the title insurance company in resolving any title claims showing in the preliminary report.

5. But what if there is a defect in the title which doesn't show up in the public records?

This can happen. Title insurance companies call them "hidden risks" - the undiscovered claims which may arise long after you have purchased your home.

While the goal of every title insurance company is to conduct such a thorough search and evaluation of public records that no claim will ever arise, protection against loss from claims on real estate which cannot be discovered by examination of the public records is the second part of the twofold protection that title insurance provides.

These hidden risks might be forgery, confusion due to similar names, or an error in the records.

If a claim is made against your title as the insured, your title insurance company will protect you by defending your title, in court, if necessary; and your title insurance company will bear the cost of settling the claim, if it proves valid, in order to perfect your title and keep you in possession of your property.

From the Houston Business Journal:
http://www.bizjournals.com/houston/stories/2003/09/29/story2.html

New title plant shakes up industry

Houston Business Journal by Jennifer Dawson, Houston Business Journal

Date: Sunday, September 28, 2003, 11:00pm CDT

Jennifer Dawson
Houston Business Journal

The opening of a new title plant, the first in Harris County in the past 12 years, has stirred up a controversy that could change the way the title industry operates across Texas.

IntegrityTitleInformation.com began offering title plant services earlier this year. The first local title agency to use Integrity was licensed by the state on July 3.

On the same day, the only other title plant in Harris County contacted the Texas Department of Insurance for a clarification of the requirements for running a title plant.

Title Data Inc. has dominated the field since the early 1990s as the only title plant in the county. The 36-year-old business is owned by a consortium of title companies, including corporate giants Stewart Title Guaranty Co. and Chicago Title Insurance Co.

Title plants offer title companies access to the property records used in acquiring title insurance for customers. The Texas Department of Insurance requires title plants to maintain a geographically indexed set of records dating back 25 years to track a property's legal history. The information is typically stored as electronic images or microfilm.

Paul Cones, a principal with Integrity, began building a geographic index two years ago using Harris County's grantor/grantee index, which became the foundation for Integrity's title plant. Cones says Integrity began offering title plant services after underwriters agreed to issue title insurance through agencies that use Integrity's data as their title plant.

Integrity has signed three title agencies as clients. Two were licensed by the state to use Integrity's title plant two weeks ago and the first was approved in July. One of the clients is Integrity Title Co., a new firm established by Cones and Integrity President Stephen A. Hester Jr.

Market leader Title Data, which sells services to subscribers in six area counties, charges roughly $15,000 a month for records information.

Integrity, which offers title plant services only in Harris County, charges roughly $7,000 per month.

Cones says that by giving title agencies access to state-required data for half the cost, Integrity is giving more people a chance to get into the title industry.

"We're really going to change the title industry in Texas," Cones says. "The title industry, up until this point, has really been controlled by a very few number of people. We want to help people get in the title industry who have never been in the business before."

Cones says professionals such as home builders, mortgage lenders, bankers, real estate agents and title company closers can now afford to start their own title companies.

James Sibley, Title Data's president and CEO, says his firm's service costs more because employees examine all documents that affect each parcel of property before including it in its title plant.

"We spend an extraordinary amount of money each day to do that research," Sibley says.

Without having an employee look at each document, common errors in a property's "legal description," for example, would go unnoticed, Sibley says.

Cones says Integrity also examines documents closely for errors.

"We are physically looking at every legal description that's there," Cones says. "We look at every document related to real estate and confirm whether or not the descriptions are correct and that the parties names are correct."

An executive with a local title company that subscribes to Title Data predicts Integrity's title plant will endure, and be deemed satisfactory by the state.

"I think they'll be a viable alternative to Title Data," says the executive. "There's probably room for both of them."

License to expand

Title Data asked the Texas Department of Insurance for clarification on what type of title plant records are sufficient to meet the state's requirements.

Title Data CEO Sibley says his questions to TDI relate to the difference between a title plant that's compiled information on a document-by-document basis, compared to one assembled from publicly available electronic databases.

TDI does not license title plants, or abstract plants, as it calls them. But the department licenses the title agencies that use the title plant.

In a letter to Sibley dated Aug. 20, Robert Carter Jr., TDI's deputy commissioner for title insurance, said there has been no change in state requirements, and any new title plant would be evaluated after it had been in operation for several months.

"Our decision to license a particular title agent should not be interpreted as our blessing of the abstract plant," Carter wrote in his response. "Our auditors will test the plant when they

conduct their initial audit of the title agent, which is usually about six months after licensure."

If any title plant's documents are not accurate, the title agency that uses it could be subject to a warning, disciplinary action, fine or even revocation of license.

Once Integrity's title plant passes its indirect evaluation by the state, it could open a floodgate of new title plants and title companies in the state of Texas.

"We would take that as a signal from the Department of Insurance that we can proceed with our expansion plans," Sibley says.

For a long time, Title Data has wanted to offer title plant services in Dallas, Tarrant and Bexar counties. But Sibley says the cost of building 25 years worth of records has been cost-prohibitive.

"If there is a new standard for maintenance of a title plant, then that represents business opportunities for Title Data," says Sibley. "I think you're going to see many people coming into the marketplace."

Cones says it's time for this sort of change because the title industry needs to be reformed.

"By opening up the title industry, we believe it will drive down the cost of title insurance," Cones says. "And that would really have a benefit for consumers."

provisions of this section must be in compliance with AS 21.66.200. The application must contain

(1) a copy of the proposed articles of incorporation or association and the bylaws or agreement governing the operation of the entity;

(2) a list of the owners or participants;

(3) the names and addresses of the persons who will operate the entity, with a description of their experience and qualifications;

(4) the conditions under which ownership or participation in the entity may be sold or acquired;

(5) a statement of whether or not title information will be compiled and sold to persons other than owners of or participants in the entity;

(6) a pro forma balance sheet and other financial information to indicate the sufficiency of financing the entity.

(b) If the director finds that (1) the entity will be adequately financed, (2) the persons who will be operating the entity are qualified and (3) the rules of operation as expressed in the articles of incorporation or association and the bylaws will promote the efficiency of the operation of the subscribing owners or participants and will not unduly restrict competition, the director shall issue a certificate of authority to the entity and permit it to organize. Each application under this section shall be granted or denied in whole or in part by the director within 60 days from the date it is filed. A certificate of authority issued under this section remains in effect until suspended or revoked by the director. The fee for the certificate of authority is set under AS 21.06.250 . The certificate of authority is subject to annual continuation. The fee for continuation is set under AS 21.06.250 . A certificate of authority issued under this section may be suspended or revoked by the director after hearing upon notice if the entity ceases to operate as provided in the application or if the director determines that the operation has become a restraint on competition and is not in the interests of the public. Every entity issued a certificate of authority under this section shall notify the director promptly of every change occurring under this section.

(c) DELETE [The changes contained in this amendment shall not adversely affect or impact any existing joint plant license issued on or before January 1, 2012.] DELETE

INSERT NEW LANGUAGE - "The provisions of this section, as amended, shall not apply to any title insurance joint plant and it's existing members which was licensed and operating prior to January 1, 2011. Members to any grandfathered joint plant added after January 1, 2011, however, must comply with the provisions of AS 21.66.200 as amended."

Sec. 21.66.200. Title plant requirements.

(a) A title insurance company or a title insurance limited producer shall own and maintain in the recording district in which its principal office in the state is located a title plant consisting of all surveys and plats filed of record together with all instruments of record that have been recorded in the recording district for a period of at least **40** years immediately before the date of examination which according to AS 40.17.080 gives constructive notice. The title insurance company or limited producer shall also maintain a comparable title plant for each additional recording district in which it maintains an office to transact a title insurance business.

(b) "Preliminary report" or "Preliminary commitment" are reports furnished in connection with an application for title insurance and are offers to issue a title policy subject to the stated exceptions set forth in the reports and such other matters as may be incorporated by reference therein. The reports are not abstracts of title, nor are any of the rights, duties or responsibilities applicable to the preparation and issuance of an abstract of title to be construed to the issuance of any preliminary report. Any such report shall not be construed as, nor constitute, a representation as to the condition of title to real property, but shall constitute a statement to the terms and conditions upon which the issuer is willing to issue its title policy, if such offer is accepted.

(c) Nothing in this section prohibits one title insurance limited producer or company from acquiring a preliminary commitment from another licensed entity in a recording district which it has a title plant and the referring entity using that commitment for a closing regardless of which company issues the title policy on the transaction. In these circumstances, the two entities may split the fees charged for the commitment and/or policies between then on basis of reasonable services rendered by both.

DELETE [~~(d) The changes contained in this amendment shall not adversely affect or impact any existing title company or limited producer license issued on or before the effective date of this amendment until ten years after the effective date hereof.~~] **DELETE**

DEFINITION .480 (8) 21.27.150 (2)

Sec. 21.66.210. Joint plant companies.

(a) Two or more title insurance companies or two or more title insurance limited producers, or a combination of title insurance companies and title insurance limited producers, may apply to the director of insurance to form an association, corporation, or other legal entity, for the purpose of engaging in the business of preparing abstracts of title searches from records to be owned by the entity, upon the basis of which a title insurance limited producer or a title insurance company will issue title policies. The owners or participants to be considered to be in compliance with the

LICENSING 21.27 21.27.150

A new section to AS 21.66. would be added to provide:

Section 1. Requirement for license.

(a) Only an appointed title insurance limited producer or a title insurance company licensed in and by this state under AS 21.66 et seq. shall issue title insurance policies, preliminary commitments, reports, or otherwise transact the business of title insurance involving property located within the State of Alaska.

(b) When the Director of Insurance believes, from evidence satisfactory to the director, that any insurer or other entity or person is violating or about to violate the provisions of this section or sections, the director shall cause a complaint to be filed in the Superior Court to enjoin and restrain such entity or person from continuing such violation. Any other aggrieved party may file a similar action independent of the Director. The court shall have jurisdiction of the proceedings and shall have the power to make and enter an order or judgment awarding such preliminary or final injunctive relief as in its judgment is proper.

(c) All title insurance policies, preliminary commitments or reports covering an insurable interest in title to real property located in this state shall be signed by a person:

(1) Properly appointed by a title insurance limited producer or title company which is licensed in this state under AS 21.66. et.seq.; and
(2) Who is currently employed and authorized in writing by such title insurance limited producer or title company to sign and issue such policies and
(3) Is individually licensed in this state under AS 21.66. et. seq.

Section 2. Minimum search requirements.

(a) A title insurance preliminary commitment or report and all policies based upon such commitments or reports shall not be issued unless the title insurance limited producer or title insurance company is authorized to transact business in the state and holds all appropriate licenses and further has caused a search to be made of the title from a title plant where the property is located or if no office is maintained in the recording district the search can be conducted from the records of the recorder's office in that district in which the property is located in compliance with AS 21.66. 200 -.210.

NOT T. PLANT

(b) The search shall include a review of all matters affecting the title to the property or interest to be insured for a continuous period of not less than the immediately preceding forty (40) years or from Patent, whichever is less.

(c) A title insurance policy shall not be issued until the title insurer or title insurance agent has caused to be made a determination of insurability of title in accordance with the title insurer's underwriting practices.

(LIMITED LINES) (LIMITED PRODUCER)

Fidelity Title Agency
of Alaska

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If the entire process of a title agency could be represented by the numbers 1 through 10, the amount of work and contribution made by the escrow officer would surely be represented by the numbers 4 through 10. A title claim will arise statistically on a national average one out of every 2,000 examinations, but a less experienced closer can negatively impact each and every transaction.

4. Summary: Fidelity Title Agency of Alaska

Fidelity Title Agency of Alaska was created to specialize in commercial, multi-unit and high-end residential title and escrow services. Quality, not quantity, is our mission. Having practiced real estate law for more than 25 years, I had the opportunity to visit various parts of the country, and in doing so, learned that title agencies based upon public record abstracting were not only common but also the norm in many parts of the country. Further, there has successfully arisen in the last decade, niche title insurance agencies that focused on professionalism while not placing primary emphasis on market share. Of significance to the independent businessperson, FTAA is the only title agency in Anchorage completely owned by Alaskans, and not affiliated with other real estate or mortgage companies.

I hope I have dispelled the illusion that a privately maintained title plant is the only, or even preferred, method of document storage and retrieval for the title examiner. Our method of document indexing and retrieval has been accepted by the State of Alaska, our underwriter, and thousands of abstractors across the country.

1400 W. Benson Blvd. • Suite 525 • Anchorage, Alaska 99503
Ph (907) 277-6601 • Fax (907) 277-6613 • E-mail: fidelity@alaska.com

SUMMARY OF PROPOSED LEGISLATION

The legislation proposed by the Board of Directors of the Alaska Land Title Association is in three parts.

<u>Amendment to the Plant requirements</u>.

This first section has two distinct parts. First it would increase the existing 25-year plant law (AS 21.66.200) to 40 years. Alaska passed the current 25-year plant requirement in 1974. Probably not a coincidence, the state was 25 years old in 1974. Today with 30 and 40-year mortgages, together with the maturing of property titles in most instances to more than 50 years, the Board feels that a title plant law which requires only a partial, 25-year examination is imprudent to the public's best interest and that increasing the examination to 40 years is not burdensome on the industry.

The second part of the proposal legislation corrects an inconsistency created in 2002, when the legislature amended AS 21.66.210 to provide that a "joint plant" could be licensed without a title plant by using only the "public" records, while leaving unchanged AS 21.66.200 which required any other title company or limited producer (agent) which is not a joint entity to maintain an actual title plant. Resultantly, companies avoided the "plant" requirement of AS 21.66.200 by creating entities where nothing more than a fictional (as opposed to functional) joint plant was created to comply with Section 210 and avoid the more strenuous .200.

The Board believes this inconsistency should be corrected with a 10-year grace period for existing companies. The Board feels the public would be better served by requiring any joint plant to comply with the "plant" requirements of AS 21.66.200 as opposed to freeing all companies from the mandate of a title plant. The vast majority of western states have a plant law requirement intended to protect the public and assure the highest standards for title searches. Further, the State's own Recorder's Office admonishes the public and members of our own industry to not rely on the State's web page for complete accuracy.

<u>Requirement for an Alaska-licensed title company and examiner</u>

Similar to other states, the next section would require that all preliminary commitments and title policies insuring real property in Alaska be issued only by an insurance company or limited producer licensed in this state. By being licensed in this State, the company is thus subjecting itself to the State's regulations, statutes and administrative orders. It also assures any jurisdictional disputes would be adjudicated in Alaska where the property is located as opposed to where the insurance contract is issued. The consuming public does not understand the dangers and problems associated with title examines and policies issued by companies not licensed in this State, especially since outside lenders often choose the title company or agency without meaningful input by the consumer. Currently, no

(ORIGINAL PLANT)

(B) SEARCH CAN INCLUDE CONTINUOUS YEARS OF TITLE

prohibition exists banning companies from other states or foreign nations (such as India) from examining and insuring title to real estate by use of the internet. Without forcing registration and licensing to examine and insure real property titles in Alaska, the Division of Insurance has no ability to regulate and/or monitor these activities.

Further, the law would be amended to require any preliminary commitment and every policy of title insurance be signed by a licensed individual examiner residing in the State of Alaska. The Board feels strongly that with the publication of recorded documents on the internet by the State's Recorder's Office, the instances of foreign and international companies attempting to insure real property titles and mortgages in Alaska has increased and will without this legislation undoubtedly increase in the future. Other state legislatures and this Board feel that it is critically important to the residents of this State that insurance products dependent upon the examination of the pubic records be conducted by a state-licensed entity and by a state-licensed title examiner compliant with AS 21.66.010 et.seq.

<u>Prohibition on Transfer Fees</u>

More than 25 states have passed legislation to prohibit transfer fees. Transfer fees are fees created generally by a developer (seller) of land, typically multiple lots such as a subdivision, that required a fee be paid to the developer every time the property sells in the future. The proposed legislation is a model act submitted by the American Land Title Association in close cooperation with many governmental agencies, both federal and State.

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

2201 Sixth Avenue, Suite 1110
Seattle, WA 98121
p: (206) 441-1955
f: (206) 441-1953
ortc.com

January 10, 2012

Senator Donald Olson
Chair – Senate Community & Regional Affairs
Alaska State Legislature
State Capitol - Room 508
Juneau, AK 99801

Re: Senate Bill 122 (Real Estate Transfer Fees/Title Plants)
Sponsored by Labor & Commerce Committee
Referred to Community & Regional Affairs on April 8, 2011

Dear Senator Olson:

I am writing this letter on behalf of Alaska USA Title Agency (Alaska USA Title) and Old Republic National Title Insurance Company (Old Republic Title). Alaska USA Title is a wholly owned subsidiary of Alaska USA Federal Credit Union. It has branches in Anchorage, Fairbanks, Juneau, Kenai and Wasilla. It was licensed to do business in Alaska on May 27, 2008 by the Alaska Division of Insurance.

Old Republic Title has been licensed to issue title insurance policies in Alaska since 1976. It has no branch offices in Alaska. Instead, it operates exclusively through a network of independent Alaska based title agencies. Its primary agent is Alaska USA Title. Both Alaska USA Title and Old Republic Title are members of the Alaska Land Title Association.

We have serious reservations about Section 1 (Title Plants) of Senate Bill 122. We do not have any reservations about Section 2 (Real Estate Transfer Fees) which prohibits transfer fee covenants in Alaska. Many other states have passed similar prohibitions during the past 24 months. We support such legislation as beneficial to property owners in Alaska.

Section 1 is a "placeholder" bill and, as written, is fairly innocuous, although it does make it more difficult for new title companies to qualify to do business in Alaska. However, we believe the proponents of Section 1 will ask for substitute legislation that will substantially change the laws for the licensing of new *and current* title agencies and title insurers doing business in Alaska and will put Alaska USA Title's license at risk.

Specifically, the proponents will seek to reverse a bill passed by the legislature in 2002 (SLA 2002, Ch. 38, Sec. 51) amending AS 21.66.210 to allow Alaska title agencies, such as Alaska USA Title, to examine and insure land titles by searching from the public records. The proponents would require all title agencies in Alaska to examine and insure land titles by searching only from *privately owned title plants* that are, not coincidentally, owned by the proponents. They seek to increase the value of their businesses by requiring all title insurance business to go through them, one way or the other.

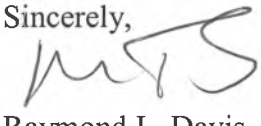
In 1996 the legislature amended AS 40.17.040 (SLA 1996, Ch. 119, Sec. 14) to require that the Alaska Department of Natural Resources (DNR) Recorder's Office begin the process of indexing recorded land title documents not just by name *but also by location.* Prior to 1996 those documents were only indexed by name in the public records, leaving it to privately-owned title plants to index them by location. The modernization of Alaska's public records began in 1996 and the process has continued for the past 16 years at considerable public expense. That process obviously threatens the value of the proponents' land title plants.

The public benefits from competition among businesses. Any proposal that unreasonably restricts competition is not good. Nor is any proposal that diminishes the advantages of automation or turns the clock backwards by favoring privately-owned land title records over DNR's public tract indexes that are available to all.

The proponents will argue that DNR's publicly available land title records are not as accurate as their privately-owned land title records and that anyone searching from DNR's records puts the consuming public at risk. That is a false argument for two reasons. First, there is no evidence that DNR's records or the proponents' records are more accurate than the other. Second, the consuming public is fully protected and covered by the title insurance policies that are issued by companies such as Old Republic Title regardless of which records are searched.

Because Section 1 of Senate Bill 122 is a "placeholder" bill it is difficult to respond with more detail because we do not know exactly what the substitute legislation will say. But we are confident that the above criticisms will apply. We appreciate your time and courtesy in this matter. Thank you.

Sincerely,



Raymond L. Davis
Vice President - Pacific Northwest Agency
rdavis@ortc.com

cc: Linda Hall – Director, Alaska Division of Insurance
Crystal Peltola – Alaska USA Title Agency

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

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January 31, 2012

The Honorable Senator Donald Olson
Chair – Senate Community & Regional Affairs Committee
Alaska State Legislature
State Capitol – Room 508
Juneau, AK 99801

Re: Senate Bill 122

Dear Senator Olson:

I have personally provided support and underwriting services to title agents in Alaska since 1980. The title insurance policies issued in Alaska provide complete coverage to the insured for loss resulting from recorded matters, such as mortgages, regardless of date. Our agency agreements with companies such as Alaska USA Title Agency require that the agent conduct "a reasonable search and examination of the public records." This requirement is codified in Alaska at AS 21.66.170(a). This means the title agent should find all instruments of record that encumber the property whether the instrument was recorded five, twenty, fifty or one-hundred years ago. However, if a recorded instrument is "missed" during that search, regardless of date, and regardless of whether a title plant was used or not used for that search, the insured is fully protected by the terms of the title insurance policy.

As you know, state law may, or may not, impose a title plant requirement in order for new companies to become licensed. California statutes, for example, do not contain any title plant requirements. See enclosure. Idaho and Washington, on the other hand, require a title plant that goes back to the federal patent. Alaska is unique. It is the only state where the public recording system is run by a state agency -- DNR. All other states keep these records at the county level. Alaska has a centralized system. And, as I have previously pointed out, in 1996 your legislature instructed DNR to begin the process of indexing recorded land title documents not just by name, but also by location. We call this "tract indexing." DNR's website, available to all, has become a viable alternative to the expenses associated with maintaining a private title plant *and it is now back-dated with documents recorded from today through January 1, 1973*. See enclosure.

I hope I have been able to clarify these matters. Please contact me if you have any questions. Thank you.

Sincerely,

Raymond L. Davis
Vice President – Counsel/Pacific Northwest Agency
rdavis@ortc.com

its members or insurance supervisory officials loss and expense statistics or other statistical information and data relating to the business of title insurance and who otherwise acts in an advisory capacity; and

(iv) Written procedures approved by the Commissioner that provide for the protection and control of escrow funds in a manner consistent with the purposes of the law.

Id. § 12389.6. The Commissioner must approve or deny any written procedures within 60 days of receiving the request. If the Commissioner takes no action within the 60-day period, the request is deemed approved. *Id.*

e. Policies and Rates

Underwritten title companies are subject to the same policy and rate filing requirements as title insurers. These requirements are set forth in detail above in Part II, § 17 (rates) and Part II, § 16 (policies).

2. Minimum Search Requirements (Marketable Title Act, etc.)

California's marketable record title provisions, which are also applicable to insurers, are codified in Sections 880.020 through 880.370 of California's Civil Code. In connection with codifying these sections, the legislature declared as public policy the following:

(i) Real property is a basic resource of the people of California and should be made freely alienable and marketable to the extent practicable in order to enable and encourage full use and development of the real property, including both surface and subsurface interests;

(ii) Interests in real property and defects in titles created at remote times, whether or not of record, often constitute unreasonable restraints on alienation and marketability of real property because the interests are no longer valid or have been abandoned or have otherwise become obsolete;

(iii) Such interests and defects produce litigation to clear and quiet titles, cause delays in real property title transactions, and hinder marketability of real property; and

(iv) Real property title transactions should be possible with economy and expediency. The status and security of recorded real property title should be determinable to the extent practicable from an examination of recent records only.

Cal. Civ. Code § 880.020.

The legislature's purpose in enacting the marketable record title provisions of the Civil Code was to simplify and facilitate real property title transactions in furtherance of the policies set forth above. The legislature hoped to enable persons to rely on record title to the extent provided for under the Marketable Record Title Act.

Several California courts have applied the Act in the context of the enforceability of due on sale clauses contained in deeds of trust. One such case is *Miller v. Provost*, 26 Cal. App. 4th 1703 (1994). This case is summarized in detail under the Foreclosure section, Part VII, § 2.

3. Title Plant Requirements

California statutes do not contain title plant requirements. A 1980 court defined the term to mean "essentially a duplicate of county land records, but reorganized to indicate relevant data on a geographic or parcel-by-parcel basis." *Coldwell Banker & Co. v. Dept. of Ins.*, 102 Cal. App. 3d 381 (1980). The court estimated, at that time, that most underwritten title companies (approximately 90 percent) either own their own title plant or pay a fixed share of the cost of maintaining a jointly owned title plant. The court further noted that the remaining underwritten title companies use county records, have access to a title plant, or have a search package" arrangement whereby the requisite information is secured by others. Finally, the court indicated that, particularly in densely populated areas, the task of creating, maintaining and using a title plant is costly and time-consuming. Since entry into the title insurance business is dependent upon such an expense, success depends upon the ability to attract a substantial volume of business in a reasonably short period of time.

4. Unauthorized Practice of Law Issues

Business and Professions Code Section 6125 states "No person shall practice law in California unless the person is an active member of the State Bar." The unauthorized practice of law is a misdemeanor. Cal. Bus. & Prof. § 6126. The statute does not define, however, precisely what constitutes the "unauthorized" practice of law.

In *Baron v. City of Los Angeles*, 2 Cal. 3d 535, 542 (1970), the practice of law was described as follows, "as the term is generally understood, the practice of law is the doing and performing services in a court of justice in any manner depending therein throughout its various stages and in conformity with the adopted rules of procedure. But a larger sense it includes legal advice and counsel and the preparation of legal instruments and contracts by which legal rights are secured although such matter may or may not be depending in court."

© 2005 American Land Title Association

[redacted]

Notice:
Recorded and/or filed documents and ALL information contained within those instruments become the permanent public record and are available for public viewing and/or purchase.

Please be advised we are currently working on a film conversion project dating from December 31, 1972 backward. Images will be added to the database as available.

The following types of searches are available:

Name Search	Plat Search
Date Search	Survey Search
Document Number Search	MTRS Search
Document Type Search	Subdivision Name Search
Book and Page Search	No Plat Subdivision Search
Historic Books Search	Document Input & Unverified Status

See Search and Index Guidelines for helpful tips in searching index records.
See Recording District History, and Miscellaneous District Facts.

Images of mining documents (Index Code MI, Document Type - Mining) and deed documents (Index Code D, Document Type - Deeds) recorded from January 1, 1973 forward are now available on the Internet.

Images of UCC document files/recorded from July 1, 2008 forward are now available on the Internet.

Plat and Survey images are also available on the Internet as a courtesy research tool only. Official certified copies must be requested and paid for through the recording district office where the plat was recorded.

Documents are entered in nonsequential batches. Temporary document number gaps may exist in current data.

If you identify a possible indexing error (typo, reversed names, etc) or can not locate the record you are trying to find please Contact Us

All documents are provided as a public service for your convenience. Updates and corrections occur on a daily basis; however, the State of Alaska shall not incur any liability for errors or omissions with respect to the information provided on this web site.

Recorder's Office Home Page | UCC Central Home Page | Dept.of Natural Resources Home Page

Last updated on 01/31/2012.

Have a question about the Recorders Office? Please contact your district office.

Department of Natural Resources
550 W. 7th Ave, Suite 1260, Anchorage, AK 99501-3557
Phone: 907-269-8400 || Fax: 907-269-8901 || TTY: 907-269-8411

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SB 147

<TARGET><BILL>SB 147</BILL><SUBJECT>SB 147</SUBJECT><COMM>SCRA27</COMM></TARGET>

ALASKA STATE LEGISLATURE
Senator Albert M. Kookesh

State Capitol, Room 7
Juneau, Alaska 99801-1182

(907) 465-3473
Toll Free: 1-888-288-3473
Fax (907) 465-2827

E-mail: Senator_Albert_Kookesh@legis.state.ak.us

Standing Committees:
Transportation
Community & Regional Affairs

DISTRICT C

Alatna
Allakaket
Aniak
Angoon
Anvik
Arctic Village
Beaver
Beluga
Bettles
Big Delta
Birch Creek
Boundary
Cape Pole
Central
Chalkyitsik
Chandalar Lake
Chenega Bay
Chicken
Chisana
Chistochina
Chitina
Chuathbaluk
Circle
Coffman Cove
Cordova
Cube Cove
Coldfoot
Copper Center
Craig
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Delta Junction
Deltana
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Edna Bay
Ellamar
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Evansville
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Funter Bay
Gakona
Galena
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Gulkana
Gustavus
Haines
Healy Lake
Hogatza
Hobart Bay
Holy Cross
Hoonah
Hughes
Huslia
Hydaburg

Hyder
Kake
Kaltag
Kasaan
Katalla
Kennicott
Kenny Lake
Klawock
Klukwan
Koyukuk
Labouchere Bay
Lake Minchumina
Lime Village
Livengood
Long Island
Mankomen Lake
Manley Hot Springs
Marshall
McCarthy
McGrath
Medfra
Metlakatla
Mentasta
Minto
Nabesna
Naukati Bay
Nenana
Nikolai
Northway
Nulato
Ophir
Point Baker
Polk Inlet
Port Alice
Port Protection
Rampart
Red Devil
Ruby
Russian Mission
Shageluk
Skagway
Slana
Sleetmute
Stevens Village
Stony River
Strelna
Takotna
Tanacross
Tanana
Tatitlek
Tazlina
Telida
Tenakee Springs
Tetlin Junction
Tok
Tonsina
Tyonek
Utopia Creek
Venetie
View Cove
Waterfall
Whale Pass
Wiseman
Yakutat

February 2, 2012

The Honorable Donald Olson
Chair of the Senate Community & Regional Affairs Committee
State Capitol, Rm 508
Juneau, AK 99801

Dear Senator Olson:

I respectfully request a hearing for Senate Bill 147 "An act relating to an Alaska Water and Sewer Task Force." This bill will create a nine member task force to address the estimated 6,000+ homes in the state without safe potable water or safe sanitation systems. The task force shall, to the extent possible; establish a more accurate number of homes without safe water and sewer systems; establish a spectrum of need and prioritize; explore alternative simple self-sustaining water and sewer systems in small rural communities; research other arctic nations systems; coordinate funding and agencies that provide services and construct projects; investigate and assess past projects and service providers; and meet with state and federal agencies and departments on regulations and funding requirements to stream line projects.

Enclosed you will find the full text of Senate Bill 147, the sponsor statement and letters of support. Thank you for your consideration and if you have any questions please don't hesitate cotacting me personally or my staff Dorothy Shockley at 465.3018.

Sincerely,

Albert Kookesh
Senator

Enclosures

SENATOR ALBERT M. KOOKESH
ALASKA STATE LEGISLATURE SENATE DISTRICT C

State Capitol, Room 11
Juneau AK, 99801-1182
907-465-3473
888-288-3473
FAX 907-465-2827

Sponsor Statement
SB 147

SB 147 creates a nine member Alaska Water and Sewer Task Force to address the estimated 6,000+ homes in the state without safe potable water or safe sanitation systems. The State of Alaska has only met the required match of federal funds at 19 to 25% for rural projects and most of that money has not gone to new projects but facility upgrades and maintenance.

In April 2010 the Bush Caucus wrote a letter to the Governor requesting more funds for water and sewer projects with recommendations to improve the DEC Village Safe Water program: establish major construction and maintenance projects list like the Department of Education puts out; encourage the public and community to be more involved in the planning process; with federal and state planning and maintenance training funds meet with the community and select a project that is sustainable; work with the AK Native Science and Engineering Program to design water and sewer projects that will work in rural Alaska; and comply with federal reporting requirements in a timely manner. In January and December of 2011 our office followed up with additional letters requesting more funding to no avail.

We can no longer continue business as usual when so many of our neighbors are living in third world conditions. It is inexcusable to have such horrendous conditions in our state. Not to mention the health risks.

The task force shall, to the extent possible

- Establish a more accurate number of homes without safe water and sewer systems
- Establish a spectrum of need and prioritize
- Explore alternative simple self-sustaining water and sewer systems in small rural communities
- Research other arctic nations water and sewer systems
- Coordinate funding and agencies that provide services and construct water and sewer projects
- Investigate and assess past water and sewer projects and service providers
- Meet with state and federal agencies and departments on regulations and funding requirements to stream line projects.

The task force will hold public hearings and use other means to solicit as much helpful information as possible from the citizens of the state and submit the findings and recommendations to the legislature on January 31, 2012.

Association of Alaska Housing Authorities

Tlingit-Haida Regional Housing Authority
PO Box 32237
Juneau, Ak 99803-2234
907-780-6868

Interior Regional Housing Authority
828 27th Avenue
Fairbanks, Ak 99701-6918
907-452-8315

North Pacific Rim Housing Authority
8300 King Street
Anchorage, Ak 99518
907-562-1444

Cook Inlet Housing Authority
3510 Spenard Rd, Suite 201
Anchorage, Ak 99503-2745
907-276-8822

Aleutian Housing Authority
4000 Old Seward Hwy, Suite 202
Anchorage, Ak 99503
907-563-2146

Tagiugmiullu Nunamiullu Housing Authority
PO Box 409
Barrow, Ak 99723
907-852-7150

Bristol Bay Housing Authority
PO Box 50
Dillingham, Ak 99576-0050
907-842-5956

Copper River Basin Regional Housing Authority
PO Box 89
Glennallen, Ak 99588
907-822-3633

AVCP Regional Housing Authority
PO Box 767
Bethel, Ak 99559-0767
907-543-3121

Baranof Island Housing Authority
PO Box 517
Sitka, Ak 99835-0517
907-747-5088

Bering Straits Regional Housing Authority
PO Box 995
Nome, Ak 99762-0995
907-443-5256

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Ak 99504
907-338-6100

Kodiak Island Housing Authority
3137 Mill Bay Rd
Kodiak, AK 99615-7032
907-486-8111

Northwest Inupiat Housing Authority
PO Box 331
Kotzebue, Ak 99752-0331
907-442-3450

Ketchikan Indian Community
2960 Tongass Avenue
Ketchikan, Alaska 99901

January 12, 2012

Senator Albert Kookesh
State Capitol
Juneau, AK 99801

Dear Senator Kookesh:

The membership of the Association of Alaska Housing Authorities (AAHA) includes fourteen regional housing authorities and the Alaska Housing Finance Corporation. Alaska's regional housing authorities are the primary builders of new, affordable housing in rural Alaska and are a key producer of affordable housing in the state's urban centers.

We appreciated receiving your letter of December 6, 2011 in regards to your plans to increase attention on continuing unmet water and sewer needs in the state and develop strategies to constructively address these needs.

AAHA strongly supports your efforts to eradicate unhealthful drinking water and sanitation systems, which exist in many Alaskan communities.

We look forward to working with you on this initiative in any way possible, including participation on a potential state task force to find more effective ways to address this matter.

On behalf of our membership and the 15,000 individuals we serve, thank you for the proactive steps you are taking in this area.

Sincerely,

Dan Duame
Board President

Heather Arnett
Statewide Administrator

Association of Alaska Housing Authorities
4300 Boniface Pkwy.
Anchorage, AK 99504
99504
(907) 338-3970
aaha@alaska.net

c: Dorothy Shockley

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:10 PM
To: Mary Schlosser
Subject: FW: Teller Water and Sewer

From: Noele Weemes [mailto:noeleweemes@yahoo.com]
Sent: Monday, January 16, 2012 11:24 AM
To: Dorothy Shockley
Subject: Teller Water and Sewer

I am responding to Senator Albert Kookesh's letter regarding water and sewer in Alaska. The village of Teller has approximately 80 homes without piped water and sewer. Teller uses a fill and draw system where water is drawn seasonally from a nearby creek and stored in a one million tank and treated at a plant. The City water truck hauls water to residents and residents haul their own water as well. The village uses honey buckets. Teller is one of the last villages in the Bering Strait Region to be without a suitable sanitation system. Residents are anxious to move beyond the honey bucket and the associated health hazards. Lack of an adequate water source and piped utilities has limited growth, hampered economic development opportunities, and adversely affected the health and quality of life of community residents. I am the grant writer for the Native Village of Teller and have currently written a IGAP proposal where community planning for water and sewer will be part of the work plan for FY13. Water and Sewer is Teller's #1 priority in Teller's Local Economic Development Plan.

Sincerely,
Noele Weemes

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:11 PM
To: Mary Schlosser
Subject: FW: Suggestions?

From: Lilllian Gump [mailto:lillygump@gmail.com]
Sent: Thursday, January 12, 2012 9:13 AM
To: Dorothy Shockley
Subject: Suggestions?

Happy New Year Dorothy,
Hi! I would like to say the biggest "Thank You"! to Sen. Kokesh for someone to finally send or say something to our Governor concerning our water and sewer. It is true that people are shooting to the moon, while we are still trying to figure out how to address our honey bucket and health situation. There is progress here in our town but it is taking too long and the thing they cry about over and over is the money or grant. Twenty years is a long time to dream about me taking a hot bath in my own home or to never see my children or grandchildren to touch the honey bucket again or pack water in bad weather conditions.
There are still a lot of houses that are not hooked up at Hooper Bay and this has been going on for long,long years. Now they say that we might need to move our houses around to get water cause they are too close? The main problem is the money. I would suggest that you make sure that they dont get stuck on grants in the middle of projects that is taking forever. Also the weather conditions are a major factor so they need to get as much done in the summer before freeze up.
Thank you for listening to "The Real People" Sen. Kokesh!

Lillian Gump
IGAP Asst.

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:12 PM
To: Mary Schlosser
Subject: FW: Letter from Senator Albert Kookesh

From: Robert Panruk [mailto:robert.panruk@gmail.com]
Sent: Wednesday, January 11, 2012 3:53 PM
To: Dorothy Shockley
Subject: Letter from Senator Albert Kookesh

Hello Dorothy,
I am Robert Panruk President of Chefarnrmute, Inc. in Chefornak, Alaska. I was born right here in Chefornak. I have lived all my life here
in exception to going High School and training out of village.
It has been 40 years since we were told we would be getting running water and flush toilets. To this date we have seen neither. Only thing
we got has been watering points with undrinkable water. Haul system for honey buckets. It has gone from about 20 houses at that time
to about 92 homes and about 7 municipal and business buildings. We still haul our own honey buckets and get our ice water during winter.
Rain water during summer. We are out looking for drinkable water when it hardly rains during summer. some don't have the means to do
that.
We definitely don't have safe water to drink and safe sanitation.

We definitely support Senator Albert Kooskesh's letter to form a task force that will look into alternative solutions that will help our villages
that have ben waiting a lifetime to get what was promised us. Most all our elders are gone before they even got to flush a toilet. And the
next ones will probably do the same unless something is done.
Company's that get our appropriated money have not found a solution to this day and it is all a waste of money
If you need to contact me you can at 907-867-8115.

Quyana,

Robert Panruk
President/General Manager
P.O. Box 70
Chefornak, Alaska 99561

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:12 PM
To: Mary Schlosser
Subject: FW: 6,000 homes still without water and sewer in Alaska

---

From: Kerry Boyd [mailto:kboyd@yksd.com]
Sent: Tuesday, January 10, 2012 8:02 AM
To: Dorothy Shockley
Subject: RE: 6,000 homes still without water and sewer in Alaska

Dear Dorothy,

Thank you for bringing this to the top. Please let the Senator know that I will be working with our YKSD communities to determine the numbers of families without water. I will try to get the information ASAP.

Kerry Boyd

From: Dorothy Shockley [mailto:Dorothy_Shockley@legis.state.ak.us]
Sent: Thursday, December 29, 2011 2:26 PM
Subject: 6,000 homes still without water and sewer in Alaska

Good Afternoon and Happy New Year!

If you would please take a moment and read the attached letter from Senator Kookesh and call email or write the Governor urging him to fully fund water and sewer projects throughout the state.

Thank you very much.

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:13 PM
To: Mary Schlosser
Subject: FW: # of water & sewer homes-Golovin

From: Donna Brown [mailto:dbrown@kawerak.org]
Sent: Friday, January 06, 2012 3:43 PM
To: Dorothy Shockley
Cc: Sen. Albert Kookesh
Subject: # of water & sewer homes-Golovin

Hello Dorothy and Albert,

This is a responce your letter Chinik Eskimo Community, Native Village of Golovin Traditional Council recieved. Here in Golovin, we have 49 households with only 16 having water & sewer. The rest of the homes rely on honeybuckets or potable septic tanks.

We appreciate all the hard work you are doing, please contact our Tribal Coordinator Donna, should you have any questions at the number below or by responding to this email. Thank you, Happy New Year!

Donna Brown

Golovin Tribal Coordinator

P.O. Box 62020

Golovin, Alaska 99762

779-2214 Fax: 779-2829

~ ~ ~ ~hope faith love~ ~ ~ ~

Mary Schlosser

From: Dorothy Shockley
Sent: Friday, February 03, 2012 2:15 PM
To: Mary Schlosser
Subject: FW: rural water/ sewer issues

From: Organek, Jeff C (DOT) [mailto:jeff.organek@alaska.gov]
Sent: Thursday, December 15, 2011 4:00 PM
To: Dorothy Shockley
Cc: jefforganek@hotmail.com
Subject: RE: rural water/ sewer issues

Here is a snapshot of some of my experience:

In 2005 I drafted a report for the Corps of Engineers detailing potential damages that might be sustained in the City of Barrow in the event of a 20' storm surge. I studied their utilidoor and direct bury water distribution systems, their wastewater collection systems, sewage lagoon, water treatment plants, and other elements, and determined various emergency remedies to restore the systems after the surge event. Barrow actually has a complex assortment of different utility systems serving the community, so this was an interesting project. I was an employee of ASCG INC.

In 2005/ 2006 I conducted feasibility studies for the communities of Arctic Village and Stevens Village to determine various engineering options and associated costs to supply water and wastewater service to the villages. The reports considered numerous options, both high and low tech, that would achieve the goals. The client was Village Safe Water and I was an employee of ASCG INC.

In 2008/ 2009 I designed a class B water system (served by a well) and a non conventional wastewater system in Fairbanks Alaska. I performed design, obtained permits, and construction administration. The client was the FNSB, and I was employed by WHPacific (ASCG changed their name to WHPacific).

In 2009/ 2010 I designed a circulating water service and a wastewater service served by a lift station. This was a classic arctic utility design application. The client was the FNSB, and I was employed by WHPacific.

Although not directly related to water/ sewer design, I have traveled to the following communities while conducting transportation engineering designs; Stevens Village, Arctic Village, Venetie, Chalkyitsik, Kaktovik, Barrow, Anaktuvuk Pass, Nulato, Galena, Nome, Kotzebue, Kobuk, Ambler, Shungnak, Sellawik, and Deering. I have been to some of these villages many times. Through my contact with the villages I executed contracts with the Village Councils, and worked closely with community stakeholders, constantly, throughout the design process. I am familiar with the culture and lifestyle of rural Alaska, and I have typically been a champion for my clients goals.

Also, I have taken graduate courses in Arctic Engineering and Arctic Utility Distribution. I have amassed and read a small, personal, technical library on the subject of Arctic Utilities.....so this is a facet of Civil Engineering that I find particularly interesting. I have academic knowledge of most available water/wastewater technologies, even those that I have not personally worked with.

If you need a more formal synopsis of my skills/ experience, I could send you a resume (but I would likely need some time to custom tailor it to highlight the pertinent skills).

I am a full time resident of Fairbanks.

Also, below you mention a concept that is sometimes referred to as "appropriate technology". This concept holds a philosophy that each community is unique, and thus each community would be best served by a unique system. It is not a "one size fits all" way of solving problems. As an example, in Venetie, a recent sanitation program built numerous, old fashioned, pit latrines throughout the village. I realize that Senator Kookesh, and government policy makers in general, would probably prefer a more advanced solution to sanitation problems. However, this did provide an incremental improvement over their previous system (a honey bucket system, with no organized collection). A more desirable and long term solution in Venetie might have been a piped wastewater collection system serving a sewage lagoon. In any case, as you mention below, "simple and efficient" is always a goal.

The presence, or absence of permafrost has profound effect on the type of water or wastewater technology that is utilized. There really are a whole bunch of technological options for addressing water and wastewater needs.....so the decision making process is rather complex. And of course, there's always the element of funding....which always has impact on what systems are selected!

Anyway, thanks for getting back in touch, and please contact me again when convenient. I have an interest in being involved with this.

-Jeff

From: Dorothy Shockley [mailto:Dorothy_Shockley@legis.state.ak.us]
Sent: Thursday, December 15, 2011 2:07 PM
To: Organek, Jeff C (DOT)
Subject: RE: rural water/ sewer issues

Hi Jeff,

This is great, great news! I am proposing we have an engineer on the task force. Would you provide me with more details on where you worked and what type of systems you installed? Where do you live now? I would be very interested in talking to you. As you may or may not know there are a lot of systems out there that are way to elaborate and we need to scale back to simple efficient systems, in some cases a private well and septic system or one that could be shared by a few homes that are close in proximity.

Thank you for your interest and I look forward to talking more.

Dorothy J. Shockley
Office of Senator Albert Kookesh
1292 Sadler Way, Rm 312
Fairbanks, AK 99701
1-888-452-3471 or 907-452-3471
Fax 907-452-3401

"Take care of the old person you are going to become" Walter Soboleff, Tlinget Elder now 102 years young

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From: Organek, Jeff C (DOT) [mailto:jeff.organek@alaska.gov]
Sent: Thursday, December 15, 2011 1:30 PM
To: Dorothy Shockley
Cc: jefforganek@hotmail.com
Subject: rural water/ sewer issues

Dorothy Shockley,

Hello. I read the article "Kookesh Calls Attention to Rural Water, Sewer issues" published in today's Juneau Empire. Of particular interest to me was that the Senator is proposing to form a task force to address this need. I am interested in getting involved with the task force, either as a member, or just a person on the sidelines to lend help as needed.

To give you some background on myself, I am a Civil Engineer, from Fairbanks. By way of both formal education, and professional practice, I am well versed in rural sanitation and arctic utility distribution. I have worked on all facets of arctic utility design (planning, reconnaissance, design, construction, management). Furthermore, I have worked in numerous villages (all north of Fairbanks) on engineering projects. This has involved frequent travel to the communities, where I interacted directly with stakeholders, building trust, communicating about their infrastructure needs, and implementing engineering projects to meet their goals.

I recently finished a term as President of the Fairbanks Chapter of the American Society of Civil Engineers. Now that this is complete, I have been looking for another volunteer opportunity that would allow me to get involved with my profession and give back to the community. I feel I have skills that would benefit the Senator's efforts to bring modern sanitation to those areas of the state lacking.

If there is an opportunity for me to get involved with this task force, in either a large or small role, please do not hesitate to contact me. My contact information is below.

Sincerely,

Jeffrey C. Organek, P.E.
ADOT&PF Engineering Manager
907-450-9072

1-4-11

Senator Albert Kookesh
State Capital, Rm 7
Juneau, Alaska 99801-1182

Senator Kookesh

I am in receipt of your correspondence concerning water + sewer projects in rural Alaska and agree with you that we are being left out.

Was it governor Knowles who said that we were going to do away with the "honey bucket"?

Here we are in 2012, and I still have to sit in the outhouse at -50 and freezing or at +70 Listening to the flies buzzing.

When are we going to get a governor that will fight for us?

I support the idea of a task force to see if there is something that can be done about this situation.

Venetie has 85-90 households that do not have water and sewer. We have looked at possibilities, but cost has always been a prohibiting factor.

Sincerely
Bill Frank Jr/A
Venetie Village Council

Dorothy Shockley

From: Jennifer Jolis <jenniferjolis@msn.com>
Sent: Thursday, December 29, 2011 4:16 PM
To: governor@alaska.gov
Subject: Rural conditions

Dear Governor Parnell:

When I came to Alaska in 1966 to live in Chalkytsik and travel in and around the Interior villages, not one of those villages had running water or a safe sewage disposal system. We used honey buckets and outhouses, and we emptied our honey buckets into the slough that ran by the village. It is now 45 years later and these conditions still continue in villages all around Alaska. It is outrageous.

In 1966 we were less than 10 years old as a state. Today no such excuse can cover the fact that we are ignoring the needs of people, young and old. It is the responsibility of government to take care of those issues essential to health and well being that the individual or his or her community cannot. We are not doing that.

We have not been a poor state for all these years. And it might be important to remember that without the settlement of issues of concern to Alaska Native peoples we would not have the wealth in our coffers that we do now--money that 'rewards us' for living here but not money for people to live in safe and sanitary conditions.

I urge you to open the purse strings to rectify this.

Jennifer Jolis
3705 Quartz Road
Ester AK 99725,
907-479-5291

Jenny Bell-Jones
308 Noyes Street
Fairbanks
Alaska 99701
907 455 0222

Governor Sean Parnell
Alaska State Capitol Building
Third Floor
P.O. Box 110001
Juneau, AK 99811-0001

December 30, 2011

Dear Governor Parnell;

I am writing to express my grave concern over the failure of the State of Alaska to fully and effectively fund new water and sewer projects in all rural Alaska communities that still lack this basic service. It is unacceptable that we still have these conditions in villages over which the State exercises jurisdiction. Sovereignty comes with responsibilities and one of those is the provision of basic health and human services. 6000+ homes without basic services is something that should be an embarrassment to the entire State.

For years I have watched in horror and disbelief as the State has expended funds on fighting against the rights of its Native citizens. Case after case has been pursued in the guise of protecting state sovereignty, and public funds and resources have been expended in a manner that, at its very best, would be considered excessively wasteful and at its worst a blatant display of racism. How can the State continue to justify those kinds of expenses while at the same time crying poor every time there is a need for expenditure on infrastructure or services in rural Alaska?

When I speak with colleagues in other parts of the United States and other countries about the living conditions in many of Alaska's villages they respond with shock to hear that such a lack of basic infrastructure still exists in what most consider one of the world's most developed nations. I am embarrassed to have to tell them that third world conditions exist throughout much of the State, and that a majority of those experiencing this are Alaska Natives. Their next question is often one about the existence of reservations (some are aware that similar conditions do exist in some parts of Indian Country) to which I have to respond that the lack of infrastructure falls squarely on the shoulders of the State as we have, with the exception of Metlakatla and some Indian allotments, no Indian Country in Alaska.

Instead of spending money on expensive law suits to defend state sovereignty in questionable ways that do not further the interests of the average citizen in any way, please start exercising the sovereignty that you do possess, and make a financial commitment to rural Alaska's infrastructure. When monies come in from minerals and oil and gas development, place the provision of basic utility services in all the villages at the very top of your spending list. Benefits from the development of Alaska's resources all too often bypass the villages; the very least your administration can do is make a commitment to insuring that basic services do not follow the same path.

Sincerely:

Jenny Bell-Jones, Fairbanks

FINDINGS:

1) Clean water and sanitation facilities are among the basic requirements for public health, social well-being and economic development.
2) The Centers for Disease Control (CDC) has linked low levels of water and sewer service and higher rates of respiratory and skin infections and invasive pneumococcal disease. Infants living in homes without adequate service are up to 11 times more likely to be hospitalized for respiratory illnesses and 5 times more likely to be hospitalized for skin infections.
3) Thirty years ago, fewer than 25% of rural Alaska households had running water and flush toilets; today, following efforts by the state and federal governments to fund and develop infrastructure, approximately 75% of rural homes have indoor plumbing
4) In 2012 an estimated 6,018 households in the state do not have potable water or safe sanitation systems, putting Alaskans at risk for health issues associated with inadequate water and sanitation.
5) _____(statement about served communities on wait list?)
6) Total annual federal and state funding for rural Alaska water and sewer projects has declined by 49% over the last nine fiscal years, from a high of $127 million to $65 million in ____(FY13?)
7) Community needs are broken down into individual projects, and prioritized by a scoring system used by funding agencies, the IHS, ANTHC, VSW, USDA-RD, EPA, and Regional Tribal Health Organizations, with emphasis on health impact and the community's ability to operate and maintain the system.
8) While funding has decreased, the cost of addressing critical health related rural sanitation needs has increased by over 60% since FY 2007; the current disparity between available funding and the cost of addressing critical health needs is approximately $638 million.
9) Of the $102,000,000 earned by the state in oil revenues between 1977 and 2009, less than half of one percent was expended on rural water and sewer projects.
10) In order to protect the public health and welfare of the state's citizens and promote healthy communities, the legislature finds that it is the responsibility of the legislature to ensure that safe and sustainable water and sewer system are provided for all state residents.

ALASKA WATER AND SEWER TASK FORCE – appointed by ___ ?

2 senators

2 representatives

1 civil engineer

1 federally funded tribal health organization engaged in water and sanitation facility development

1 federal agency

1 state agency

2 public members who reside in communities off the road system

DUTIES

Submit findings and proposed legislation by December 1, 2012. . .

Report to legislature by first day of session 2013

1) Review methodology used to identify unserved homes, ways in which funding agencies coordinate, and processes in place to prioritize projects.
2) Research water and sewer systems used in other Arctic nations and innovations under way in Alaska
3) Evaluate which water and sewer system technologies are most appropriate and cost effective for use in rural communities in the state
4) Explore issues related to sustainability of existing sanitation facilities infrastructure
5) Recommend a participation level of funding by the State of Alaska
6) Hold public hearings ....

LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

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research@legis.state.ak.us

Memorandum

TO:

FROM: Susan Haymes, Legislative Analyst

DATE: September 22, 2011

RE: Water and Sanitation Systems in Rural Alaska
LRS Report 12.027

You asked about the current status of water and sanitation facilities in rural Alaska. Specifically, you wished to know which communities do not have running water and sewer, and the last ten communities to receive those services. You also asked about diseases and public health issues associated with the lack of water and sewer systems, and state policies that set a goal of providing water and sanitation facilities for all Alaskans.

Introduction

Clean water and sanitation facilities are among the basic requirements for public health, social well-being and economic development in American communities today. The connection between the absence of water and sanitation facilities and disease is well documented. Indeed, the vast majority of Americans and Alaskans have access to relatively inexpensive running water and sewer service. In rural Alaska, however, despite an investment of over $2 billion since 1960, and state and federal policies that call for running water and flush toilets in every rural household, over 4,000 homes still lack these basic services. There has been, however, substantial progress in the last 30 years. Today, 75 percent of rural households have water and sewer facilities compared to less than 25 percent in 1980.

Numerous challenges exist that make providing water and sanitation facilities to rural Alaska difficult. Constructing and operating a water and sewer system in rural Alaska is not only challenging but very costly. Most rural villages are small, isolated, and have a relatively low per capita income. Poor soil conditions, permafrost, and severe arctic weather create engineering difficulties. Higher fuel prices associated with isolated communities means that both construction and operation costs are disproportionately high for lower income populations. As a result, the construction, and operations and maintenance costs for these systems are much higher than the costs for systems in more populated areas or in warmer climates.

The state and federal government's investment in sanitation infrastructure continues to be important, however, because water and sewer service is essential to the prevention of disease. In households that do not have flush toilets, family members typically rely on a honey bucket–a 5-gallon bucket that serves as a toilet. In the process of hauling buckets of waste to disposal sites, spills often occur, which has led to the outbreak of epidemic diseases such as hepatitis A, hepatitis B, impetigo and meningitis. Moreover, the Arctic Investigation Program of the Centers for Disease Control (CDC) recently found links between low levels of water and sewer service and higher rates of respiratory and skin infections in one rural Alaska study, and higher rates of invasive pneumococcal disease (IPD) in a second study.

Current Status of Water and Sanitation Facilities in Rural Alaska

With regard to water and sanitation facilities, the Department of Environmental Conservation (DEC) defines a rural community as *served* or *unserved*. According to Bill Griffith, acting director, Division of Water, DEC, *served* means at least 55 percent of year-round occupants have running water and sewer.[1] Conversely, in an *unserved* community, fewer than 55 percent of homes have water and sewer services. Mr. Griffith notes that even in villages with water and sewer services, not all the homes have running water and flush toilets. For example, in 143 communities, 75-100 percent of households have water and sewer services, in 35 communities, 51-75 percent of households have services, and in 30 communities, 0-25 percent have services. There are a number of reasons for inconsistencies water and sewer service available in a community.

[1] Bill Griffith, acting director, Division of Water, DEC, can be reached at 907.269.7601.

The most prevalent is that water and sewer projects may take years to complete and homes receive service incrementally as the project advances. There are ongoing projects currently active in 20-30 villages. As a project advances additional homes receive services. Other projects are on hold, when a community is having difficulty in meeting certain requirements. For example, the community of Akiachak was having problems maintaining their sewer and water system with only a small number of homes with service. Rather than adding more homes to the system, and potentially amplifying the difficulties, the project was put on hold until the maintenance issues can be resolved. In other villages, extending water and sewer lines to homes that are situated away from the center of the village may be too expensive or practical. The community may not be able to afford to heat sewer and water lines that extend for a mile or two and serve only a few homes.

According to Mr. Griffith, of Alaska's 250 rural communities, the following 35 meet the definition of *unserved*:

Akiachak	Chalkytsik	Eek	Lower Kalskag	Shageluk	Teller
Alatna	Chefornak	Kipnuk	Lime Village	Shishmaref	Tuluksak
Allakaket	Circle	Kivalina	Newtok	Stebbins	Tununak
Arctic Village	Crooked Creek	Kongiganak	Oscarville	Stevens Village	Venetie
Atmautluak	Diomede	Koyukak	Platinum	Stony River	Wales
Birch Creek	Eagle Village	Kwethluk	Ruby	Takotna	

Mr. Griffith notes that this list may not include some small communities that lack either a Tribal or city governing body. Most of the unserved villages are located in the Yukon-Kuskokwim region, which also has the lowest per capita income, the most occupants per household, and the lowest proportion of villages with water sanitation facilities in Alaska. According to DEC, approximately 4,276 homes still use an outhouse or honey bucket.[2]

Recent Communities to Receive Sanitation Facilities

The following table shows the ten most recent communities to have received or that will soon receive sanitation facilities. According to Mr. Griffith all of the projects are community systems providing running water and sewer to individual homes and are piped-water and sewer, or water and sewer haul systems. In a water and sewer haul system, external holding tanks provide clean water and store wastewater for each home. Water is distributed to households by pressurized pipes, and city vehicles and equipment fill the water tanks and remove the waste from sewage tanks. Each of these projects include water source, water treatment plant, water storage tank(s), water distribution system, house plumbing, sewage collection system, and sewage treatment and disposal facilities.

The sources of funding for these projects include a combination of the following:

- Grants through the Indian Health Service (IHS) - 100% federal funding (either IHS funds or Environmental Protection Agency (EPA) Tribal funds)
- Grants through the State of Alaska – 75 percent federal/25 percent state (federal funding is from either the EPA or the U.S. Department of Agriculture (USDA)-Rural Development Program)

Mr. Griffith notes that because these projects can take up to ten years to complete, determining the exact amount that has been allocated from each source would be difficult.

[2] Bill Griffith, "Alaska Village Sanitation: Current Status and the Need for New Technology," January 2011. We include a copy of the report as Attachment A. The report can be accessed at *www.arctic.gov/.../jan.../ARC%20Workshop%20-%20Bill%20Griffith.ppt.*

Ten Most Recent Rural Communities to Receive Water and Sanitation Facilities				
Community	Project	Number of Homes	Total Costs	Completion Date
Akiak	Piped Water and Sewer	90	$18,000,000	September 2010
Chuathbaluk	Piped Water and Sewer	45	$13,000,000	October 2011
Fort Yukon	Piped Water and Sewer	246	$49,000,000	June 2012
Goodnews Bay	Piped Water and Sewer	76	$17,000,000	September 2010
Hooper Bay	Piped Water and Sewer	221	$55,000,000	October 2013
Kwigillingok	Water and Sewer Haul	87	$32,500,000	June 2012
New Kasigluk	Piped Water and Sewer	75	$29,500,000	June 2012
Nunam Iqua	Piped Water and Sewer	43	$17,000,000	September 2010
Pitkas Point	Piped Water and Sewer	31	$12,500,000	October 2011
Quinhagak	Piped Water and Sewer	165	$45,000,000	October 2013
Total		1,079	$288,500,000	

Notes: Each of these projects include water source, water treatment plant, water storage tank(s), water distribution system, house plumbing, sewage collection system, and sewage treatment and disposal facilities. The funding for all of the projects includes a combination of federal and state sources.
Sources: Bill Griffith, acting director, Division of Water, Department of Environmental Conservation, 907.269.7601.

Public Health Issues

The relationship between sanitation conditions and the impact on health have long been acknowledged. We know that safe drinking water and waste water systems are essential to the prevention of disease. According to the Village Safe Water Program, in 1994 only 37 percent of rural Alaska households had adequate sanitation facilities. Today, 75 percent of rural Alaskan homes have running water and flush toilets. While this represents substantial improvement, one family in three still does not have access to a sanitary means of sewage disposal or an adequate supply of safe water in their homes. For members of these households, plastic buckets, commonly known as honey buckets, or pit privies are the only means of human waste disposal.[3] Because waste is often spilled during transport to sewage lagoons or disposal sites, the exposure to residents, especially children, has been linked to cyclic epidemics in communities such as hepatitis A, hepatitis B, impetigo and meningitis. For example, nearly 2,000 people, mostly children, in the Yukon-Kuskowkim region were affected in a hepatitis outbreak in the mid-1980s.[4] Rural villages with honey bucket systems accounted for 72 percent (218 of 301) of the reported cases of hepatitis A in 1988. A hepatitis A outbreak in 1993 sickened more than 250 people in the Tok and Kotzebue areas. According to the state Epidemiology Section, the 1993 outbreak was consistent with previous outbreaks that have occurred in rural Alaska about every decade, in which "most transmission appears to be person-to-person by the fecal-oral route."[5]

In 1990, nearly 80 people in the Lower-Yukon River village of Kotlik contracted viral meningitis when sewage overflowed underground bunkers and oozed to the surface, and then was tracked into homes by unsuspecting children and adults. At the same time, a similar illness was reported in the nearby villages of Stebbins, Alakanuk, Emmonak, and Aniak. According to the

[3] *http://dec.alaska.gov/water/vsw/pdfs/vswbrief.pdf.*

[4] U.S. Congress, Office of Technology Assessment, *An Alaskan Challenge: Native Village Sanitation*, OTA-ENV-591, May 1994. The report can be accessed at *http://www.princeton.edu/~ota/disk1/1994/9401/9401.PDF.*

[5] State of Alaska Epidemiology Bulletin, "Hepatitis A – Continuing Rural Spread," Bulletin No. 16, May 5, 1993, *http://www.epi.alaska.gov/bulletins/docs/b1993_16.htm.*

state Epidemiology Section, the cause of the outbreak was identified as an enterovirus, which is also transmitted directly from person to person.[6]

Today, most villages have access to safe drinking water; however, in areas with no running water residents must haul water home from a community-based water source, typically in five-gallon buckets. This distribution method can make obtaining enough water for basic consumption and hygiene purposes difficult. In recent studies, higher rates of certain diseases have been linked to villages with no running water.

The Arctic Investigation Program (AIP) of the Centers for Disease Control (CDC) looked at the relationship between in-home piped water and wastewater services and hospitalization rates for respiratory tract, skin, and gastrointestinal tract infections in rural Alaska.[7] The study found that rural homes without running water experience higher rates of pneumonia and other serious lower respiratory tract infections than do homes where water is readily available. The study also found that homes where water is hauled and honey buckets are used suffer higher rates of antibiotic –resistent *staphylococcus aureus* or staph and other skin infections. The CDC team noted as "particularly disturbing" their finding that villages where running water and sewer services are present in less than ten percent of homes have experienced a respiratory infection hospitalization rate that was five-times higher than that of the general U.S. population, and a pneumonia hospitalization rate among infants that was 11 times higher. In an *Anchorage Daily News* article, the study's author, Dr. Thomas Hennessy, noted that it is "quite astounding to think that one out of three babies in such villages gets hospitalized for breathing problems."[8] The problem does not appear to be bad water, as areas where a high percentage of residents haul their own water did not show elevated rates of infectious diarrhea. Rather, it is diseases associated with poor hygiene that remain health threats for villages lacking in-home water service. The study found that, "the most likely explanation for such an effect is that the reduced availability of water decreases handwashing," which leads to increased transmission of respiratory pathogens and other infections.[9]

The second study also conducted by the CDC Arctic Investigation Program concluded that high rates of invasive pneumococcal disease (IPD) among children in Alaska are associated with lack of in-home piped water.[10] The study found that IPD rates in Yukon-Kuskokwim Alaska Native children were twice as high in villages where less than ten percent of houses had in-home piped water compared with villages where more than 80 percent of houses had in-home piped water.[11]

The Rural Alaska Sanitation Coalition (RASC), among others, emphasizes that even though construction costs are typically paid by a variety of grant sources, many rural systems, once built, are not financially sustainable due to high operating costs.[12] The RASC notes that sanitation systems are built to meet certain requirements and are then expensive to operate on a daily basis. In addition, higher energy costs translate to higher sanitation (as well as fuel and food) costs. As costs increase and residents cannot afford to pay for sanitation services, water and sewer services are turned off, returning residents to the days of honey buckets and hauling water.[13] The costs of water and sewer user fees in rural communities is typically between five and eight percent of median household income compared to fees in other parts of Alaska, which range from one to one and a half

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[6] State of Alaska Epidemiology Bulletin, "Outbreak of Viral Meningitis Strikes Alaska," Bulletin No. 14, July 25, 1990, *http://www.epi.alaska.gov/bulletins/docs/b1990_14.pdf*.

[7] Thomas W. Hennessy, MD, MPH et al., "The Relationship Between In-Home Water Service and the Risk of Respiratory Tract, Skin, and Gastrointestinal Tract Infection Among Rural Alaska Natives," *American Journal of Public Health*, Vol. 98, No. 11, November 2008. We include a copy of the article as Attachment B.

[8] George Bryson, "Respiratory Infections in Bush Raise Alarm – CDC Study: Villages that Have to Haul Water Have Higher Illness Rates," *Anchorage Daily News*, April 2, 2008.

[9] A minimum of 15 gallons of water per person per day is needed for consumption and adequate sanitation.

[10] Invasive pneumococcal disease (IPD) is an infection caused by a type of bacteria called *Streptococcus pneumonia*. Infection can result in pneumonia, bacteremia (infection of the blood), and bacterial meningitis (U.S. Department of Health and Human Services).

[11] Jay D. Wenger, MD et al., "Invasive Pneumococcal Disease in Alaskan Children," *The Pediatric Infectious Disease Journal*, Volume 29, Number 3, March 2010. We include a copy of the article as Attachment C.

[12] State and federal agencies, as well as Native organizations and communities all recognize the importance of creating sustainable water and sewer systems. Numerous experts have expressed the need for new technologies and innovation that could lead to water and sewer facilities that are easier and cheaper to maintain.

[13] Field Hearing before the Committee on Indian Affairs, United States Senate, August 28, 2008, "Rural Alaska Native Communities and Alternatives Opportunities for Alternative and Conventional Energy Development (*http://www.indian.senate.gov/public/_files/August282008.pdf*).

percent. In essence then, the communities with the lowest income per capita pay more for sanitation, heating fuel, food and other necessities.

Past Policies Supporting Adequate Water Sanitation Systems in Rural Alaska

For the last 50 years the state of Alaska and the federal government have sought to improve water sanitation systems in rural Alaska. In 1959, Congress passed the Indian Sanitation Facilities Act (P.L. 86-121), which authorized the U.S. Public Health Service to use federal funds to design and construct water, wastewater and solid waste facilities for American Indian and Alaska Native homes. As a result, the Indian Health Service began efforts to improve sanitation in Alaska villages. In 1972, the Alaska Legislature enacted the Village Safe Water Act and began contributing state resources for construction of water projects.[14] While subsequent administrations sought to improve sanitation conditions in rural Alaska, it was not until 1992, that the Hickel administration announced the state's goal of replacing honey buckets with water sanitation systems in all of Alaska's rural villages.[15] In 1992, Governor Hickel directed the Department of Environmental Conservation to assemble an Alaska Rural Sanitation Task Force to develop a program to improve rural sanitation. The stated goal of the 45 member Task Force, represented by 27 state, federal, Native and rural organizations, was

> [T]hat no Alaskan be deprived of the quality of life afforded by the provision of adequate water, sewage, and solid waste services.[16]

John Sandor, then commissioner of DEC, further stated that the administration intended "to eliminate honey buckets as an accepted way of disposing wastes in Alaska. That just shouldn't be acceptable to people."[17] In October 1992, the Task Force issued "A Commitment to Alaskans," which recommended among other things, the elimination of honey buckets in villages to be replaced with piped utilities or systems that use storage tanks and all-terrain vehicle haul systems. The Task Force further recommended the state spend $22 million a year on rural water and sanitation needs, and identified operation and maintenance of existing and planned facilities as the most vital factor in ensuring long-term success of water and sanitation facilities.[18] In 1992, 104 villages lacked sanitation services.

At the same time, the Office of Technology Assessment, at the request of Senator Ted Stevens, conducted a review of the status of the federal government's efforts to provide modern sanitation to rural Alaska.[19] Additionally, in 1993, Congress established a Federal Field Work Group (FFWG) on Alaska Rural Sanitation with the EPA as the lead federal agency to identify means to improve the coordination and delivery of water and wastewater services to rural Alaska. The main objective of the FFWG was the elimination of honey buckets and their replacement with systems that do not require individual residents to haul drinking water to their homes or "haul away their own wastes for disposal."[20]

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[14] In Alaska the legislature is charged under the constitution to "provide for the promotion and protection of public health" (Article VII, Section 4).

[15] The Indian Health Services began funding the construction of sanitation systems in the 1960s. Previous administrations supported clean water and sanitation in rural Alaska and beginning in 1972, allocated funds to build new systems. The Hickel administration was the first to declare a goal of 100 percent modern sanitation systems in rural Alaska.

[16] Alaska Rural Sanitation Task Force, *A Commitment to Alaskans*, October 1992.

[17] David Hulen, "Bad Water for Many Alaskans, No Escape from Disease One Village Says Enough is Enough, Determined Emmonak Brings Home a Piped Utility System," *Anchorage Daily News*, September 24, 1992.

[18] Between 1972 and 1994, the state contributed $300 million to sanitation projects. In 1993, federal, state, and Native leaders agreed to allocate $50 million a year to improve sewage and sanitation services in rural Alaska villages. At the time only 37 percent of rural Alaska households had adequate sanitation facilities. State officials estimated it would cost at least $1.1. billion to bring safe water and sanitation all rural residents, which they acknowledged meant the project, would take 20-25 years to complete.

[19] U.S. Congress, Office of Technology Assessment, *An Alaskan Challenge: Native Village Sanitation*, OTA-ENV-591, May 1994. The report notes that providing safe water and sanitation systems to rural Alaska has been more difficult, expensive and time-consuming than in any other region of the country, particularly because of unusual technical constraints.

[20] Environmental Protection Agency, Water Division, *Federal Field Work Group Report to Congress on Alaska Rural Sanitation*, August 1995, EPA 910/R-95-002.

The Knowles administration continued the work started by the Hickel administration. During his campaign and after his election, Governor Knowles set a goal of "putting the honey bucket in the museum by 2005." In 1995, Governor Knowles appointed 20 members to the Council on Rural Sanitation, including four state lawmakers and representatives of state, federal, tribal, and private agencies to find a way to bring running water and flush toilets to the 40 percent of rural homes lacking them. At that time, approximately 8,000 households lacked flush toilets and water faucets. The Council proposed an ambitious eight-year work plan that would cost $1.1 billion or $110 million per year to construct adequate services for an average of 1,000 homes per year. The Council recommended the State of Alaska provide a minimum of $25 million per year, with additional funds from the EPA and USDA, as well as issuing state general obligation bonds.[21] In 1996, Michele Brown, then commissioner of DEC, stated that one of her priorities was "for every rural Alaska community to get a modern water and sewer in place"[22]

During this time, the federal government increased funding for sanitation facilities in Alaska. Consequently, from 1991 to 2010, the state and federal government invested over $1.6 billion in rural Alaska sanitation services. As a result, 75 percent of rural Alaskan homes now have water and sewer facilities, a significant increase from 40 percent of such households in 1995. The DEC estimates that an additional $735 million is needed to provide first time service to households lacking water and sewer, and maintenance on existing systems.[23]

Subsequent administrations have maintained the goal of providing safe drinking water and sanitation facilities to all communities in rural Alaska. For example, one of the goals of the Alaska Health Care Strategies Planning Council created by Governor Sarah Palin in 2007 was "all Alaskan communities will have clean and safe water and wastewater systems."[24] The Alaska Health Care Commission in its 2009 report noted the importance of adequate sanitation systems in the prevention of disease and recommended the state bring sustainable and appropriate safe water and wastewater systems to every Alaska community.[25] According to the Office of Management and Budget, under state performance measures, one of DEC's performance targets is "100 percent serviceable rural Alaska homes are served by safe and sustainable sanitation facilities."[26]

We include a list of state, federal, and private entities involved in the construction and maintenance of rural sanitation facilities in Appendix A.

We hope this is helpful. If you have questions or need additional information, please let us know.

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[21] Council on Rural Sanitation, *Rural Sanitation 2005 Action Plan*, January 7, 1998.

[22] Lisa Demer, "Officials Say State Health System's Outdated," *Anchorage Daily News*, December 3, 1996.

[23] The DEC notes that funding from all sources (federal and state) for rural Alaska sanitation projects has declined by over $49 million, or 39 percent between fiscal years (FY) 2004-2011. Thus, the disparity between available funding and Alaska sanitation needs is approximately $648 million. Bill Griffith, Division of Water, DEC, "Alaska Village Sanitation: Current Status and the Need for New Technology," January 2011.

[24] Alaska Health Care Strategies Planning Council, "Final Report: Summary and Recommendations," December 23, 2007. The report can be accessed at *http://www.hss.state.ak.us/commissioner/legislature/pdf/HCSPC_report.pdf*.

[25] Alaska Health Care Commission, "Transforming Health Care in Alaska: 2009 Report/2010-2014 Strategic Plan," January 2010. The report can be accessed at *http://hss.state.ak.us/healthcommission/docs/report.pdf*.

[26] *http://omb.alaska.gov/html/performance/details.html?p=43*.

Appendix A

Entities Involved in Alaska Water and Sanitation Issues

We identified the following state, federal, and private entities involved in the construction and maintenance of rural sanitation facilities.

State Agencies

The **Rural Utility Business Advisor (RUBA) Program, Department of Commerce and Community Economic Development,** offers management assistance and financial training related to water and wastewater utilities to over 40 Alaska rural communities. The program focuses on communities currently constructing facilities and those scheduled to receive new or expanded sanitation services. Program staff assess management and financial conditions of rural utilities, develop work plans, and identify tasks for utility staff, city and village councils to address utility management issues. More information on RUBA can be accessed at *http://www.commerce.state.ak.us/dca/ruba/ruba.htm.*

Municipal Grants and Loans, Division of Water, Department of Environmental Conservation (DEC) administers the **Alaska Clean Water Fund**, which makes low interest loans available to Alaskan municipalities and other qualified entities for financing wastewater and water quality related projects. Loans can finance costs for planning, design and construction of publicly owned facilities, as well as serve as a local match for federal and state funding sources. More information can be accessed at *http://www.dec.state.ak.us/water/MuniGrantsLoans/index.htm#.*

Operations Assistance, Division of Water, Department of Environmental Conservation (DEC) administers the Operator Training and Certification Program and the Small Water/Wastewater System Operator Reimbursement Program. The Training and Certification Program develops training programs, administers examinations and certifies operators of community water and wastewater systems. The Reimbursement Program reimburses water and wastewater operators of eligible systems for costs associated with continuing education. Eligible systems include those that serve communities with less than 10,000 residents. More information on the Operations Assistance Program can be accessed at *http://dec.alaska.gov/water/OpAssist/index.htm.*

The **Village Safe Water (VSW) Program, Department of Environmental Conservation (DEC)** works with rural communities to develop sustainable sanitation facilities. Communities apply to VSW for grants which are awarded to the highest ranking applicants. Successful applicants must have the financial, managerial and technical capacity to properly operate a facility once it is built. Funding for the program comes from federal and state sources. The VSW staff provide technical and financial support to rural communities to design and construct water and wastewater systems. For some projects, funding is awarded by VSW through the Alaska Native Tribal Health Consortium, who then assist communities in the design and construct of sanitation projects. More information on the VSW Program can be accessed at *http://dec.alaska.gov/water/vsw/index.htm.*

Alaska Department of Transportation and Public Facilities (DOTPF) provides funds for roads, trails, and boardwalks that are necessary for water and sewer haul systems. The Statewide Transportation Improvement Program (STIP) can be accessed at *http://www.dot.state.ak.us/stwdplng/cip/stip/.*

Federal Agencies

The **Rural Development Water and Environmental Program, United States Department of Agriculture (USDA)** provide loans, grants, and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage in rural Alaska. The program also makes grants to nonprofit organizations to provide technical assistance and training to assist rural communities with their water, wastewater, and solid waste problems. Information on the USDA Alaska Rural Development Program can be accessed at *http://www.rurdev.usda.gov/ak/Director.htm*

The **Denali Commission**, established by Congress in 1998, is an independent federal agency designed to provide critical utilities, infrastructure, and economic support throughout Alaska. The Commission also coordinates government efforts and collaborates with many federal and state programs in Alaska. For example the Commission provides funds to DEC, the ANTHC, and rural communities for the design, construction and renovation of washeterias. At the direction of the Alaska Congressional Delegation, a new work group was formed in 2010, the Sustainable Rural Communities to develop a federal agency assessment and to evaluate and identify barriers to sustainable rural development in Alaska. The Denali Commission can be accessed at http://www.denali.gov/.

The **Alaska Native Village and Rural Communities Grant Program, Environmental Protection Agency (EPA)** created in 1995, provides funding to Alaska Native villages and rural communities for construction of new or improved drinking water and wastewater systems, as well as training and technical assistance in the operations and maintenance of these systems. The Alaska DEC administers the funds through the Village Safe Water Program. The program has allocated the DEC over $450 million in funds from 1995 through 2010. More information on the program can be accessed at http://water.epa.gov/type/watersheds/wastewater/Alaska-Native-Village-and-Rural-Communities-Grant-Program.cfm.

Office of Native American Programs (ONAP), Department of Housing and Urban Development (HUD) awards grants to tribes and other tribal entities to provide affordable housing and community grants to provide for suitable living environments and economic opportunities. At the request of Congress, ONAP is currently conducting a Housing Needs Study of Native Americans. The ONAP recently conducted seven regional sessions, including a two day meeting in Anchorage Alaska in March 2011, which was attended by some 141 government, tribal, community and private representatives. Attendees identified water, sewer, and sanitation issues as necessary to build sustainable communities and infrastructure. More information on ONAP and the Needs Study can be accessed at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/ih/codetalk/onap.

The **Division of Sanitation Facilities Construction, Indian Health Services (IHS)** administers a nationwide Sanitation Facilities Construction (SFC) Program provides technical and financial assistance to American Indians and Alaska Natives for essential water supply, sewage disposal, and solid waste disposal facilities. The SFC Program was created in 1959 (Public Law 86-121) to protect the health of and prevent disease among American Indian and Native Alaska populations, primary IHS objectives. In Alaska, the ANTHC manages the SFC Program. In addition, the State of Alaska through its Village Safe water program participates in many jointly funded IHS construction projects. More information on the SFC Program can be accessed at http://www.ihs.gov/dsfc/. The Alaska Area Office of IHS can be accessed at http://www.ihs.gov/facilitiesServices/areaoffices/alaska/.

Private Organizations

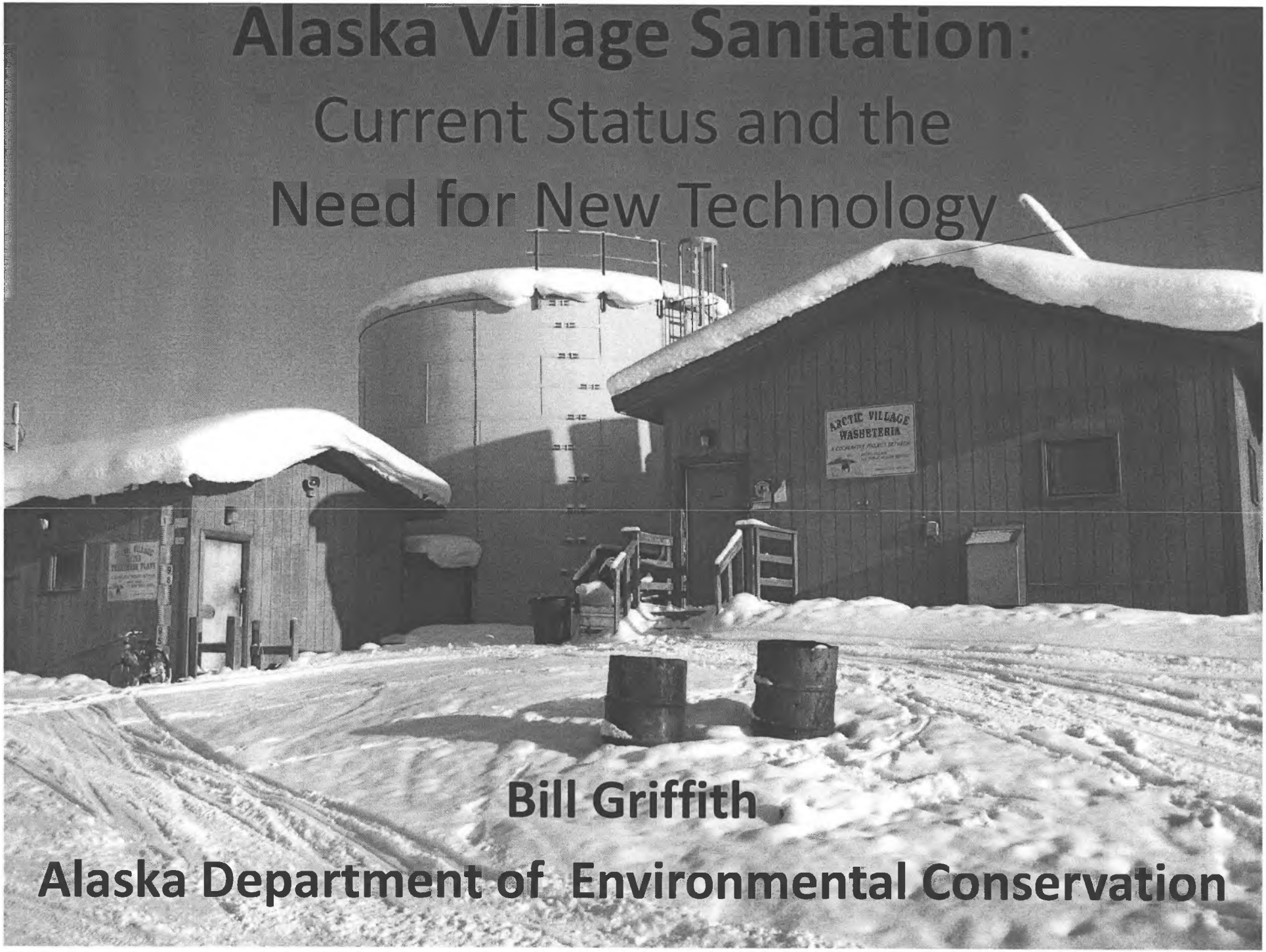
The **Alaska Native Health Board (ANHB)**, established in 1968, is a Tribal health advocacy organization, representing 25 Alaska Tribal health entities. The ANHB serves as Advisor to the Director of the Alaska Area Native Health Services, the U.S. Committee on Indian Affairs, and the House Interior and Insular Affairs Committee on federal legislation and appropriations. The ANHB manages the Rural Alaska Sanitation Coalition. More information on ANHB can be accessed at http://www.anhb.org/.

Division of Environmental Health & Engineering, Alaska Native Tribal Health Consortium (ANTHC), provides planning, design, construction, and operations support for water and sanitation projects throughout Alaska. The ANTHC and DEC's Village Safe Water coordinate the construction of most rural sanitation projects. The ANTHC recently completed construction of a water and sewer system in Goodnews Bay, bringing running water to 68 homes. More information on ANTHC can be accessed at *http://www.anthctoday.org/dehe/*.

The **Rural Alaska Sanitation Coalition (RASC)** serves as an advocate for underserved rural Alaskan communities regarding sanitation and health issues. The RASC is funded by the Alaska Housing Finance Corporation (AHFC) and program operations are managed by the Alaska Native Health Board. RASC is composed of representatives from each of the 25 regional tribal health organizations. The RASC's current focus is the need for operation and maintenance funding for

water and wastewater systems ant to ensure sustainability of systems once they are built. More information on RASC can be accessed at *http://ruralrasc.org/.*

The **Alaska Rural Water Association (ARWA)** provides on-site technical assistance and training for water and wastewater systems in rural Alaska. The ARWA offers a drinking water circuit rider program and a wastewater technical assistance and training program, funded by the United States Department of Agriculture, which provides on-site and regional training and technical assistance. More information on ARWA can be accessed at *http://www.arwa.org/1/.*



Alaska Village Sanitation:
Current Status and the Need for New Technology

Bill Griffith

Alaska Department of Environmental Conservation

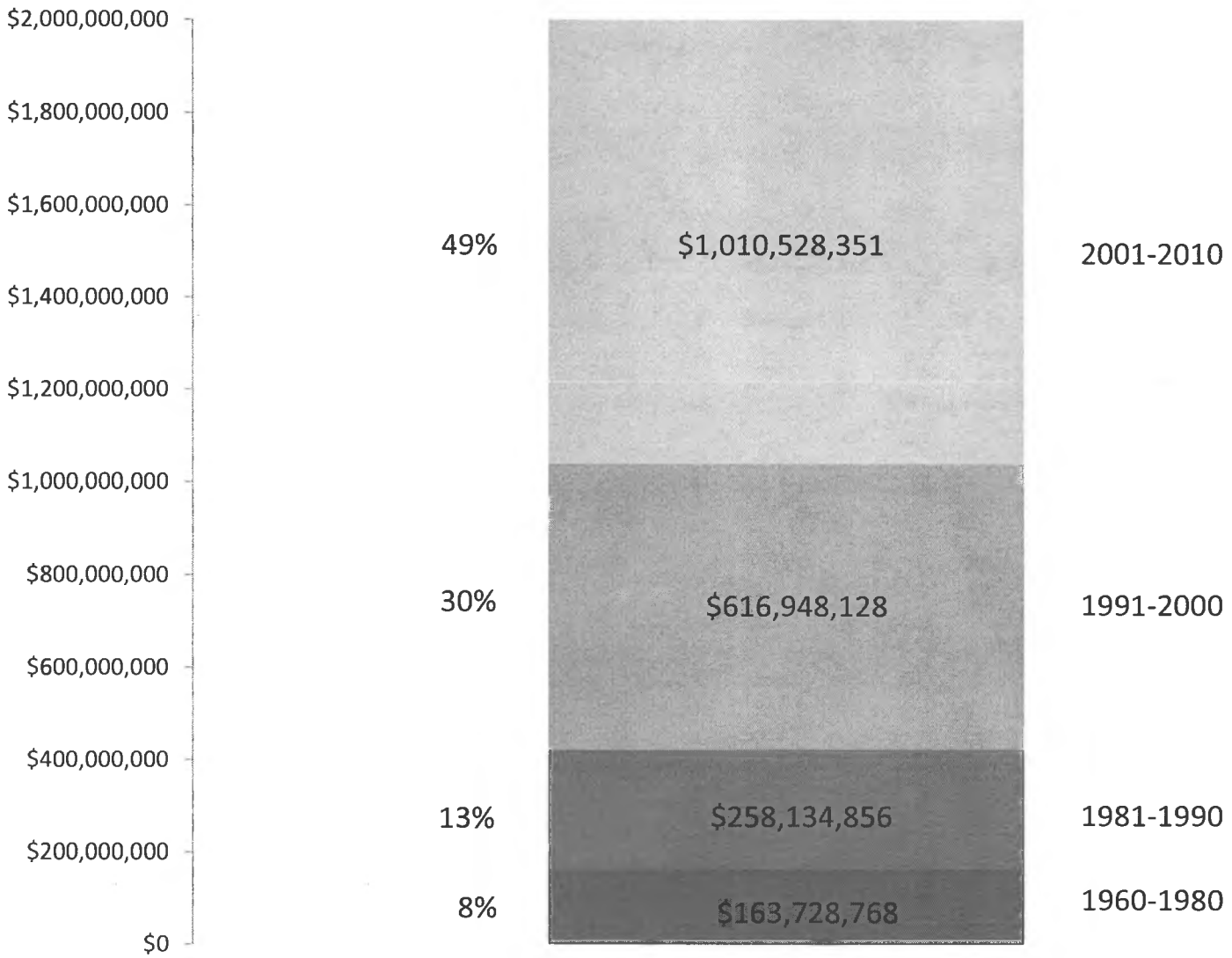
Progress in Alaska Village Sanitation

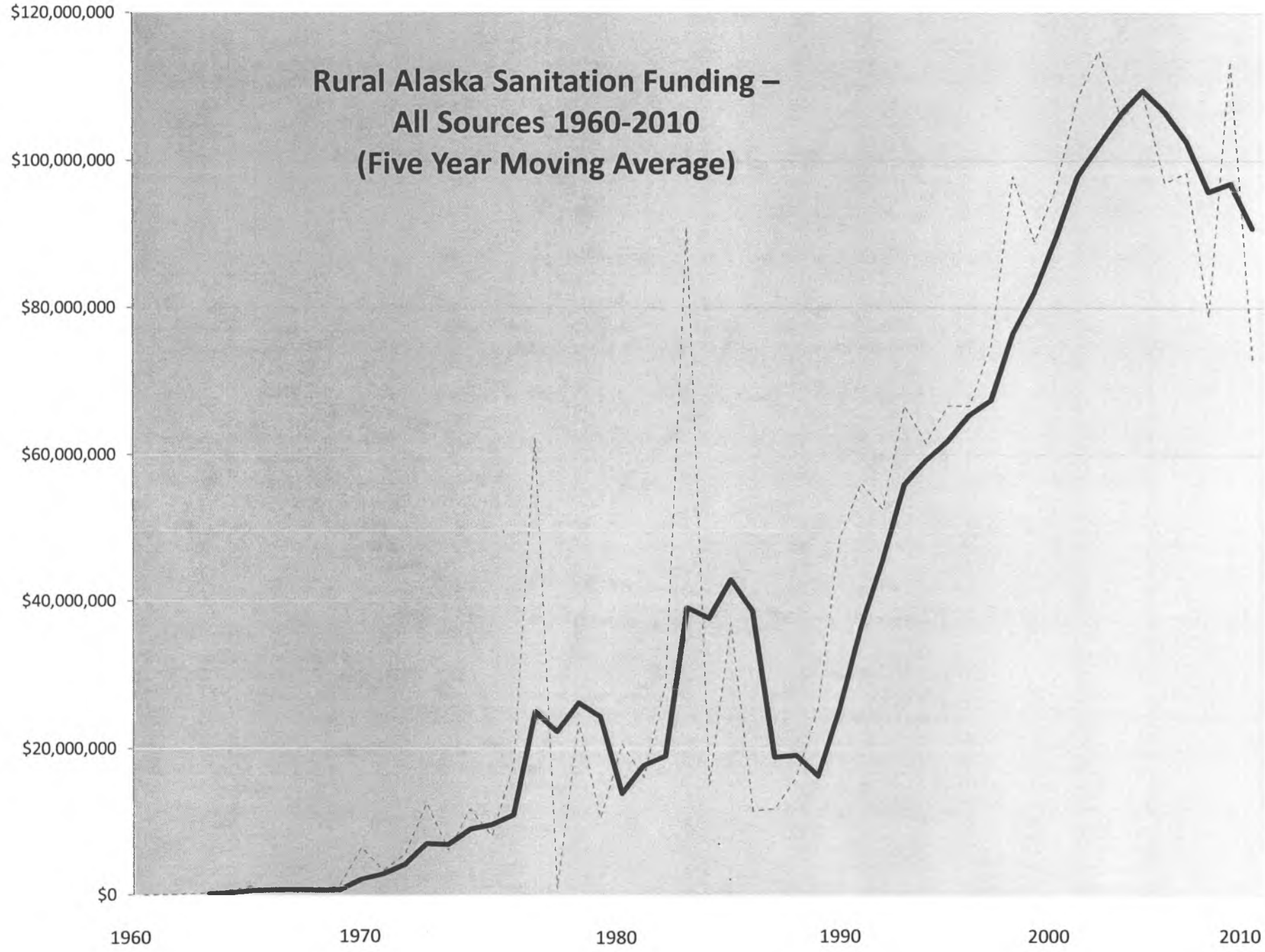
- For half a century, we've focused on "putting the honey bucket in the museum"
- Much progress has been made:
  - 30 years ago, fewer than 25% of rural Alaska households had running water and flush toilets.
  - In 1996, 55% of rural homes had piped or covered haul service.
  - Today, approximately 75% of rural homes have indoor plumbing

Boilerplate Approach Since 1970:

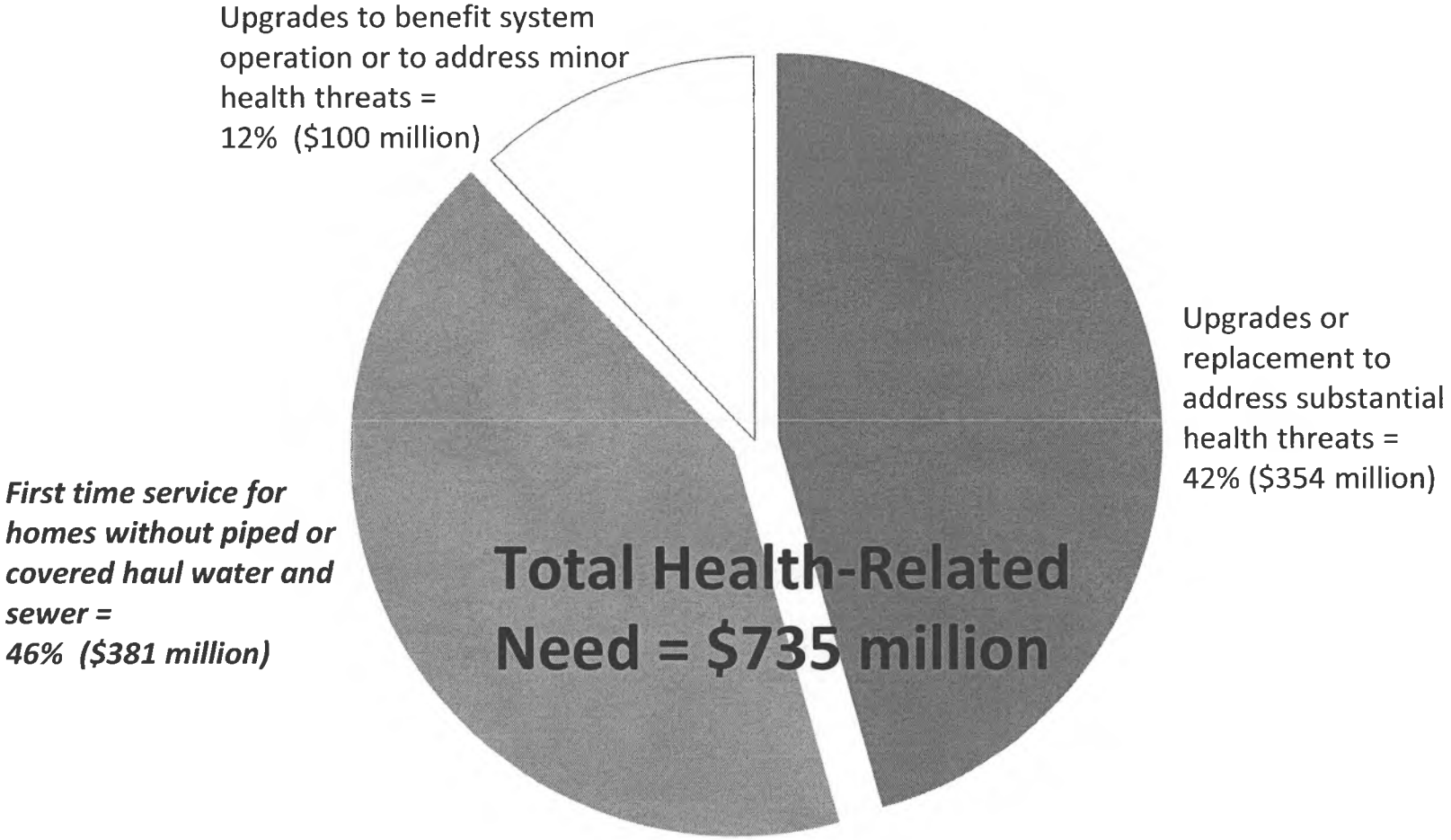
- 100% water treatment to full regulatory compliance (regardless of ultimate use)
- Storage of large quantities of water, usually requiring heat addition
- Distribution of treated water to individual homes via pipes or haul vehicle, usually requiring heat addition
- Collection of all household sewage for lagoon disposal, usually requiring heat addition

Historical Pace of Rural Alaska Sanitation Funding 1960 - 2010




Rural Alaska Sanitation Funding –
All Sources 1960-2010
(Five Year Moving Average)
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
1960
1970
1980
1990
2000
2010

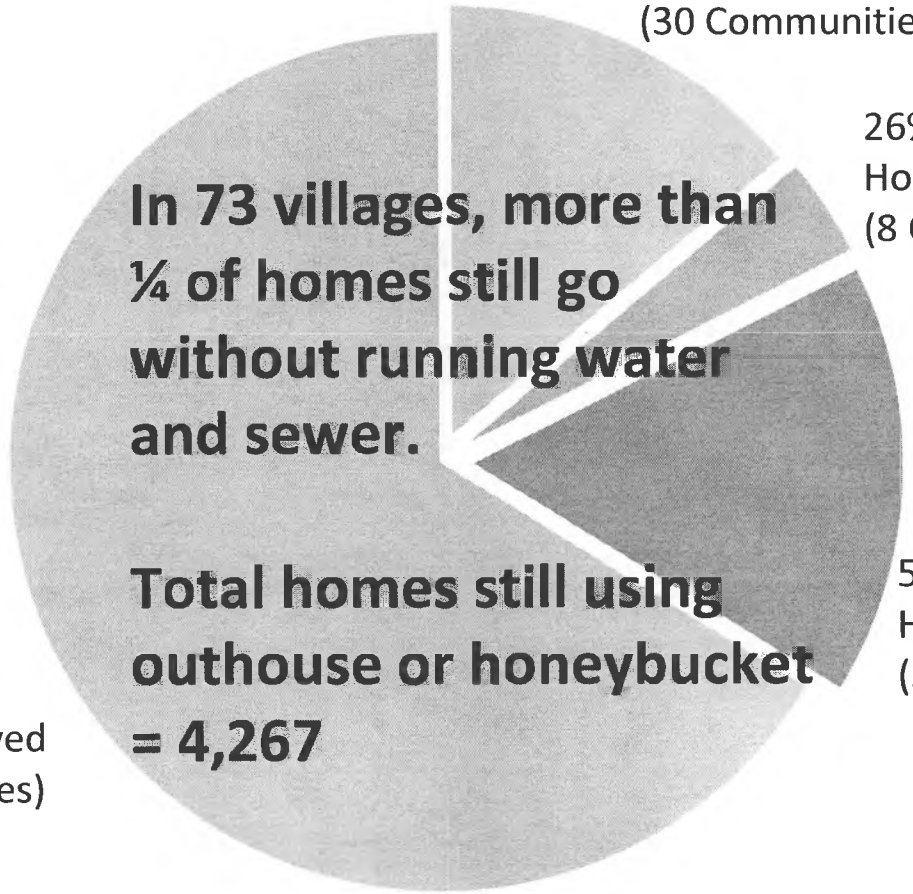
Rural Alaska Water and Sewer Needs: Much Work Remains



Note: The first time service category and the upgrades to address substantial health risks category are often conbined and referred to as "critical health related needs".

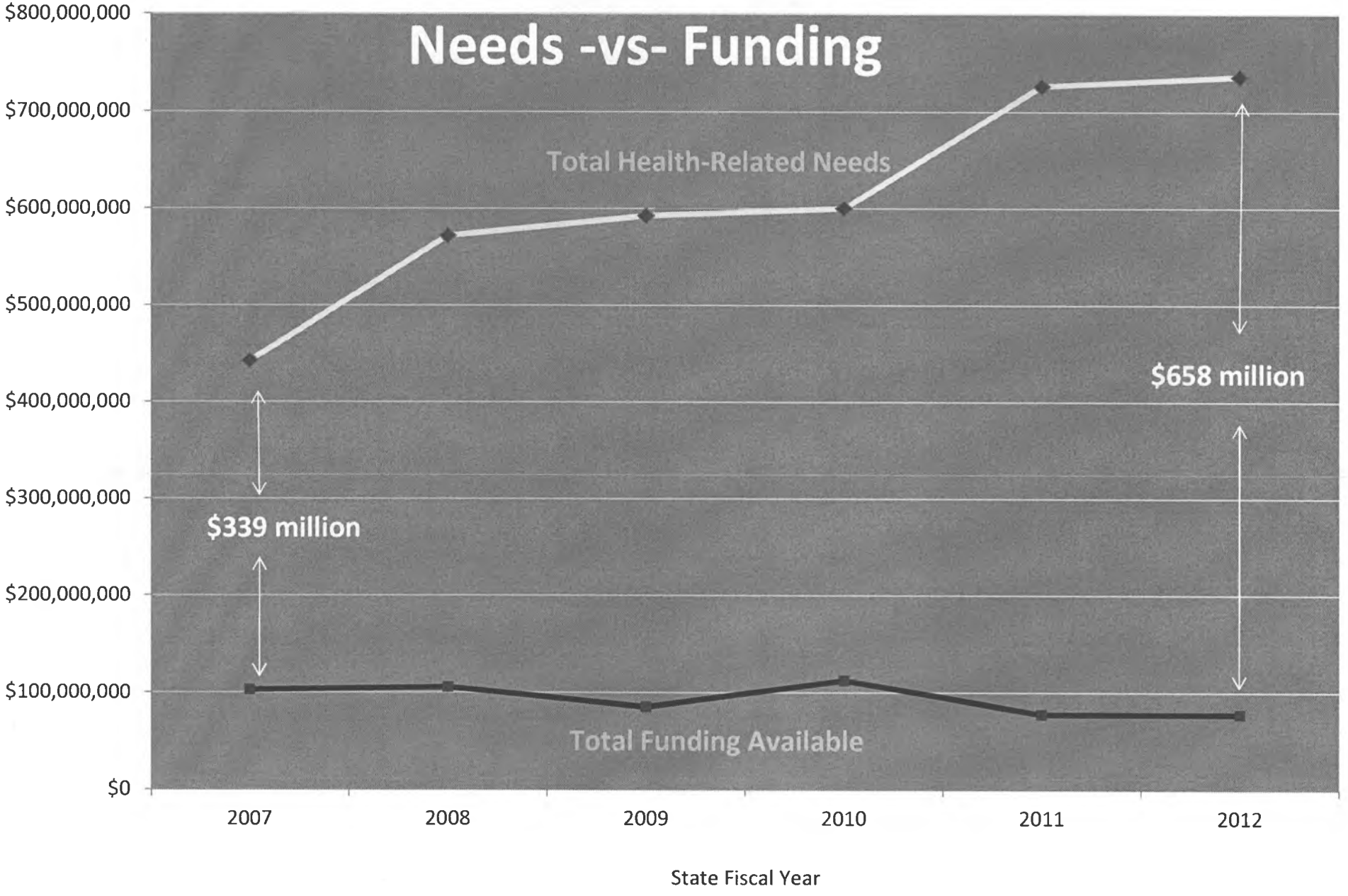
Source: Indian Health Service Sanitation Deficiency System.

Breakdown by Community:
Percent of homes served by pipes or covered haul



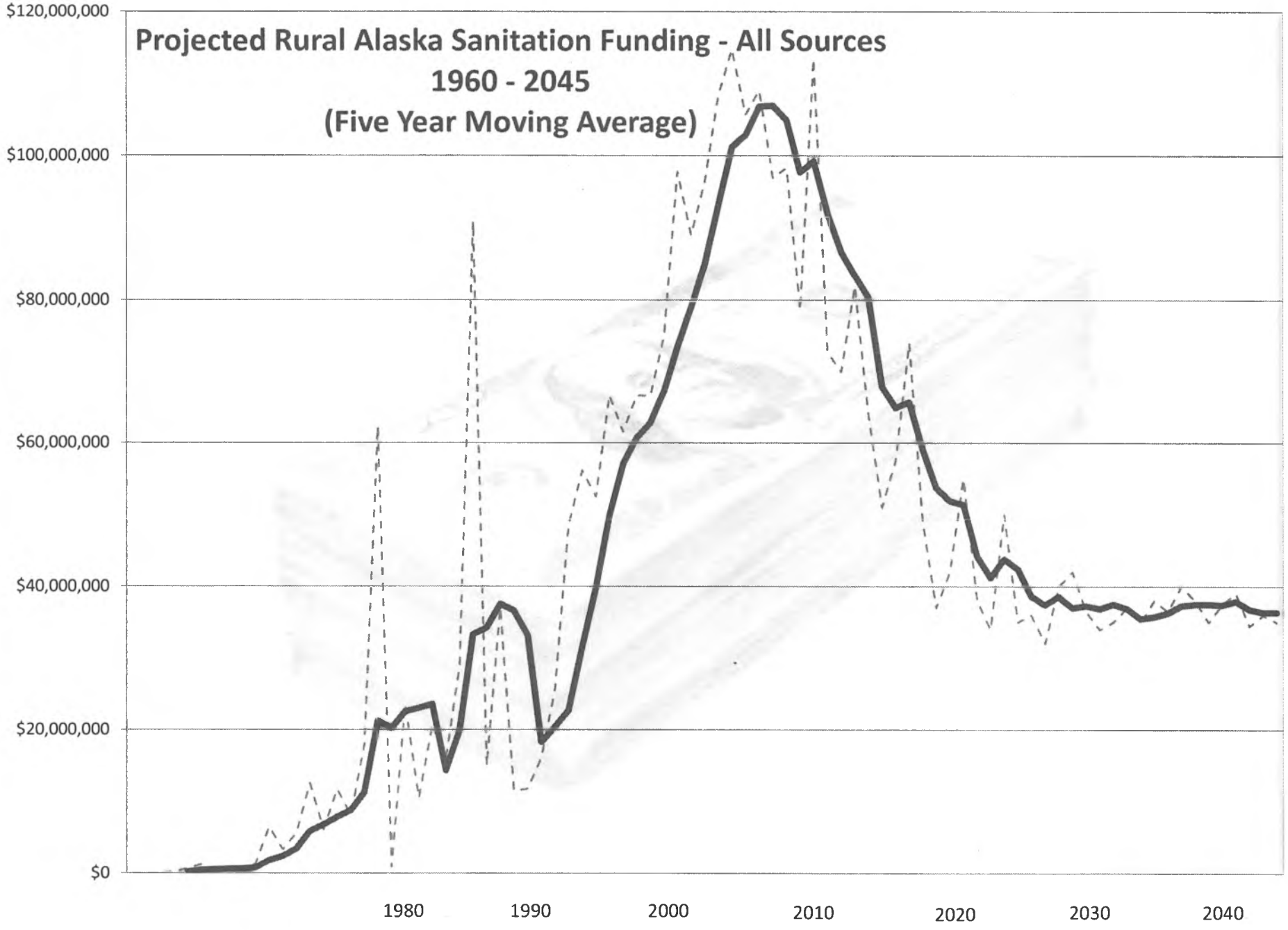
January 2011

Rural Alaska Sanitation

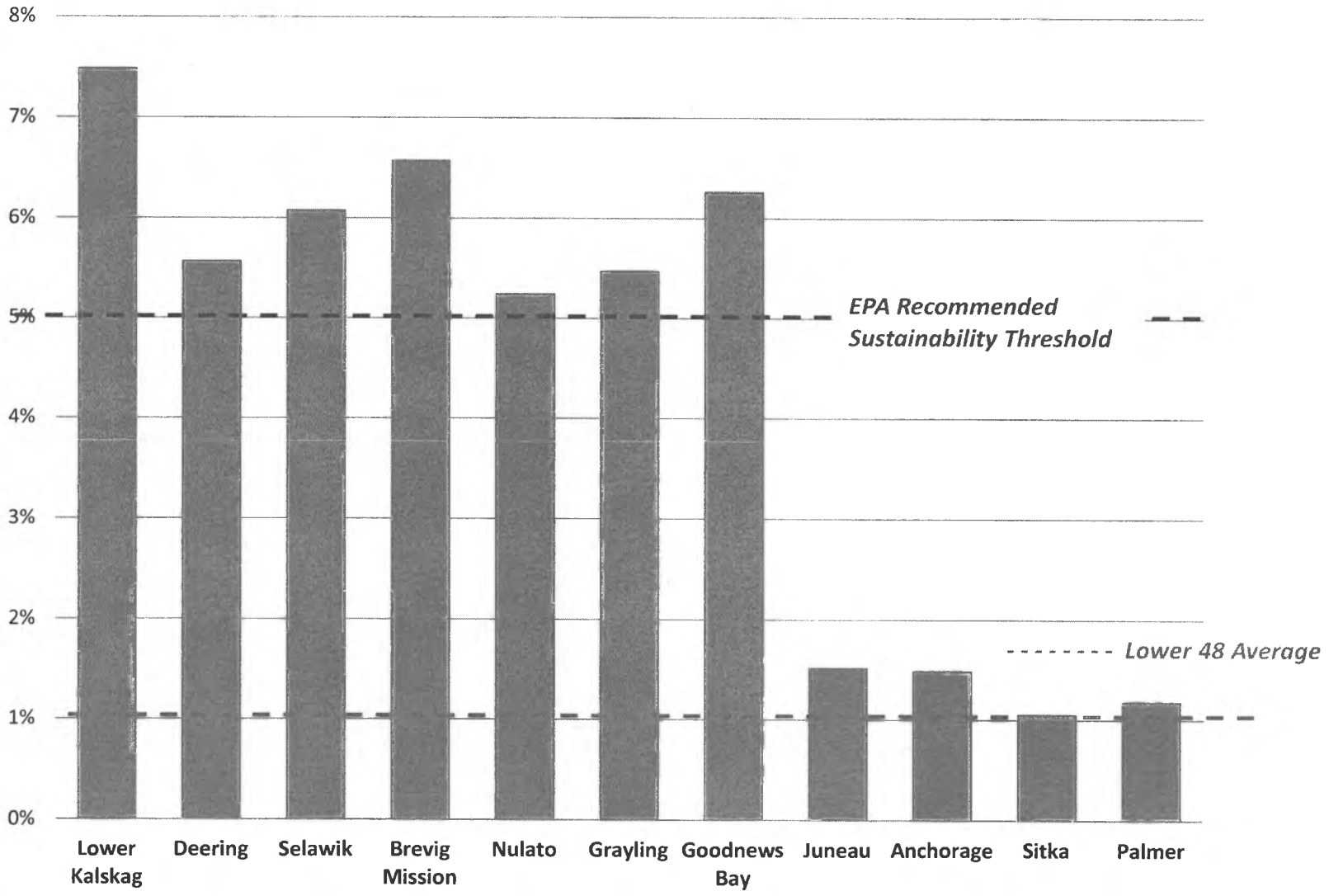


Cost to Complete New, Ongoing Piped Water & Sewer Systems

- There are 11 ongoing construction projects in Alaska villages to provide first-time piped water and sewer services.
- Most of these projects have been ongoing for several years, some for more than a decade.
- Estimated cost to complete these projects is $150 million.
- Once these projects are done, there will still be 35 villages with no water and sewer services to individual homes.


Projected Rural Alaska Sanitation Funding - All Sources
1960 - 2045
(Five Year Moving Average)
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
1980
1990
2000
2010
2020
2030
2040

Water and Sewer User Fees as a Percentage of Median Houshold Income



Bottom Line:

- Boilerplate system used for the past 50 years is increasingly unaffordable to build and maintain.
- Available funding will not be adequate to serve remaining homes and make needed improvements.
- New technologies are needed now in order to address health problems associated with water and sewer system deficiencies.

The need for technological improvements exists at every service level:



Thousands of people will continue to handle honey buckets for years to come



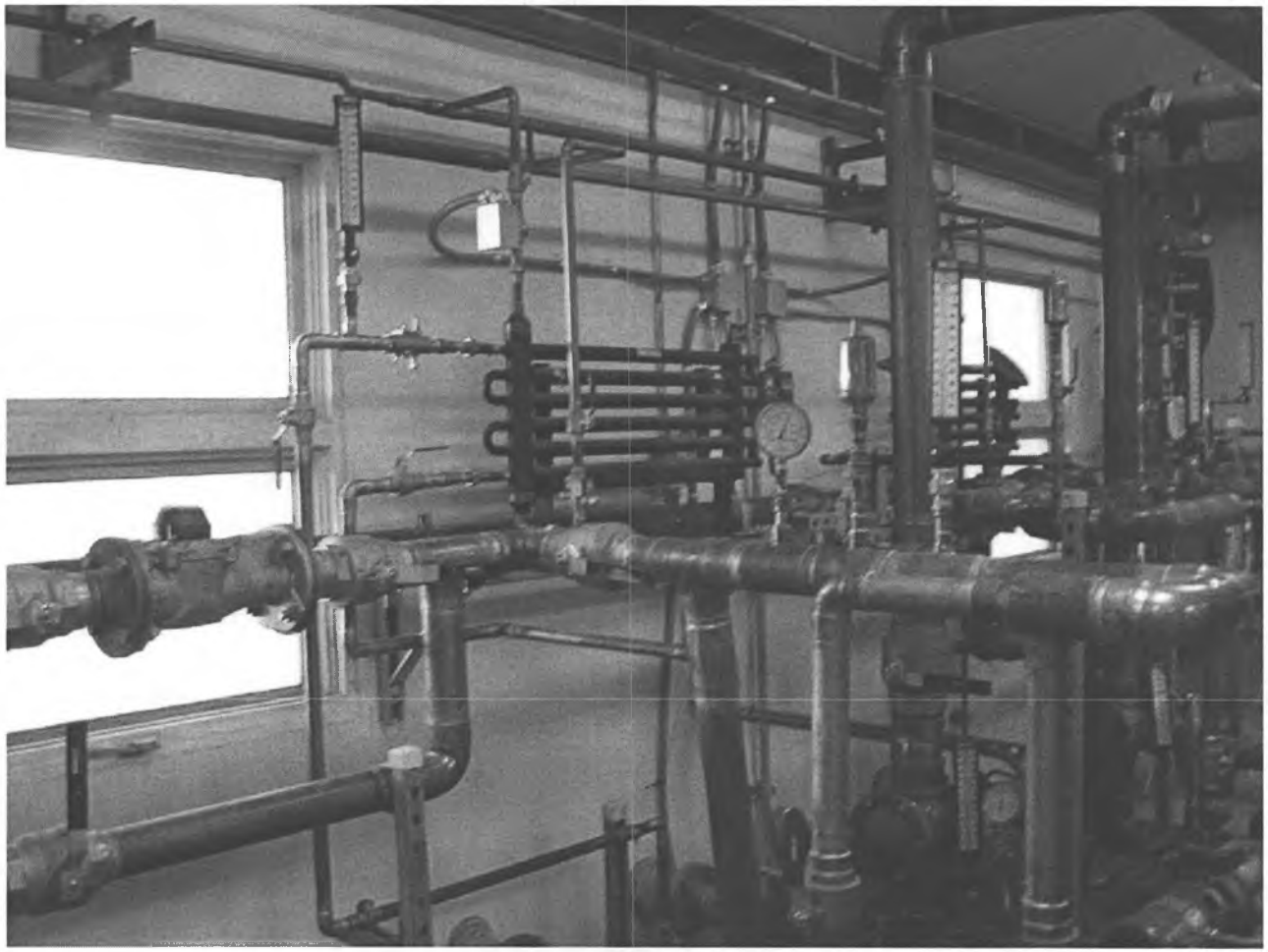
Water and sewer haul systems will continue to rely on transportation infrastructure



Washeterias will remain the most sustainable level of service for many villages



Many existing piped systems are at the end of their useful life or require major upgrades



Upgrades to water plants and other buildings will improve energy efficiency and monitoring capability



"Our way of life has been influenced by the way technology has developed. In the future, it seems to me, we ought to try to reverse this and so develop our technology that it meets the needs of the sort of life we wish to lead."

HRH the Duke of Edinburgh, *Men, Machines and Sacred Cows*, 1984

The Relationship Between In-Home Water Service and the Risk of Respiratory Tract, Skin, and Gastrointestinal Tract Infections Among Rural Alaska Natives

Thomas W. Hennessy, MD, MPH, Troy Ritter, REHS, MPH, Robert C. Holman, MS, Dana L. Bruden, MS, Krista L. Yorita, MPH, Lisa Bulkow, MS, James E. Cheek, MD, MPH, Rosalyn J. Singleton, MD, MPH, and Jeff Smith, MS, RS

Objectives. We investigated the relationship between the presence of in-home piped water and wastewater services and hospitalization rates for respiratory tract, skin, and gastrointestinal tract infections in rural Alaska.

Methods. We determined in-home water service and hospitalizations for selected infectious diseases among Alaska Natives by region during 2000 to 2004. Within 1 region, infant respiratory hospitalizations and skin infections for all ages were compared by village-level water services.

Results. Regions with a lower proportion of home water service had significantly higher hospitalization rates for pneumonia and influenza (rate ratio [RR]=2.5), skin or soft tissue infection (RR=1.9), and respiratory syncytial virus (RR=3.4 among those younger than 5 years) than did higher-service regions. Within 1 region, infants from villages with less than 10% of homes served had higher hospitalization rates for pneumonia (RR=1.3) and respiratory syncytial virus (RR=1.2) than did infants from villages with more than 80% served. Outpatient *Staphylococcus aureus* infections (RR=5.1, all ages) and skin infection hospitalizations (RR=2.7, all ages) were higher in low-service than in high-service villages.

Conclusions. Higher respiratory and skin infection rates were associated with a lack of in-home water service. This disparity should be addressed through sanitation infrastructure improvements. (*Am J Public Health.* 2008;98:2072–2078. doi:10.2105/AJPH.2007.115618)

Modern sanitation services (potable drinking water and safe wastewater disposal) are a cornerstone of public health progress and have contributed to decreased infectious disease morbidity and mortality. In 1950, 64.5% of US homes had complete sanitation services (a flush toilet, shower or bath, and kitchen sink).[1] This increased to 93.1% by 1970 and to 99.4% by 2000.[2,3]

In 2000, 93.7% of Alaskan homes had complete sanitation, which ranked Alaska last among US states.[3] In rural Alaska, where the vast majority of people are Alaska Natives, a much higher proportion lack basic sanitation facilities. Providing in-home sanitation services is difficult in remote villages where small, isolated populations live in a harsh, cold climate. Although many rural village homes lack in-home water service, nearly all villages have access to safe drinking water.[4] Significant gains in health status indicators have occurred among rural Alaska Natives; however, the ongoing disparity in sanitation services remains unsolved in most of rural Alaska. Furthermore, there is a disparity in infectious disease hospitalizations among Alaska Natives compared with the general US population.[5] To our knowledge, there are no evaluations of the health effects of a lack of modern sanitation services for rural Alaskans.

Alaska village residents who live without pressurized in-home water service typically obtain water from a community-based water point and bring it home in 5-gallon (19-L) plastic containers. As of 2000, one third of rural Alaska residents obtained water this way.[4] Although water is available in centralized locations, some families must travel long distances or cross rivers to obtain safe water. This distribution method makes it difficult to obtain adequate amounts of water needed for basic consumption and hygiene practices.[6] Alaska homes lacking pressurized in-home water service also lack flush toilets. Residents use outhouses or in-home waste containers commonly known as "honeybuckets" that require manual removal to a centralized waste disposal site or lagoon. Sanitation infrastructure is provided to rural Alaskans by state- and federally funded programs that have provided service first where the greatest number of homes could be served at the lowest cost.

Although it has long been recognized that access to modern sanitation services can reduce morbidity and mortality from gastrointestinal illnesses, recent data have established the important role of adequate water supplies for preventing respiratory diseases.[7–9] The value of adequate supplies of safe water has been attributed to the prevention of both waterborne diseases, in which the pathogen can be ingested from contaminated water, and water-washed disease, in which hygienic practices such as handwashing and bathing play a role.[10] We sought to describe the relationship between in-home water and wastewater service and the risks of waterborne and water-washed infectious diseases in rural Alaska. We used existing sanitation service data for rural Alaska along with hospital discharge records, a respiratory disease surveillance system, and a skin infection outbreak investigation to explore whether improved sanitation service was associated with improved health status among rural Alaska Native people.

METHODS

Population

The approximately 120 000 Alaska Natives are descendants of the indigenous population and represent 19% of Alaskans. Approximately 60% of Alaska Natives live in rural or remote villages. Of the approximately 170 rural villages, most have fewer than 300 residents, and the vast majority are Alaska Natives. Most villages are not accessible by road; travel between villages is mainly by airplane, snowmobile, or boat. Health care

services are administered by regional Alaska Native–managed tribal health organizations, with some statewide facilities and services shared and coadministered, such as the referral medical center in Anchorage.

Sanitation Services

The Rural Alaska Housing Sanitation Inventory documented water and wastewater service in rural villages from July 2001 through April 2004. Each home was evaluated, and a statewide database was created. We defined "served" homes as having pressurized, in-home water service including piped water service from a municipal system or on-site well and septic tank or drain field systems, or "closed haul" systems in which water is delivered to storage tanks and distributed throughout the home via internally pressurized plumbing. For the latter, wastewater from flush toilets is held in a storage tank and periodically evacuated by a pump truck. We used data from 6 predominantly rural regions that were defined according to the boundaries of the tribal health care organizations. We defined "high-service" regions as those in which 80% or more of homes had service and "low-service" as those in which less than 80% were served.

Water service data for 1 region (region A) were used in a village-level analysis. Because water improvements are ongoing, we excluded from analysis villages in which more than 50% of homes had new water service from 1999 through 2004 (5 villages with 2740 persons, or 11.6% of the region's population). We categorized the remaining 47 villages into tertiles according to the proportion of homes served. We analyzed region A's largest town separately because it has near-complete water service and a population approximately 5 times larger than that of the next-largest village. Household size and income data were obtained from the 2000 US Census.[11]

Regional Disease Rates

Hospital discharge data for the fiscal years 2000 to 2004 for Alaska Natives in Alaska were obtained from the Indian Health Service's (IHS's) Direct and Contract Health Service inpatient data set.[12] These data include patient discharge records from IHS-operated, tribally operated, and community hospitals that were contracted with IHS or with tribes to provide health care services to eligible persons.[13] We selected hospitalizations for the 6 predominantly rural regions and urban Anchorage. Three regions were excluded because of small hospital discharge numbers.

Hospital discharges were selected for infectious gastroenteritis, pneumonia or influenza, skin or soft tissue infection, and methicillin-resistant *Staphylococcus aureus* (MRSA) infections for all ages, and respiratory syncytial virus (RSV) for children younger than 5 years. A record was selected if 1 of these diseases was listed among the first 6 discharge diagnoses according to the *International Classification of Diseases, 9th Revision, Clinical Modification* (*ICD-9-CM*).[14]

The definitions of infectious gastroenteritis included diarrhea of determined etiology (bacterial: 001–005, 008.0–008.5, excluding 003.2; parasitic: 006–007, excluding 006.3–006.6; and viral: 008.6–008.8) and diarrhea of undetermined etiology (presumed infectious: 009.0–009.3). Pneumonia and influenza were identified with codes 480 to 487. Skin and soft tissue infections were identified with codes 680 to 682, 684, 686.8, and 686.9. Hospitalizations for MRSA were selected by code V09.0 (infection with microorganisms resistant to penicillins) among codes 038.11 (*S aureus* septicemia), 482.41 (other bacterial pneumonia caused by *S aureus*), and 041.11 (*S aureus* bacterial infection in conditions classified elsewhere and of unspecified site). Infection with RSV was defined as codes 480.1, 079.6, and 466.11. Because patient identifiers were not available, repeated hospitalizations could not be excluded.

Hospitalization rates were calculated per 10 000 persons per year for region of residence. The IHS fiscal year 2002 user population estimates (released March 2002) were used as the denominator. The user population included all Alaska Natives who had received IHS-funded health care at least once over the previous 3 years.[12] We calculated age group–specific rates, categorizing age as younger than 1 year, 1 to 4 years, 5 to 19 years, 20 to 44 years, 45 to 64 years, and 65 years or older. Rate ratios with 95% confidence intervals (CIs) were calculated with Poisson regression analysis.[15] Age adjustment with the direct method for the user population of Alaska did not substantially change the rates and is not reported.

Disease Rates Within Region A

We conducted ongoing surveillance of hospitalizations for acute lower respiratory tract infections (LRTIs) among children for region A and selected 1999 to 2004 to examine rates by village.[16,17] We abstracted clinical and laboratory information from the computerized medical records for children younger than 1 year hospitalized at the regional hospital, or in Anchorage or who received contracted medical care at a nontribal hospital. We obtained for each hospitalization the birth dates, admission and discharge rates, *ICD-9-CM* diagnosis codes and narrative, and RSV test result. We merged duplicate hospitalization data on patients transferred to another hospital. A child was classified as having pneumonia if the discharge diagnoses included 1 of *ICD-9-CM* codes 480.1, 485, 486, or 507. Infection with RSV was defined as a hospitalized child younger than 1 year with acute LRTI and a nasopharyngeal aspirate positive for RSV by culture or a rapid identification method (enzyme immunoassay or direct fluorescent antibody). The majority of RSV testing was performed with Directogen (Bectin Dickenson, Cockeysville, MD). Comparable data for all Alaska Natives and for the US general population were obtained from published sources.[17,18]

Skin infection hospitalization data were obtained from an outbreak investigation in region A.[19] We included hospitalizations for skin infections from July 1, 1999, through June 30, 2000, and used *ICD-9-CM* codes (680.0–682.9) to include carbuncle, furuncle, and cellulitis. The regional hospital laboratory was used to identify all confirmed *S aureus* cultures from skin infections for the same period. The MRSA infections were defined by a minimum inhibitory concentration of oxacillin at 2 μg/mL or greater. Clinical samples obtained at village-based clinics must be transported to the regional hospital for culture and confirmation, introducing a potential diagnostic access bias. To avoid overestimating infection rates in the 10 villages closest to the regional hospital, whose residents might seek care directly at the hospital-based clinics and hence be diagnosed more often, we excluded

TABLE 1—In-Home Water and Wastewater Service to Homes, by Region: Alaska, 2000

Region	American Indian/Alaska Native Population,[a] No.	Communities Surveyed, No.	Homes Surveyed, No.	Homes With Water Service, No. (%)	Homes With Wastewater Service, No. (%)
High service					
F	5409	25	1555	1387 (89)	1349 (87)
E	12370	26	2834	2499 (88)	2403 (85)
D	4518	4	368	368 (100)	368 (100)
Low service					
C	6867	10	834	626 (75)	627 (75)
B	7274	14	1376	782 (57)	751 (55)
A	20714	49	5513	3360 (61)	3328 (60)
Total	57152	128	12480	9022 (73)	8826 (71)

[a]Data from the 2000 US Census.[11]

from analysis persons from these villages. Population denominators were obtained from the 2000 Census.[11]

The χ^2 test for trend was used to compare hospitalization rates for villages with differing levels of water service. We adjusted for a potential confounder (number of persons per household) with the Cochran–Mantel Haenszel test comparing high-service to low-service villages.

RESULTS

Rural In-Home Water Service

We obtained water service data from 128 villages and a total of 12 480 homes in the 6 regions. Overall, 73% of homes had in-home water service (range by region: 57% to 100%). Wastewater service was present in 71% of homes; the percentages by region were similar to the proportion of homes with water service by region (Table 1). The high-service regions had 91% of homes with in-home water service compared with 61% of homes in the low-service regions.

Regional Hospitalization Rates and Water Service

Hospitalization rates by region for the 5 infectious disease categories varied by water service level (Table 2). The RSV hospitalization rate for children younger than 5 years was higher in the low-service regions than in the high-service regions (rate ratio [RR]=3.4; 95% CI=3.0, 3.8). For all ages, rates for pneumonia and influenza (RR=2.5; 95% CI=2.4, 2.7), skin or soft tissue infection (RR=1.9; 95% CI=1.8, 2.1), and MRSA infection (RR=4.5; 95% CI=3.6, 5.7) hospitalizations were also higher for low-service regions.

Hospitalization rates for infectious diarrhea did not differ between high- and low-service regions (RR=0.94; 95% CI=0.78, 1.2). Diarrhea of undetermined etiology as the only diarrhea-coded diagnosis was reported for only 4.2% of the diarrhea hospitalizations, and the removal of this diagnosis did not affect the overall rate comparison.

Higher pneumonia and influenza hospitalization rates seen among the low-service regions were seen in each age group; however, the overall excess rate was greatest among the very young and the elderly (Table 3). The hospitalization rate among children younger than 1 year was 5 times higher in low-service regions than in the high-service regions. For children aged 1 to 4 years and persons 65 years or older, the rates were at least 2 times higher in the low-service regions than in the high-service regions.

Water Service in Region A

In region A, 61% of homes had water service, but service was not uniformly distributed throughout the region (Table 4). Water service was available in less than 10% of homes for 20 villages (30% of population), in 10% to 79% for 13 villages (20% of population), and in 80% or more for 14 villages (27% of population). The largest town, with 23% of the region's population, had 99.5% of homes with water service. With the exclusion of the largest town, the other groups of villages were similar in persons per household and mean household income. Villages with less than 10% of homes served had a slightly lower median population than those with a greater proportion of homes served. The population ranges overlapped for all 3 groups, and the largest difference in median village population between groups was 181 persons.

Hospitalization Rates and Water Service in Region A

Among the regions, the highest hospitalization rates for each of the diagnoses were among persons in region A (Table 2). In particular, pneumonia and influenza hospitalization rates among the region's infants (2550 per 10 000) were more than 2 times higher than the rates for any other region (Table 3). On average, more than 25% of the birth cohort was hospitalized with this diagnosis yearly.

Hospitalization rates for infants with LRTI, pneumonia, and RSV were highest among infants in villages with the lowest level of in-home water service compared with those in other villages (Table 4). Also, we noted a trend of lower hospitalization rates for infants from villages with increasing proportions of homes served by in-home water service (Figure 1). This trend was highly significant for hospitalizations because of LRTI (P=.002) and LRTI with pneumonia (P=.007) and was present, but not statistically significant, for RSV infections and RSV pneumonia.

Relative hospitalization rates of infants from the lowest-service compared with those from the highest-service villages were as follows: LRTI (RR=1.2; 95% CI=1.1, 1.4), pneumonia (RR=1.3; 95% CI=1.1, 1.5), and RSV (RR=1.2; 95% CI=1.0, 1.6). These rate ratios were similar after adjustment for the number of household members. Compared with the overall US infant population, infants in the lowest-service villages had a 5-times-higher rate of both LRTI and RSV hospitalizations and an 11-times-higher hospitalization rate for pneumonia.

Region A had the highest rate of hospitalization for skin and soft tissue infections and for MRSA infections (Table 2). Within this region, we observed a significant trend of

TABLE 2—Hospitalization Rates per 100 000 for Specific Infections and the Proportion With In-Home Water Service, by Region: Alaska, 2000–2004

Region	Water-Served Homes, %	Infectious Diarrhea, Hospitalization Rate (No.)	RSV,[a] Hospitalization Rate (No.)	Pneumonia or Influenz,[a,b] Hospitalization Rate (No.)	Skin or Soft Tissue Infection,[b] Hospitalization Rate (No.)	MRSA Infection, Hospitalization Rate (No.)
Urban Anchorage	100	7.14 (106)	78.5 (130)	63.24 (939)	50.71 (753)	5.25 (78)
High-service region						
F	89	5.80 (16)	148.29 (39)	85.93 (237)	47.86 (132)	2.90 (8)
E	88	9.73 (70)	29.76 (15)	42.12 (303)	26.0 (187)	1.25 (9)
D	100	6.43 (14)	214.69 (57)	98.26 (214)	41.32 (90)	1.38 (3)
Total high-service regions	91	7.64 (206)	90.1 (241)	62.8 (1693)	43.07 (1162)	3.63 (98)
Low-service region						
C	75	5.78 (20)	136.42 (59)	100.87 (349)	34.10 (118)	0.58 (2)
B	57	4.06 (16)	129.48 (56)	90.82 (358)	39.07 (154)	1.27 (5)
A	61	8.72 (96)	314.48 (481)	199.82 (2200)	113.62 (1251)	26.70 (294)
Total low-service regions	61	7.17 (132)	248.90 (596)	157.89 (2907)	82.72 (1523)	16.34 (301)
Rate ratio[c] (95% CI)		0.94 (0.78, 1.17)	2.81 (2.42, 3.26)	2.54 (2.39, 2.70)	1.93 (1.79, 2.08)	4.51 (3.59, 5.66)

Note. RSV = respiratory syncytial virus; MRSA = methicillin-resistant *Staphylococcus aureus;* CI = confidence interval. Number is the total number of hospitalizations for that disease.
[a]Respiratory syncytial virus, for hospitalizations among children younger than 5 years.
[b]Three pneumonia- or influenza-associated hospitalizations and 8 skin- or soft tissue-infection hospitalizations did not have community of residence available.
[c]High- vs low-service regions.

TABLE 3—Age-Specific Hospitalization Rates for Pneumonia and Influenza and Proportion With In-Home Water Service, by Region and In-Home Water Service Level: Alaska, 2000–2004

Service Unit	Age <1 Year, Hospitalization Rate (No.)	Age 1–4 Years, Hospitalization Rate (No.)	Age 5–19 Years, Hospitalization Rate (No.)	Age 20–44 Years, Hospitalization Rate (No.)	Age 45–64 Years, Hospitalization Rate (No.)	Age ≥65 Years, Hospitalization Rate (No.)
Urban Anchorage	246.69 (81)	76.11 (100)	13.57 (60)	31.8 (179)	112.4 (286)	384.11 (233)
High-service region						
F	989.47 (47)	143.85 (31)	15.22 (14)	19.16 (17)	97.21 (47)	397.06 (81)
E	333.33 (20)	51.80 (23)	8.03 (18)	15.46 (40)	64.02 (83)	211.37 (119)
D	750.00 (42)	190.93 (40)	9.39 (7)	27.30 (19)	102.19 (35)	552.53 (71)
Total high-service regions	386.30 (190)	88.87 (194)	11.89 (99)	26.0 (255)	96.65 (451)	335.53 (504)
Low-service region						
C	988.64 (87)	194.48 (67)	17.88 (23)	32.32 (35)	73.83 (33)	492.89 (104)
B	1435.48 (89)	124.16 (46)	20.38 (26)	27.50 (37)	89.07 (55)	399.24 (105)
A	2549.75 (756)	317.11 (391)	22.83 (90)	34.4 (117)	139.88 (205)	954.58 (641)
Total low-service regions	2087.35 (932)	258.73 (504)	21.4 (139)	32.4 (189)	115.81 (293)	742.03 (850)
Rate ratio[a] (95% CI)	6.57 (5.58, 7.72)	2.96 (2.51, 3.50)	1.80 (1.39, 2.33)	1.25 (1.03, 1.51)	1.20 (1.04, 1.39)	2.31 (2.06, 2.59)

Note. CI = confidence interval. Number is the total number of hospitalizations for that disease.
[a]High- vs low-service regions.

increased disease rates associated with lower levels of in-home water service for infections caused by *S aureus,* MRSA, and hospitalizations for skin infections ($P<.001$ for each; Table 4). The risk of skin infections was substantially higher among persons from villages with the least water service than for those villages with the highest water service for each of *S aureus* infections (RR=5.1; 95% CI=3.0, 8.7), MRSA infections (RR=7.1; 95% CI=3.6, 14.0), and skin infection hospitalizations (RR=2.7; 95% CI=1.8, 4.1; $P<.001$ for each comparison).

DISCUSSION

This is the first study to associate the absence of in-home water service with an increased risk of lower respiratory tract and skin infections among Alaska Natives. Using aggregated data from regions across Alaska, we found that hospitalization rates for pneumonia and influenza, skin and soft tissue infections, MRSA infections, and childhood RSV were 2 to 4 times higher in regions with a low proportion of homes with water service than in regions with a high proportion of homes with

TABLE 4—Village Demographic Characteristics and Annualized Rates of Respiratory Disease Hospitalizations (Children Younger Than 1 Year) and Soft Tissue Infections (All Ages), by Percentage With In-Home Water Service for Region A: Alaska, 1999–2004, and 1999–2000

Characteristic	Percentage of Community With In-Home Water Service				*P*	
	<10	10–79	≥80	100	For Trend[a]	≥80% vs 100%
Population (% of total)	6956 (30)	4743 (20)	6415 (27)	5459 (23)		
Number of villages	20	13	14	1[b]		
Median village population (range)	312 (49-1042)	370 (96-651)	493 (202-832)	5459	.31	Not tested
Average no. persons per home[c]	4.7	4.2	4.2	4.2	.09	Not tested
Average household income, $ per year	30 633	28 393	31 160	57 321	.87	Not tested
Infections, hospitalization rate (no.[d])						
All LRTI	351 (338)	304 (121)	282 (218)	227 (141)	.002	.02
Pneumonia LRTI	238 (229)	201 (80)	185 (143)	130 (81)	.007	.006
RSV-positive	140 (135)	118 (47)	113 (87)	93 (58)	.08	.24
Pneumonia RSV	78 (75)	63 (25)	63 (49)	51 (32)	.23	.34
Staphylococcus aureus infection, any	13.8 (55)	10.8 (43)	2.7 (17)	8.4 (46)	<.001	<.002
MRSA infection, any	11.3 (45)	7.3 (29)	1.6 (10)	5.5 (30)	<.001	.01
Hospitalized for skin infection	12.8 (89)	9.6 (45)	4.8 (30)	5.5 (30)	<.001	.61

Notes. LRTI = lower respiratory tract infection; RSV = respiratory syncytial virus; MRSA = methicillin-resistant *Staphylococcus aureus*.
[a]Trend among villages excluding largest town in region.
[b]Largest town in region.
[c]Averages are weighted by village population size.
[d]Number is the total number of hospitalizations for that disease.

water service. Although suggestive, this relation was not entirely consistent and was influenced greatly by high hospitalization rates within region A. However, within region A, we undertook a closer look at disease rates by village-level water service and found that villages with the lowest level of water service (less than 10% of homes served) had the highest hospitalization rates for respiratory infections among infants and for skin and soft tissue infections among persons of all ages. The hospitalization rates demonstrated a typical dose–response group relation in which lower rates were related to progressively higher levels of in-home water service.

Because of the study design, these data fall short of establishing a causal relation between water service and infectious disease risks. However, the strength of the association, the dose–response group relation within region A, and the biological plausibility all support the conclusion that pressurized, in-home water service is an important determinant of health status and contributes to reducing transmission of these communicable diseases.

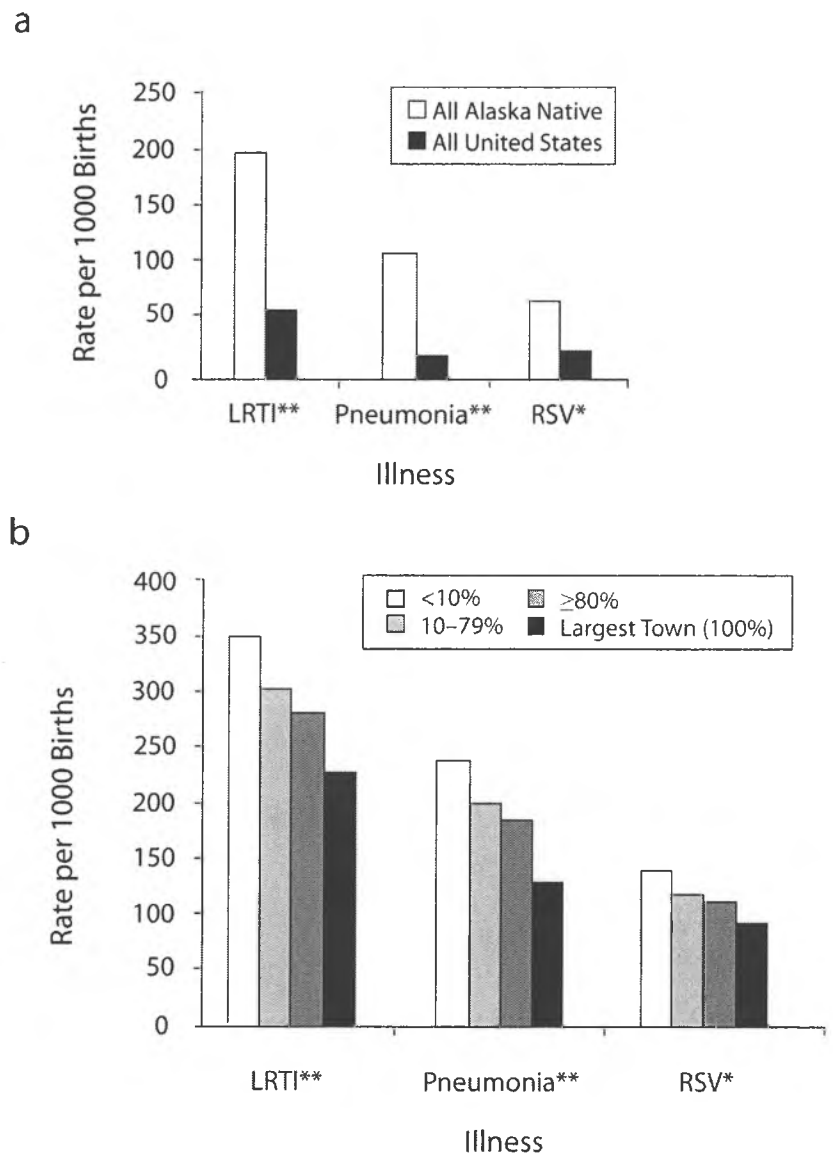
The infectious diarrheal hospitalization rate among Alaska Natives was similar to that among the general US population and did not differ significantly by water service.[20,21] This may seem unexpected because high diarrheal disease rates are seen in other populations that lack in-home water and wastewater service. However, gastrointestinal disease morbidity and mortality among American Indian and Alaska Native populations has been declining since the 1950s.[13,20] The current low rates are likely because of the availability of safe drinking water in nearly all villages (even those with no in-home water service); the relatively cold source water, which does not support propagation of waterborne bacterial pathogens; and the population's overall good nutritional status.

The diarrheal hospitalization rates were in stark contrast to the disparities noted for respiratory and skin infection rates in lower–water service villages. Particularly disturbing was the 5-times higher rate of LRTI hospitalizations and 11-times higher rate of pneumonia hospitalizations among infants in low-service villages in region A compared with the general US population.[17,18] Because infant pneumonias in region A have been identified as a precursor to chronic respiratory diseases such as bronchiectasis and chronic productive cough, many of these children will likely have ongoing health problems because of these infections.[22,23]

Because respiratory and skin infections are not typically contracted through water, the higher rates in low-water-service villages may appear paradoxical. This is best explained by the important role water plays in preventing respiratory and skin infections through handwashing and other personal hygienic measures.[24] It is known that the availability of pressurized, in-home water service increases both water consumption and hygiene practices.[6,25] Thus, the availability of potable water appears to have stabilized waterborne disease rates in Alaska, but it is the water-washed diseases that remain health threats for villages lacking in-home water service. Our findings are consistent with other studies that have shown an association between handwashing and respiratory infectious diseases.[7–9]

Limitations

Some limitations should be considered when one interprets these data. Because of the study design, we cannot be certain that



Note. Comparison rates for all Alaska Natives and all United States from references 17 and 18.
[a]Region A's largest town had water service in almost all homes and was analyzed separately.
*$P = .08$ for trend, region A; **$P < .05$ for trend, region A.

FIGURE 1—Hospitalization rate among infants for lower respiratory tract infections (LRTI), pneumonia, and respiratory syncytial virus (RSV) in region A compared with all Alaska Native and US infants, by percentage of village homes with water service: Alaska, 1999–2004.

these associations arose from a cause-and-effect relationship. Water service may be a marker for other factors related to these health outcomes. When comparing regions, we could not control for factors such as income, village size, and crowding that might have confounded the associations. However, within region A, these characteristics were either similar across villages or were accounted for. The sanitation survey preceded some of the illness data; thus, some relevant water service improvements may not have been included. This could have led to overestimation of water service differences. In the region A analysis we accounted for this by removing villages that had received water service improvements over the study period. Finally, our study did not include data on outpatient respiratory or gastroenteric infections, personal hygiene practices, water quality, water quantity, or the different water delivery systems in use.

Conclusions and Recommendations

In 1954, Public Law 83-568 established the US Public Health Service Indian health program (later named the Indian Health Service) as responsible for improving the health of Alaska Native people. At that time, infectious diseases caused 46% of all Alaska Native deaths. Providing potable water and safe wastewater disposal services for Alaska Native communities was a primary objective.[26]

The IHS, along with the State of Alaska, US Environmental Protection Agency (EPA), US Department of Agriculture Rural Development Program, and Alaska's Tribal Health Organizations, has worked to increase the proportion of rural Alaska homes with modern sanitation service from less than 10% in 1950 to 84% in 2006 (W. Griffith, Village Safe Water Program, written communication, April 2006).

Sanitation improvements have been credited with contributing to the dramatic improvements in Alaska Natives' health.[4] However, substantial progress must be made to bring sanitation service in rural Alaska up to the modern standard enjoyed by 99.4% of the US population. The EPA has established the goal of providing modern sanitation services for 94% of rural Alaskan homes by 2011 (D. Wagner, Alaska EPA Drinking Water Program, written communication, April 2006). Even if this can be achieved, it will leave many rural Alaskans with substandard water and sanitation facilities.

Our study indicated that in-home water service is an important determinant of health in rural Alaska communities. Lower levels of water services were associated with a higher burden of hospitalizations for pneumonia and influenza, skin infections, and LRTIs. This finding was suggested by data in region-to-region analyses and is strongly supported by the village comparisons within region A.

These health disparities were borne disproportionately by Alaska Native infants, children, and elderly who resided in low-water-service villages. Of particular concern was that

up to one fourth of region A infants were hospitalized annually for respiratory infections.

Further prospective studies could assess the relative contributions of hygienic practices, the volume of water used, and the water distribution system while accounting for potential confounding factors and the economic benefits of in-home water service for prevention of infectious diseases. Although those data would be helpful, we believe that the long-recognized value of in-home service along with the data from our study are convincing enough that programs should proceed with adequate support toward a goal of providing modern water and sanitation service to each home in rural Alaska villages. ■

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Note. *The findings and conclusions in this article are those of the authors and do not necessarily represent the official position of the Centers for Disease Control and Prevention.*

Contributors

T. W. Hennessy originated the study, supervised its conduct, conducted analyses, and was the principal writer. T. Ritter originated the study, analyzed water use data, and wrote sections of the article. R. C. Holman conducted analyses related to water use and regional hospitalization rates and assisted with writing. D. L. Bruden conducted analyses related to water use and disease rates within region A and assisted with writing. K. L. Yorita was involved in data preparation and analysis for water use and regional hospitalization rates and assisted with writing. L. Bulkow provided population data and oversaw the statistical analyses. J. E. Cheek originated the study. R. J. Singleton provided and analyzed data on respiratory hospitalization, assisted with writing, and participated in interpretation of the data. J. Smith was involved in the design and oversaw the water use data acquisition and analysis.

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Human Participant Protection

Institutional review board approval for this study was obtained from the Centers for Disease Control and Prevention and the Alaska Area institutional review board of the Indian Health Service for the respiratory hospitalization data in region A. The hospital discharge administrative and disease outbreak data were determined to be exempt from review because they lacked patient identifiers and were obtained in a public health response to a disease outbreak, respectively.

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Invasive Pneumococcal Disease in Alaskan Children

Impact of the Seven-Valent Pneumococcal Conjugate Vaccine and the Role of Water Supply

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Background: Alaska Native (AN) children, especially those in the Yukon-Kuskokwim region (YK-AN children), suffer some of the highest rates of invasive pneumococcal disease (IPD) in the world. Rates of IPD declined after statewide introduction of the 7-valent pneumococcal conjugate vaccine (PCV7) in 2001, but increased in subsequent years.

Methods: Population-based laboratory surveillance data (1986–2007) for invasive *Streptococcus pneumoniae* infection in Alaskan children <5 years old were used to evaluate the association of IPD rates and serotype distribution with immunization, socioeconomic status, and in-home water service.

Results: Introduction of PCV7 vaccine resulted in elimination of IPD caused by vaccine serotypes, but was followed by increasing rates of IPD caused by nonvaccine serotypes. Among YK-AN children IPD rates dropped by 60%, but then rose due to non-PCV7 serotypes to levels 5- to 10-fold higher than rates in non-YK-AN children and non-AN children. IPD rates in YK-AN children were twice as high in villages where <10% of houses had in-home piped water compared with villages where more than 80% of houses had in-home piped water (390 cases/100,000 vs. 146 cases/100,000, $P = 0.008$).

Conclusions: High IPD rates in Alaska are associated with lack of in-home piped water (controlling for household crowding and per capita income). The effect of in-home piped water is most likely mediated through reduced water supply leading to limitations on handwashing.

Key Words: invasive pneumococcal disease, water, pneumococcal conjugate vaccine, *Streptococcus pneumoniae*

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Nearly 50% of Alaskans live in the Anchorage metropolitan area, but one-third of the remaining population lives in small rural communities of 50 to 1000 persons dispersed throughout the remainder of the state. Alaska Native (AN) people comprise approximately 20% of the population and are the predominant inhabitants of small communities in the northern and western regions of the state.[1] These communities are not connected by a highway system, and many do not have piped water systems.

High rates of serious pneumococcal disease were recognized several decades ago in Alaska.[2] Rates of invasive pneumococcal disease (IPD) in AN children in the Yukon-Kuskokwim region in western Alaska (YK-AN children) are among the highest in the world.[3] Subsequent evaluations confirmed high rates of disease in other AN children, and identified a significant disparity in rates between AN children and non-AN children. For example, the rate of culture-positive pneumonia in AN children <2 years old was 10-fold higher than that of non-AN children <2 years old.[4]

Underlying diseases (eg, immunosuppressive disorders, congenital abnormalities, chronic lung disease, or prematurity) as well as behavioral risk factors (eg, day care attendance, household crowding, and lack of breast-feeding[5–7]) contribute to increased risk of IPD in children.[4,5,8–10] However, no combination of these previously identified risk factors explained a health disparity of the magnitude observed in Alaska, which was consigned to ". . . unexplored social, . . . and environmental factors."[4] Two recent studies from Alaska demonstrated that lack of in-home piped water (ie, hauling of water to and waste from the home) was associated with higher rates of hospitalization for respiratory diseases.[11,12]

Introduction of 7-valent pneumococcal conjugate vaccine (PCV7) in early 2001 raised hopes of addressing IPD in Alaska populations, despite underlying causes. IPD caused by serotypes present in the vaccine decreased rapidly, narrowing the disparity between AN children and non-AN children but IPD rates caused by nonvaccine serotypes increased subsequently, specifically in AN children less than 5 years old.[13]

We evaluated IPD surveillance data from Alaska through 2007 to further characterize the impact of PCV7 vaccine introduction, and to evaluate potential associations between socioeconomic indicators, water supply, and IPD in the postvaccine era.

METHODS

Invasive Disease Surveillance

Since 1986, cases of IPD (defined as isolation of *S. pneumoniae* from a normally sterile site in an Alaska resident) are reported from clinical laboratories throughout Alaska to the CDC's Arctic Investigations Program (AIP) in Anchorage. Isolates are sent to AIP where identification, serotyping, and antimicrobial susceptibility testing are performed using standard methods. Annually, participating laboratories compare their records with a list of isolates received by AIP and report any missing cases.

Data on cases are collected from clinical laboratories, medical records, or the patient's clinician, and include demographic information, clinical syndrome and outcome. We report data on cases of IPD in children aged <5 years in Alaska identified between January 1, 1986 and December 31, 2007. We studied 3 specific time periods to assess impact of PCV7 and characterize disease in the conjugate vaccine era. Time periods were defined as:

- Period 1, prevaccine introduction (1996–2000).

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- Period 2, early vaccine period (2001–2004), during which rates in both AN children and non-AN children dropped below the lowest rates in period 1.
- Period 3, late vaccine period (2005–2007) during which rates in both AN children and non-AN children rose above period 2 nadirs.

Socioeconomic Factors and Water Supply Data

The Rural Alaska Housing Sanitation Inventory documented in-home water service in rural areas of Alaska between 2001 and 2004. We obtained data on factors potentially associated with IPD (household size, income data, percent of homes heated with wood, and water service in villages/cities not in the inventory) at the village level from the 2000 US Census.[1] In-home water service was defined as pressurized water service within the household, either from a centralized piped water service system or a closed haul system. In a closed haul system, water is delivered to an external holding tank and distributed throughout the household in pressurized pipes. We calculated the percent of households with water service by AN health care system regions. In YK, we categorized villages (N = 55) into low service (<10% of households served), midlevel service (10%–<80% of households served), and high service (≥80% of households served).

Vaccination Coverage

We obtained the coverage rate with 3 doses of PCV7 in 19- to 35-month-old children in the United States population overall, and for Alaskan children by race from the National Immunization Survey public use files for July 3, 2003 through June 3, 2007.[14] We obtained coverage data for AN children by region from computerized health records for AN children.

Statistical Analysis

Vaccine coverage is presented with the 95% confidence interval for a binomial proportion. Statistical analyses and comparisons of rates and proportions between study periods were evaluated using the χ^2 test (Mantel-Haenszel). *P*-values are exact where appropriate and 2-sided. All statistical analyses were conducted using SAS 9.2 (SAS Institute, Cary, NC), EpiInfo 3.5 (Centers for Disease Control, Atlanta, GA).

We used a multivariate analysis of variance model (MANOVA) to test if 3 potential risk factors (household size, per capita income, and water service level) jointly differed between YK and other regions. The unit of analysis was village/city. The city of Anchorage was presented separately for IPD rates and socioeconomic factors. It was not included in the MANOVA as it was the only unit of analysis in the region. We tested IPD rates among YK villages with different levels of water service by use of a trend test for Poisson rates.[15] We adjusted and tested for confounding of socioeconomic factors by the use of Poisson regression.

RESULTS

Vaccination Coverage

Among AN children, coverage with 3 doses of PCV7 in 19- to 35-month olds rose from 93% (95% CI: ±6.3%, July 2003–June 2004) to 98% (±3.6%, July 2006–June 2007).[14] Vaccine coverage in Alaska white nonhispanic children rose from 65% (±9%) to 90% (±5%) while coverage with 3 doses of PCV7 vaccine in the United States population rose from 71% (±1%) to 89% (±1%)[14] during the same time periods. Among YK-AN children, coverage rose from 95% to 98% during the same time periods (AN health system data).

Overall IPD Rates in Alaskan Children

IPD rates in Alaskan children <5 years of age are shown in Figure 1. IPD in all Alaskan children declined from 97 cases/100,000 per year in the prevaccine period (period 1) to 41/100,000 in period 2 ($P < 0.002$), and then rose to 63/100,000 in period 3 ($P < 0.002$, period 2 vs. period 3). Rates of disease in AN children were 2- to 5-fold higher than in non-AN children during period 1. IPD rate disparities disappeared in 2001, when PCV7 was introduced, but re-emerged later, with rates in AN children 3 to 5 times higher than those in non-AN children ($P < 0.001$).

IPD Rates by Ethnicity, Setting, and Vaccine Type Status

Table 1 shows rates of IPD, IPD caused by vaccine serotypes, and nonvaccine serotypes. Among AN children, rates of vaccine type disease were highest in YK. YK-AN children also had the highest rates of nonvaccine type disease before introduction of PCV7. Vaccine-type disease disappeared in all population groups. IPD due to nonvaccine serotypes increased in both AN children and non-AN children in recent years. Following an initial postintroduction decline in YK, rates of nonvaccine type IPD increased more than 3-fold ($P < 0.0001$, period 3 vs. period 2, Table 1). In all other population groups (except urban AN children) nonvaccine type IPD in period 3 also increased significantly ($P < 0.02$ for comparisons of period 1 vs. period 3).

Serotype Distribution

Serotypes causing at least 90% of IPD in Alaskan children during each period are shaded in Table 2. In period 1, 11 serotypes caused 92% (201/219) of all IPD. In period 2, the most common 18 serotypes (causing 93% (71/76) of all IPD) included 8 of the 11 major serotypes in period 1 plus an additional 10 serotypes present previously, but which had not caused substantial amounts of disease. In period 3, three non-PCV7 serotypes (19A, 7F, and 6A), each among the 11 most common causes of IPD in period 1, caused 56% of all IPD. An additional 22% of all disease in period 3 was caused by serotypes that emerged as significant contributors to IPD in period 2. Serotypes included in the 13-valent pneumococcal conjugate vaccine under development caused 67% of IPD in period 3.

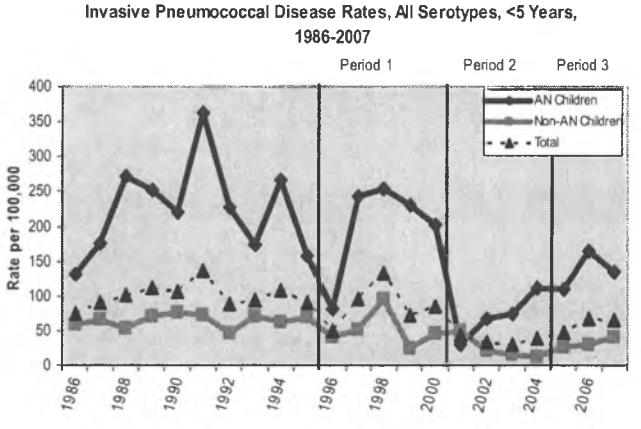


FIGURE 1. Invasive pneumococcal disease (IPD) in Alaskan children less than 5 years of age, 1986 to 2007, cases/100,000 children/y. Total rate (lines with triangles), rate in non-Alaskan Native children (lines with boxes) and rate in Alaskan Native children (lines with diamonds).

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TABLE 1. Rates of Invasive Pneumococcal Disease (IPD) by Race, Geographic Location and Time Period, Alaskan Children <5 Year of Age

	Period 1, 1996–2000	Period 2, 2001–2004	Period 3 2005–2007	*P* Period 1 vs. 2	*P* Period 2 vs. 3
Rate of total IPD (cases of IPD/100,000 children <5)					
All	97 (242)*	41 (83)	63 (101)	<0.001	0.003
Alaska native–all	227 (135)	77 (42)	142 (62)	<0.001	0.002
YK	547 (81)	148 (18)	426 (40)	<0.001	<0.001
Other rural	87 (25)	59 (16)	87 (18)	0.2	0.3
Urban	182 (29)	53 (8)	30 (4)	0.001	0.3
Alaska non-native–all	56 (107)	27 (41)	32 (37)	<0.001	0.5
Rural	34 (18)	26 (11)	24 (8)	0.5	0.9
Urban	65 (89)	28 (30)	34 (29)	<0.001	0.4
Rate of IPD caused by serotypes in PCV7 (cases of PCV 7 serotype IPD/100,000 children <5)†					
Alaska native					
YK	344 (51)	8 (1)	0	<0.001	0.4
Other rural	70 (20)	11 (3)	10 (2)	<0.001	0.9
Urban	133 (18)	0	0	<0.001	—
Alaska non-native					
Rural	28 (15)	7 (3)	0	0.02	0.1
Urban	49 (67)	11 (12)	0	<0.001	<0.002
Rates of IPD caused by serotypes not in PCV7 (cases of non PCV 7 serotype IPD/100,000 children <5)†					
Alaska native					
YK	142 (21)	124 (15)	405 (38)‡	0.7	<0.001
Other rural	14 (4)	47 (13)	77 (16)‡	<0.02	0.2
Urban	38 (6)	47 (7)	30 (4)	0.7	0.5
Alaska non-native					
Rural	5.7 (3)	19 (8)	24 (8)‡	0.06	0.6
Urban	10 (14)	13 (14)	34 (29)‡	0.5	0.002

*Number of cases in parentheses.
†Serotype specific rates represent cases in which serotype information is available.
‡Rate in period 3 significantly greater than rate in period 1, $P < 0.02$.

Clinical Presentation

The proportion of AN children IPD case-patients with pneumonia rose from 62% (period 1) to 71% (period 3, $P > 0.05$). A higher proportion of YK case-patients had pneumonia (80%) than AN children from outside of YK (54%, $P < 0.01$). The proportion of non-AN children case-patients with pneumonia rose from 17% in period 1 to 30% in period 3 ($P = 0.05$). AN children case-patients were more likely to have pneumonia than non-AN children in each time period ($P < 0.01$), while non-YK AN children did not differ significantly from non-AN children. Seven to 15% of case-patients had meningitis, with no significant difference by race or time period. The case fatality rate ranged from 1.7% to 2.5%, with no significant difference by race or time period.

Underlying Diseases

Information on underlying diseases was available for at least 94% of patients in periods 2 and 3, but only 39% of patients from period 1. Among those with information, 12%, 18%, and 38% reported underlying diseases in periods 1, 2, and 3, respectively ($P < 0.01$ for period 1 or 2 compared with period 3). During periods 2 and 3,YK-AN children were more likely to report an underlying illness (22% and 49% for period 2 and period 3, respectively) than non-YK-AN children (21% and 43%, respectively), or non-AN children (10% and 19%, respectively) though the differences between population groups within a time period are not statistically significant.

Asthma was a common underlying disease reported for YK-AN children (11% and 24% of YK-AN children in periods 2 and 3, respectively). In contrast, 8% and 4% of non-YK-AN children cases reported these diseases in period 2 and 3, respectively, and 2% and 8% of non-AN children cases reported asthma during the same time periods. The only other commonly reported underlying disease, congenital anomalies or abnormalities, was reported in 5% to 13% of each group in period 2 and 15% to 17% of each group in period 3. Thus, the increase in proportion of children with an underlying disease is likely attributable to both (1) a general increase in reporting underlying disease and (2) an increasing proportion of all cases occurring in YK-AN children (22% of cases in period 2 and 41% of cases in period 3), in whom asthma was more commonly reported in all periods.

Geographic Variation in IPD Rates and Socioeconomic Risk Factors for IPD

IPD rates in the postvaccine era (periods 2 and 3 combined) varied widely among geographic regions in Alaska (Table 3). YK had significantly higher rates of IPD (267 cases/100,000 children <5) than the 3 next highest regions (67, 94, and 80/100,000, $P < 0.0001$), which in turn had higher rates of IPD than other regions (all <45/100,000, $P = 0.004$). YK had the lowest average annual per person family income and the highest number of average persons per household (Table 3). YK also had the smallest proportion of houses with piped, in-home water service (61%). YK differed significantly in water service level, household size, and per capita income from the other regions (MANOVA, $P < 0.01$).

Within YK communities identified as having low water service the rate of IPD was 391/100,000 children <5 years old; communities with midlevel water service had a rate of 263/100,000 and communities with high water service had a rate of 147/100,000 (*P*-for trend = 0.008, Table 4). The association between IPD rate and water service remained statistically significant when stratified by income per person, median family income, median household size, and proportion of houses heated with wood ($P < 0.02$ for each comparison, data not shown).

DISCUSSION

IPD decreased in Alaska immediately after introduction of PCV7, but increased in subsequent years, especially in YK-AN

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TABLE 2. Most Common *S. pneumoniae* Serotypes Causing Invasive Pneumococcal Disease (IPD) in Alaskan Children <5-Year-Old by Time Period

Serotype	Period 1: 1996-2000 Cases, (%)	Period 2: 2001-2004 Cases, (%)	Period 3:2005-2007 Cases, (%)
14* (PCV7)	67 (31)‖	7 (9)	-
6B* (PCV7)	30 (14)	4 (5)	-
19F* (PCV7)	27 (12)	2 (3)	-
18C * (PCV7)	15 (7)	2 (3)	-
9V * (PCV7)	12(6)	1 (1)	1 (1)
23F * (PCV7)	11 (5)	3 (4)	1 (1)
19A*	10 (5)	18 (24)	30 (31)
4 * (PCV7)	9 (4)	-	-
6A*	8 (4)	4 (5)	6 (6)
1*	7 (3)	-	-
7F*	5 (2)	2 (3)	20 (20)
38	†	5 (7)	1 (1)
33F	3 (1)	4 (5)	4 (4)
15C	1 (0.5)	3 (4)	1 (1)
22F	3 (1)	3(4)	4 (4)
10A	†	3 (4)	2 (2)
15B	1 (0.5)	3 (4)	1 (1)
12F	†	2 (3)	6 (6)
3*	†	2 (3)	6 (6)
8	†	2 (3)	-
22A	1 (0.5)	2 (3)	1 (1)
23B	†	1 (1)	3 (3)
15A	1 (0.5)	-	2 (2)
16F	†	-	2 (2)
35F	1 (0.5)	-	2 (2)
9N	2 (1)	-	2 (2)
17F	§	1(1)	1 (1)
% of IPD (top 3 serotypes)	58%	41%¶	58%¶
% of IPD (top 5 serotypes)	71%	51%¶	71%¶
% of IPD (top 10 serotypes)	92%	73%¶	86%¶
% of IPD (PCV7 serotypes)	80%	26%¶	2%¶
% of IPD (6 additional serotypes in PCV13)	13%	35%¶	65%¶
% of IPD (PCV13 serotypes)	92%	61%¶	67%¶

*In 13-valent pneumococcal conjugate vaccine.
†Isolated from IPD in Alaskan children <5 yr of age in 86–95.
‡No IPD, but present in carriage specimens from period 1 IPD.
§Isolated from Alaskan adults during period 1.
¶P value <0.05 when compared with previous period.
‖Shading shows rank-ordered serotypes included in cumulative frequency of ≥90%.

TABLE 3. Water Supply, Socioeconomic Data and Invasive Pneumococcal Disease (IPD) Rates (2001–2007) by Region Within Alaska

Region	Total Population Size	Population (<5 Years of Age)	% of Population Alaska Native	No. Villages	Overall Rate of IPD <5 Years of Age (Cases)	Socioeconomic Factors: Proportion of Households With Water Service	Socioeconomic Factors: Median Persons/Household	Socioeconomic Factors: Per Capita Income ($1000)	Socioeconomic Factors: Median Family Income ($1000)
YK	23,415	3024	88%	50	267 (59)	61%	4.7	6.5	33.2
A	7965	900	86%	13	94 (6)	86%	4.4	14.7	58.1
B	9196	1045	79%	17	80 (6)	72%	3.8	9.8	40.9
C	7445	675	73%	26	67 (3)	89%	3.4	17.0	57.4
D	6346	685	71%	7	44 (2)	100%	3.9	17.4	68.2
E	259,889	21,069	10%	1	37 (57)	100%	3.2	20.0	63.7
F	143,494	9693	12%	124	37 (27)	95%	3.3	17.8	56.9
G	96,228	7970	14%	66	29 (16)	92%	3.1	14.9	46.8
H	72,954	4743	22%	43	25 (8)	95%	3.1	19.8	62.4

children. By 2007, IPD rates in YK-AN children were again 5 to 10 times higher than in other populations in Alaska. We characterized potential contributors to this persistent increased risk, and identified a significant association of IPD with lack of in-home water supply.

Among Alaska regions, YK has the lowest per capita income, the largest households and the lowest proportion of villages with a piped water supply. Within YK, lack of piped water was significantly associated with risk of IPD (controlling separately for per capita income, household crowding, and wood heating in the home). The most likely explanation for such an effect is that reduced availability of water decreases handwashing, leading to increased transmission of respiratory pathogens. A randomized trial of handwashing in Pakistan showed 50% lower rates of lower respiratory tract infection in the hand-washing group.[16] Reduction in risk of respiratory disease was associated with handwashing in a military population,[17] for SARS transmission,[18] and for respiratory infections in general.[19] For IPD, the implications of increased person-to-person transmission of respiratory pathogens may be 2-fold–(1) enhanced spread of pneumococcal colonization and (2) increased transmission of other respiratory viruses that could facilitate development of IPD among persons colonized with pneumococci. The impact of water supply on IPD appears to be unrelated to water purity or contamination. Neither study identifying water supply as a risk factor for increased rates of hospitalization for skin and respiratory infection in Alaska found an associated increase in diarrheal diseases.[11,12]

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TABLE 4. Rates of Invasive Pneumococcal Disease (IPD) in Children <5 yr of Age in YK, 2001–2007 by Water Service Level and Socioeconomic Factors

Socioeconomic Factor	Socioeconomic Level	IPD Rate (Cases/100,000 per Year)	Univariate *P*
Water service	<10%*	390.9	0.008
	10%–80%*	262.9	
	80%+*	146.7	
Income per person	<$6000 per year	286.3	0.71
	≥$6000	256.6	
Median family income	<$32,000 per year	302.6	0.33
	≥$32,000	232.4	
Household size	≥5 persons	345.0	0.06
	<5 persons	199.2	

*Of homes served with running water.

The retrospective, observational nature of our study limits our ability to conclusively define the role of water supply in IPD in Alaska. It is possible that the elevated risk we identified represents the impact of other factors associated with water supply. Data from other sources provides some information on the potential role of other putative risk factors. Several studies suggest a slightly higher prevalence of underlying illnesses associated with risk of IPD[6,7,10,20] among AN children, including major birth defect anomalies,[21] low birth weight,[22] and anemia.[23] In period 3, 49% of YK-AN children and 43% of non YK-AN children with IPD reported an underlying disease. While increased rates of children with underlying disease may contribute to increased overall IPD rates, even if all cases reporting underlying disease are removed from the analysis, rates of disease in YK-AN children was still 4-fold greater than the rate in non- YK-AN children. Thus, while presence of underlying diseases increases risk for IPD, they do not explain the increase in rates observed in YK-AN children.

Behavioral risk factors associated with IPD in children include day care attendance, household crowding, lack of breast-feeding, and possibly indoor air pollution, the most likely correlate of which in Alaska is use of wood for heating.[5–7,20,24] Some data is available to address their potential contribution to increased rates of disease in YK-AN children. There are 8 licensed day care facilities in the Southwest region of Alaska, which includes YK. In contrast, there are 5 times more daycare facilities per unit population elsewhere in Alaska.[25] Thus, licensed day care attendance is unlikely to be a major contributor to increased risk of IPD in YK-AN children. Most (76%) women in Southwest Alaska are breast-feeding their babies at 4 weeks postpartum, well within the range of all regions in Alaska (70%–86%), therefore, differential breast-feeding rates do not appear to contribute to the disparity in risk.[26] Finally, according to US Census data, the proportion of homes heated with wood was low in YKD, did not differ significantly among water service categories (range among water service categories, 8.9%–10.5%) and thus did not contribute to the increased risk attributed to lack of in-home water supply. We addressed household crowding and income level directly in the analysis (Results section, and Table 4) and demonstrated that the association of IPD with water supply was independent of these risk factors. Additional study is needed to confirm this association since it is possible that other unidentified covariates may contribute to the apparently increased risk associated with lack of in-home water use. A prospective evaluation of the impact of provision of in-home piped water on infectious diseases in AN people is now underway.

The interaction of several factors led to multiple levels of risk in Alaska (Table 1). In all groups, from YK-AN children (highest risk) to non-AN rural children (lowest risk), introduction of PCV7 was accompanied by rapid disappearance of vaccine-type IPD. In 4 of 5 population groups, disappearance of PCV7 strains was followed by statistically significant increases in rates of disease caused by nonvaccine strains. As a result, the net impact of PCV7 in Alaskan children (where 80% of baseline disease was caused by vaccine type strains) was a 30% decline in IPD. This finding contrasts with the experience in the general US population, where overall disease rates in children <5 years of age fell from 99 to 23 cases/100,000 between 1998 to 1999 and 2004 (a 77% decrease) and rates of nonvaccine type IPD rose minimally.[27] Rates of IPD in White Mountain Apache children less than 2 years old in Arizona decreased from 470 to 120/100,000 after PCV7 introduction, with no increase in nonvaccine type IPD.[28] In Spain and France, countries with substantially lower PCV7 coverage rates, a modest overall reduction in rates of vaccine type IPD (21% and 40% decrease in children <2, respectively), was associated with a marked increase in nonvaccine type IPD rates (85% and 530%, respectively).[29,30] However, both studies noted an overall increase in IPD rates in the postvaccine era, and the impact of concurrent changes in surveillance methodology was unclear.[31] While long-term follow-up from a vaccine efficacy trial in South Africa suggests an increase in nonvaccine serotype IPD, data from other developing countries with population-wide use of PCV7 is not yet available.[32]

Several factors may contribute to the differences observed in nonvaccine serotype IPD in the postvaccine era. High rates of IPD in AN children are propelled by intense transmission of the pathogen and possibly viral cofactors, by household crowding, lack of piped water supply, and other unidentified factors. IPD after PCV7 introduction is likely a function of (1) level and duration of coverage with PCV7, (2) underlying transmission characteristics operating in the population of concern, (3) host characteristics, and (4) invasiveness of existent serotypes.[33] The complex interplay between these and other factors is illustrated by varying patterns of replacement noted in Alaska, the rest of the United States, and western Europe.

Our findings on incidence and serotype distribution are limited by the small population size leading to small numbers of cases and increased variability of the point estimates. Long-term surveillance is important to confirm the trends we identified. It is also possible that variations in surveillance sensitivity exist. However, increased sensitivity would only lead to even more elevated rates of IPD, emphasizing the importance of addressing key risk factors. In addition, the association of IPD with water supply was noted not only across regions (where some variation in surveillance capacity is possible), but also within the highest risk region (where surveillance is uniform), suggesting it is not a surveillance artifact. While IPD rates were available each year, data on crowding and income were projected from the 2000 census, and though changes in these parameters could have occurred over the course of the study, it is unlikely that these parameters changed substantially. Finally, the association between water service and IPD rates was demonstrated at the village level, and may not represent the strength of the association at the individual or household level.

High rates of IPD in Alaska are associated with lack of in-home piped water, an effect most likely mediated through limitations on handwashing. The pattern of emergence of serotypes after vaccine introduction highlights the potential of broader spectrum pneumococcal vaccines and the importance of continued surveillance, especially in developing countries where environmental conditions predispose to high risk of IPD. While develop-

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ment of vaccines with broader coverage will undoubtedly reduce IPD burden, addressing infrastructure disparities such as in-home water supply may be a key component for controlling IPD in Alaska and other areas where such risk factors for IPD exist.

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Rural Alaska Sanitation
Bush Caucus Briefing

February 17, 2012

Presented by

The Alaska Department of Environmental Conservation
&
The Alaska Native Tribal Health Consortium

Handouts For Discussion:

A. Status of Efforts

B. Types of Water and Sewer Systems

C. Status of Water and Sewer Household Service Delivery in Rural Alaska

D. Population that Would Directly Benefit From Rural Water & Sewer Projects Identified as Meeting Critical Health Needs

E. The Cost of Addressing Needs is Escalating While Funding Declines

F. Water and Sewer Services in Arctic Communities: What makes Alaska different?

G. Construction Project Scoring Criteria

H. Current Agency Coordination Efforts: State and Federal Resources

I. New Technology for Rural Alaska Water and Sewer Needs: An Imperative with No Time to Loose

RURAL ALASKA SANITATION:
Status of Efforts – February 2012

Long Term Progress

As recently as 30 years ago, fewer than 25% of rural Alaska households had running water and flush toilets. In 1996 when the State first began its statewide rural sanitation survey, 55% of rural homes had piped or covered haul service. Today, approximately 75% of rural homes have indoor plumbing. (This estimate omits regional hubs such as Kotzebue and Bethel, as these larger communities tend to skew the analysis.) The progress made in improving rural sanitation conditions is significant, with an average of 1.5% of rural homes receiving first time service per year.



Recent Progress

Because of high levels of federal funding since 2000, work on several community systems was initiated and is now completed or nearing completion. Prior to hooking up homes for the first time, significant design and construction work must take place on core facilities such as water source development, water treatment and storage, and sewage treatment and disposal. The following first-time running water and sewer systems have been under construction for several years, and are currently scheduled to have a total of nearly 2,000 homes connected between 2009 and 2015:

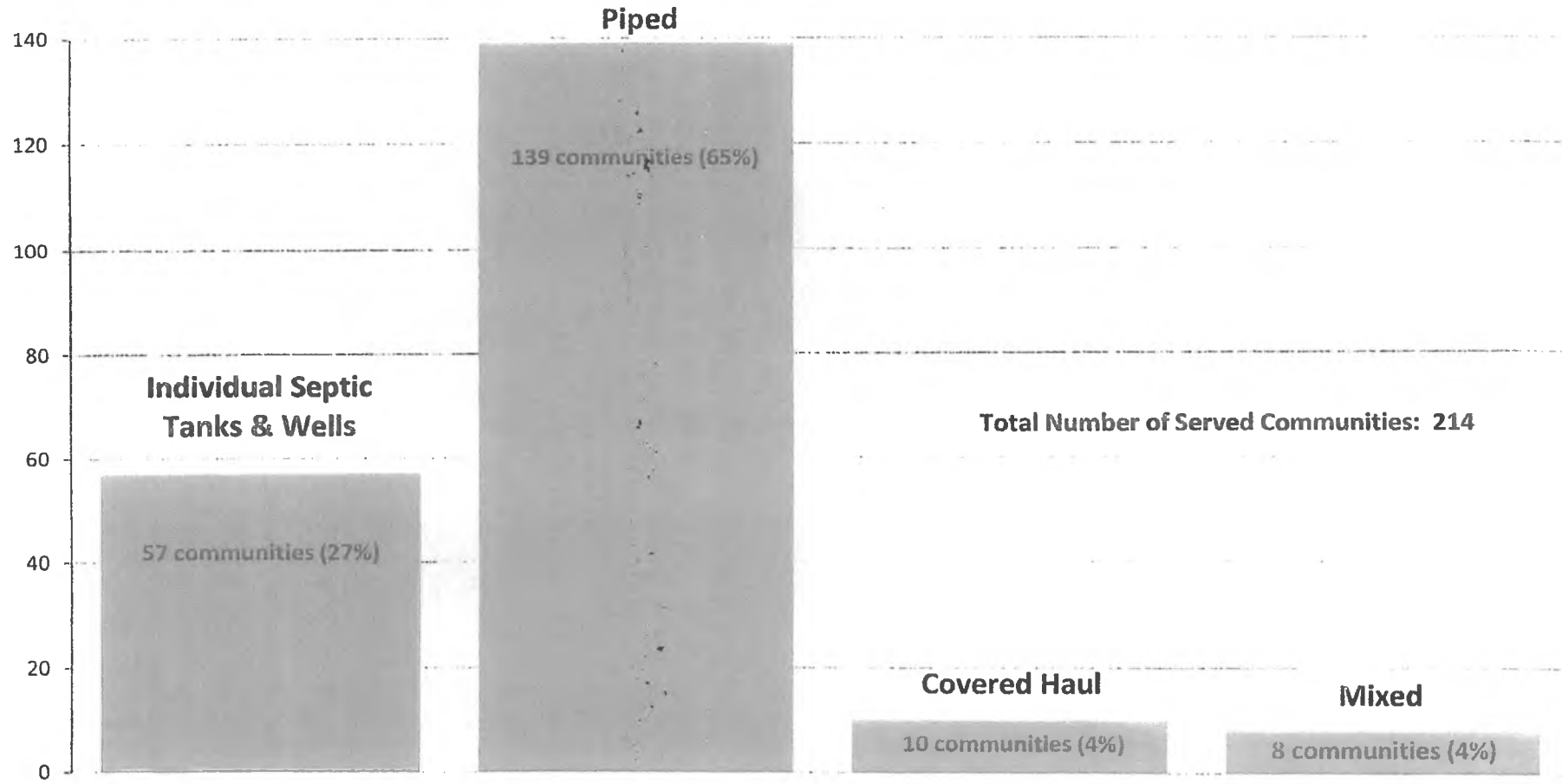
- Akiak
- Buckland
- Chuathbaluk
- Fort Yukon
- Goodnews Bay
- Hooper Bay
- Hughes
- Kasigluk
- Kwigillingok
- Pilot Point
- Pitkas Point
- Nunam Iqua
- Quinhagak
- Slana

State and federal funding invested to date in providing these fourteen villages with running and water and sewer is well over $100 million. Recent decreases in funding levels have slowed progress. Without significant future investments, completion of additional projects will be deferred.

Rural Alaska Sanitation

Types of Water and Sewer Systems

B.



Notes: Data set includes served communities and communities with system construction nearing completion.
A served community is defined as one in which 55% or more of homes are served by a piped or covered haul system.

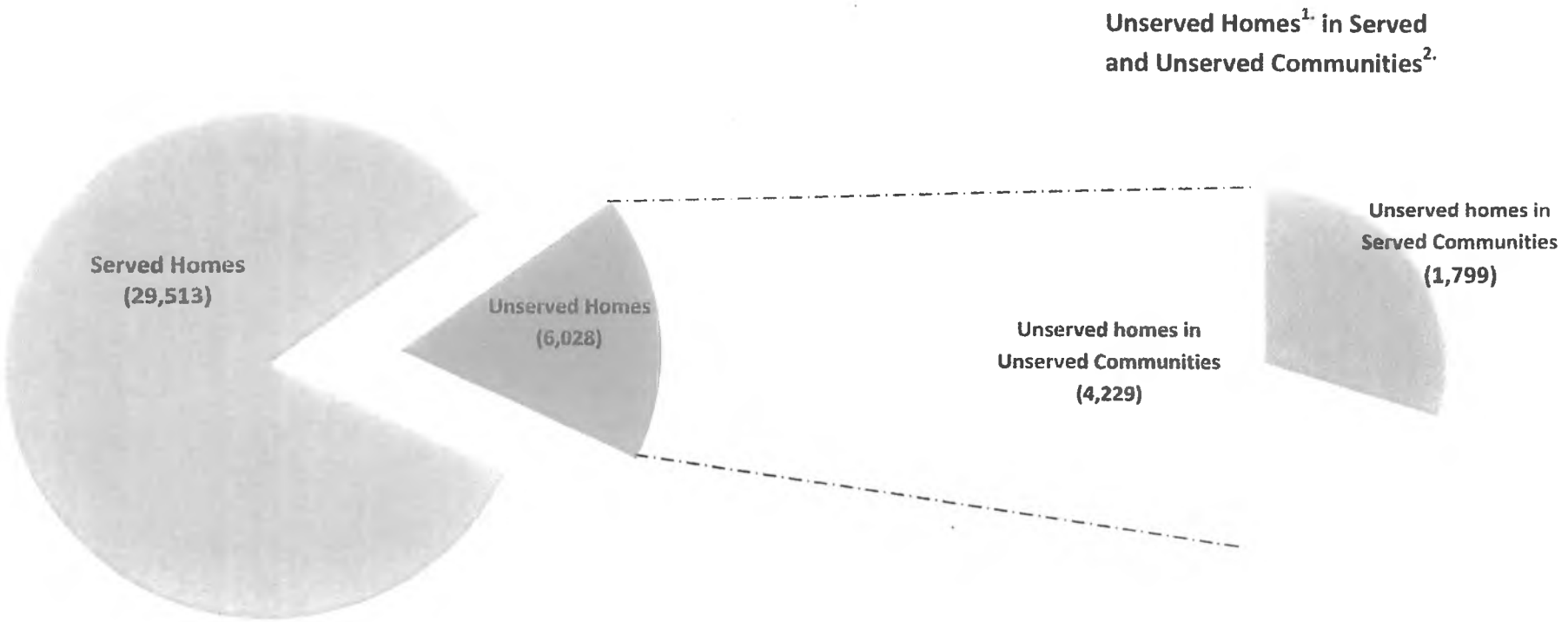
Optimal System: **Individual Septic Tanks & Wells.** Always recommended where soil and water conditions allow.
Second Line Option: **Piped.** Higher capital and operating costs than septic and wells.
Third Line Option: **Covered Haul.** Recommended alternative if individual septic/wells and pipes are not feasible. Often has higher operating costs than piped systems.
Fourth Line Option: **Mixed.** Only recommended when utilization of a single system type is not feasible or practical.

C.

Status of Water and Sewer Household Service Delivery in Rural Alaska

Alaska Department of Environmental Conservation

February 2012



Note: This data is comprised of housing information for all communities that meet federal funding agencies definition of "rural" and includes larger communities and regional hub communities. Only year round occupied homes are included in this data.

1. An unserved home is one which is not connected to an onsite or community piped or closed haul system.
2. An unserved community is one in which less that 55% of residences are connected to an onsite or community piped or closed haul system.

D.

Population that Would Directly Benefit From Rural Water & Sewer Projects Identified as Meeting Critical Health Needs

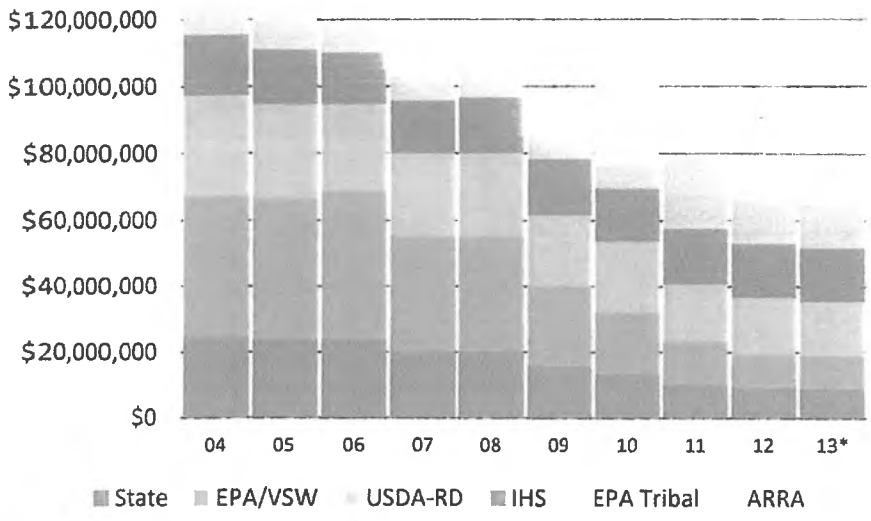


First Service Projects provide piped or covered haul water and sewer systems to residents in communities that have never had these services. These projects would benefit 14,176 residents in over 40 communities.

Expansion, Upgrade, and Replacement Projects address critical health threats posed by existing systems that have exceeded their original design life, are not meeting health standards, are undersized, or are not serving all residents. These projects would benefit 35,622 residents in over 100 communities.

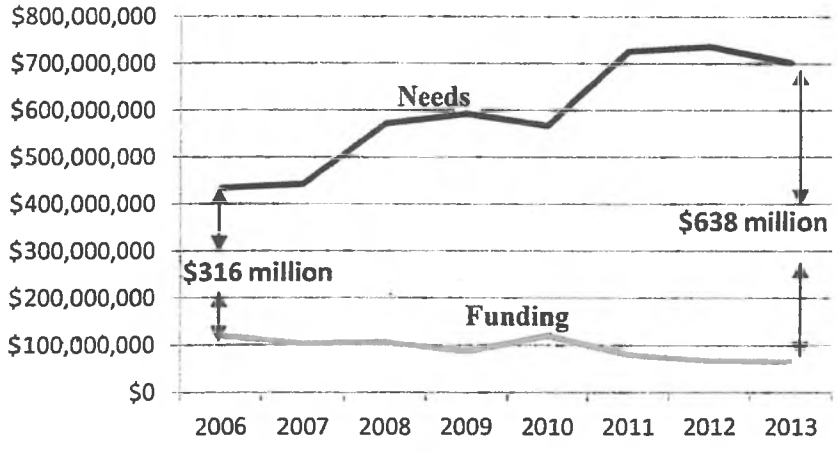
Rural Alaska Sanitation

The Cost of Addressing Needs is Escalating While Funding Declines



Funding for Rural Alaska Sanitation Projects.

Total annual federal and State funding for rural Alaska water and sewer projects has declined by 49% over the last nine fiscal years (from $127 million to an estimated $65 million).

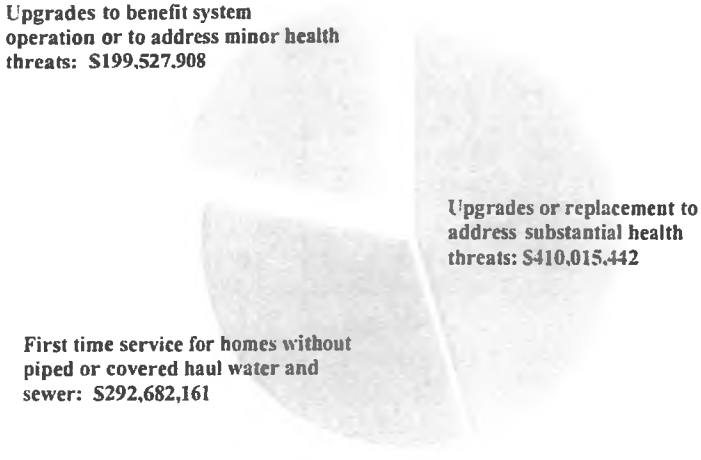


The Growing Gap Between Critical Needs and Available Funding.

While funding has decreased, the cost of addressing critical health related rural sanitation needs (such as homes without running water and flush toilets or inadequately treated drinking water) has increased by over 60% since SFY 2006. This increase is due to a variety of factors including inflation, aging facilities, and more stringent regulations.

The current disparity between available funding and the cost of addressing critical health related needs is approximately $638 million – over a 100% increase since SFY 2006. If funding remains at status quo, this gap will continue to grow exponentially.

**Note: SFY2013 dollar amounts for EPA/VSW and USDA-RD are based on actual appropriations. All other funding amounts are estimates.*



The graph above only includes two types of needs– (1) first time service for homes without piped or covered haul, and (2) upgrades or replacement to address substantial health threats. These two categories are typically combined and referred to as "critical health needs". The above graph excludes a third category of needs - upgrades to benefit system operation or to address minor health threats as these are considered secondary. As shown on the pie chart to the left, these excluded needs amount to approximately $200 million. Also excluded from the above graph and from the pie chart are repair and maintenance needs since these are considered the responsibility of communities and are not eligible for federal funding.

F.

Water and Sewer Services in Arctic Communities: What makes Alaska different?

Alaska Department of Environmental Conservation
February 2012

1. U.S. wastewater and drinking water regulations are the most stringent in the world.

   - Many arctic nations, including Canada, Greenland and Russia, allow raw sewage to be discharged into oceans or rivers.

   - Some other arctic nations allow water to be treated to standards for purposes other than drinking. In the US there is only one regulatory standard – which is for drinking water.

2. The US is one of the only arctic nations that doesn't provide a federal subsidy for operation and maintenance of rural water and sewer systems.

   - The following arctic nations provide some level of subsidy funding for operation and maintenance of water and sewer systems in small, remote villages:
     - Canada
     - Russia
     - Finland
     - Norway
     - Sweden
     - Greenland • into water-
     - Iceland

3. In some arctic nations, including Canada, the federal government chose to consolidate rural populations in order to make service delivery more economical. While this has not taken place in Alaska as a matter of policy, many rural residents have made the decision to relocate in order to have access to improved and more affordable services.

Construction Project Scoring Criteria

Category	Criterion	STATE CIP Points	TRIBAL SDS Points
Health Impact *(limited to one)*	***First Service:*** *Majority of project costs are associated with providing fully piped, closed haul, or onsite water and wastewater service to homes not previously served at the proposed service level.*	*350*	*30*
	Regulatory Compliance: *Majority of project costs are associated with addressing "verified" facility-related regulatory compliance. (DEC drinking water or wastewater program verification Required)*	*300*	*25*
	Essential Upgrades: *Majority of project costs are associated with water/sewer system upgrades or replacement of existing system components that have exceeded their capacity or design life, resulting in present and continuous compromises in health benefits of system and representing a clear and substantial health hazard.*	*175*	*15*
	Beneficial Upgrades: *Majority of project costs are associated with upgrades to increase operational efficiencies or system component upgrades that address intermittent compromises affecting the health benefits of the system. Includes all solid waste improvements.*	*50*	*7*
	Desired Upgrades: *Majority of project costs are associated with upgrades that are not considered "Essential Upgrades" or "Beneficial Upgrades" as defined above.*	*0*	*0*
Project Status & Relationship to other Projects	Project is related to other funded infrastructure project(s)	75	-
	Other existing, mobilized water & sewer project(s) funded and scheduled for construction in 2007	100	-
	Percentage of project cost contributed by agencies other than IHS.	-	8*
Deficiency Level	Initial deficiency level of homes served by project. (Highest deficiency level receives highest points.)	-	18*
Capital Cost	Cost-per-home in comparison with the average unit cost for the provision of all water, sewer, and solid waste services.	-	16*
Tribal Points	Assigned by Regional Health Organizations	-	16*
Application Quality	Information is complete and consistent throughout, and supports the goal of providing safe, sustainable water supply and sewage disposal to community residents.	75	-
Local Capacity	See Local Capacity Scoring Criteria details below	400*	16*
	Total Possible Points	**1000**	**104**

* Maximum number of points available for this criterion. Partial points may also be awarded.

*Local Capacity Scoring Criteria

Category	Criteria	CIP Points	SDS Points
Primary Operator Certification *(limited to one)*	*Primary Operator is certified at the required water treatment level*	*105*	*5*
	Primary Operator is certified for water treatment at any level	*70*	*3*
	Primary Operator is certified for water distribution, or waste water treatment or collection at any level	*20*	*1*
Backup Operator Certification *(limited to one)*	*Backup Operator is certified at the required water treatment level*	*35*	*2*
	Backup Operator is certified for water treatment or distribution, or wastewater treatment or collection at any level	*20*	*1*
Utility & Financial Management	Utility Manager has completed a DCED-Approved Utility Management course or other college-level management training course	35	2
	System is Provisionally Certificated or Regulated by the Regulatory Commission of Alaska (RCA) OR Utility is exempt from regulation *(documentation required)*	50	1
	Collection Rate is 80% or greater *(documentation required)*	50	1
Regulatory Compliance	System is not on the current Significant Non-Compliance List for violation of the Total Coliform Rule	75	3
	System is not on the current Significant Non-Compliance List for violation of any operation-related violation(s)	50	2
	Total Possible Local Capacity Points	**400**	**16**

Current Agency Coordination Efforts: State and Federal Resources

Primary Funding Sources for Sanitation Facilities in Alaska

1. Alaska Funding (75% federal with a 25% State match)
   a. US Environmental Protection Agency (EPA), Alaska Native Village Grants (ANV)
   b. US Department of Agriculture, Rural Development (RD), Rural Alaska Village Grants (RAVG)
2. Tribal Funding
   a. US EPA Safe Drinking Water Act funding
   b. US EPA Clean Water Act funding
   c. Indian Health Service (IHS) funding

State, federal, and tribal agencies are closely coordinated and aligned in Alaska

1. Common database for unmet needs and project information, the Sanitation Deficiency System (SDS) – Updated each summer
2. Common housing information system – Updated each spring
3. Frequent multi-agency meetings to coordinate and align agency activities related to sanitation facilities
4. Multi-agency evaluation and scoring committee – Annual cycle of meetings
   a. Common scoring criteria for all projects
5. Written agreements between all agencies using common language and terminology
   a. Alaska Funding
      a. EPA ANV Funding – 2006 Memorandum of Understanding between:
         i. EPA and the State of Alaska
         ii. State of Alaska and IHS
      b. RD RAVG Funding – 2011 Memorandum of Understanding between:
         i. RD, Alaska Native Tribal Health Consortium (ANTHC), State of Alaska, and IHS
   b. Tribal Funding
      a. EPA Clean Water and Safe Drinking Water Acts
         i. Interagency Agreement between EPA and IHS
         ii. Funding agreements between IHS, ANTHC, State of Alaska
      b. IHS Funding
         i. Funding agreements between IHS, ANTHC, State of Alaska

New Technology for Rural Alaska Water and Sewer Needs:
An Imperative with No Time to Loose

Alaska Department of Environmental Conservation
Village Safe Water Program
February 17, 2012

Background

Over the past half century, more than $2 billion has been spent on improving water and sewer services in rural Alaska. Nearly every Alaska village is now served with some combination of the following four service levels:

- Washeterias and watering points – This service level does not provide water or sewage removal for homes which means that the basic health benefits of running water and and flush toilets are not realized.
- Individual wells and septic systems – These systems are not feasible in most of the state, and wells and septic systems are often located too close together.
- Water and sewer covered haul systems – This service level has high operating costs which often means that homeowners self-limit water use and therefore don't realize many of the health benefits associated with running water and sanitary sewage removal.
- Piped water and sewer systems – This service level provides centralized treatment and storage and piped distribution which requires high construction and operating costs.

Fiscal realities dictate that current approaches to addressing rural Alaska water and sewer needs are no longer achievable or sustainable:

- Many villages still lack running water and sewer or require major improvements to keep their systems operational.
- Current funding is not adequate to serve remaining unserved homes and make improvements to existing systems required for healthy living.
- New technologies are needed to address health problems associated with water and sewer system deficiencies.

New Technology for Centralized Systems: Limited Potential for Cost Reduction

Like nearly everywhere else, when homes in Alaska villages are provided with water and sewer service, it comes from some kind of centralized system. These systems usually have a single source of water that is treated to full regulatory compliance, and stored in a centralized location, usually requiring heat addition. The water is then distributed to homes throughout the community via pipes (usually requiring heating systems), trucks or trailers. Sewage is collected in a similar manner (often requiring heating systems) and is treated and disposed of at a centralized facility. This kind of system is extremely expensive

to build and operate in small, isolated communities. Capital costs routinely exceed $200,000 per home and can cost more than twice this amount. The monthly user cost for operating these systems is often more than 5% of monthly household income in many villages, whereas 1% or 2% is the norm in urban areas.

New technologies for centralized systems are helping to reduce operating costs but not to the extent that current funding levels demand. Energy saving heating and electrical systems, alternative energy, improved monitoring and controls, and more effective water treatment approaches are being employed to an ever-increasing extent, but these improvements can only help to reduce costs to a limited extent. They won't overcome the fundamental challenge of heating water and sewer distribution and collection systems to prevent freezing.

New Technology for Decentralized Systems: High Potential for Cost Reduction

Decentralized water and sewer systems have historically been limited to individual water wells and septic sewage systems. These have a limited range of feasibility in Alaska. Most villages lack adequate ground water and/or the kinds of soil that will work for septic systems.

For most of the past 50 years, alternative individual household water and sewage treatment systems have been considered too complicated and expensive, or simply infeasible in places where maintenance and repair services are not available.

There a number of new water and wastewater treatment, minimization, and recycling technologies that have been developed for such diverse uses as the space industry, recreational vehicles, boats, and disaster response. These proven technologies, along with ones that are not yet available commercially, have great potential for use in rural Alaska homes, multi-family housing, and housing clusters. These technologies could potentially eliminate the need for treating, storing and distributing drinking water. They could also reduce or eliminate the need for wastewater collection and disposal.

In order to identify, evaluate and test the most promising new technologies for use in rural Alaska homes, an innovative and aggressive approach will be needed. This approach will require a high degree of collaboration between the State of Alaska, universities and research centers, and the private sector.

The 2013 Governor's Capital Budget includes $1 million to jump start a comprehensive research and development effort.

Rural Alaska Sanitation
Bush Caucus Briefing

February 17, 2012

Presented by
The Alaska Department of Environmental Conservation
&
The Alaska Native Tribal Health Consortium

Handouts for Reference:

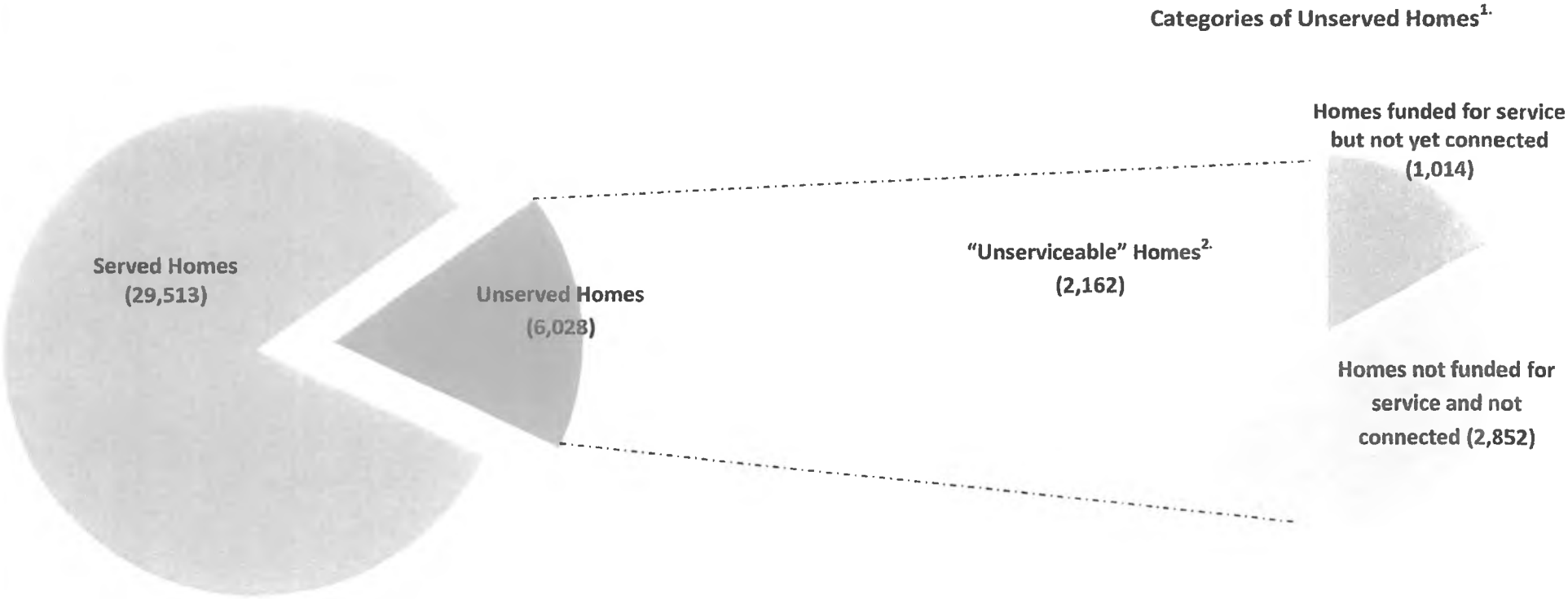
1. Status of Water and Sewer Service Delivery in Rural Alaska – Categories of Unserved Homes
2. Distribution of Unserved Homes by Region
3. Distribution of First Service Needs by Region
4. Distribution of Expansion, Upgrade, and Replacement Needs by Region

Status of Water and Sewer Service Delivery in Rural Alaska

Alaska Department of Environmental Conservation

February 2012

1.

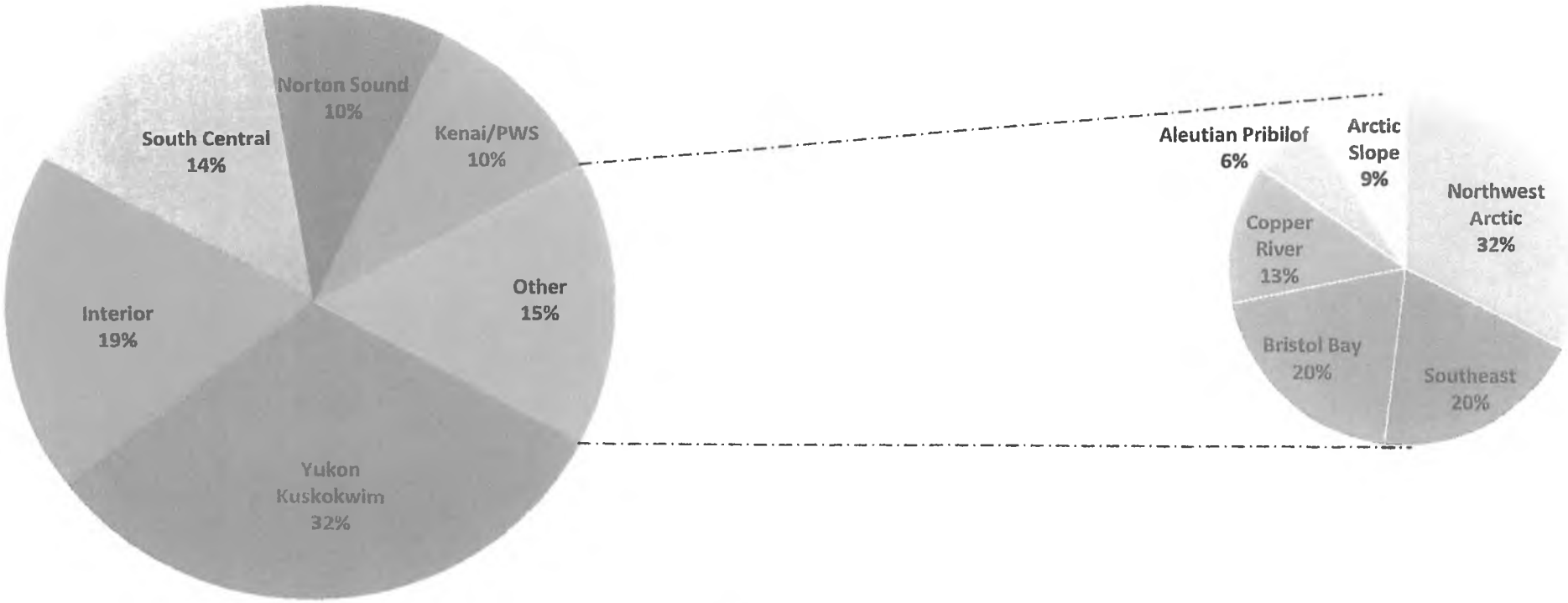


Note: This data is comprised of housing information for all communities that meet federal funding agencies definition of "rural" and includes larger communities and regional hub communities. Only year round occupied homes are included in this data.

1. An unserved home is one which is not connected to an onsite or community piped or closed haul system.
2. An unserviceable home is one that is located in an area where septic tanks and wells are not feasible and is too far away from the "core" area of a community making extending piped service or providing vehicle access for flush/haul vehicles unreasonably expensive.

Distribution of Unserved* Homes By Region Based on Number of Homes

Alaska Department of Environmental Conservation
February 2012



Total Number of Unserved Homes: 6,018

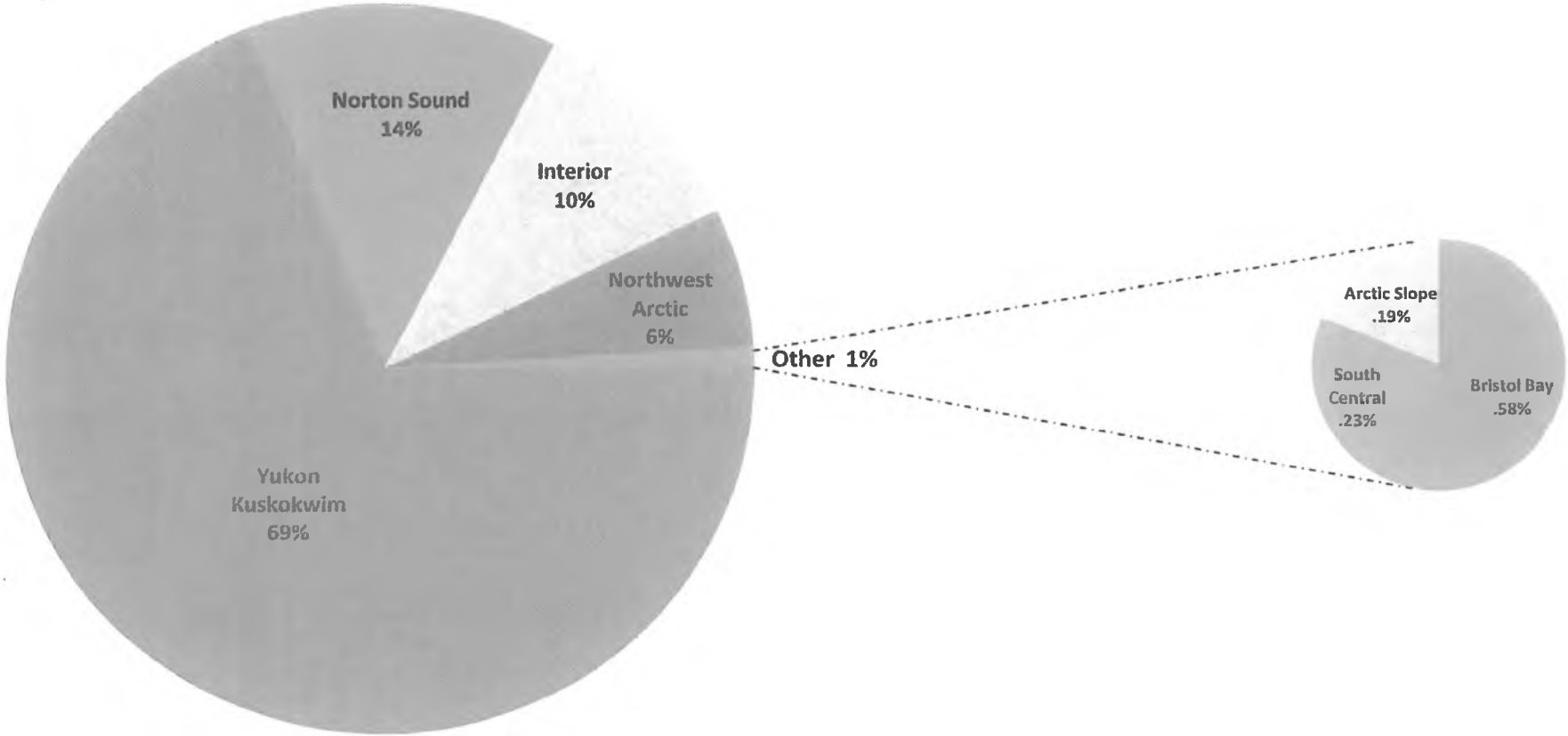
*An Unserved Home is defined as year round occupied house which does not have piped or covered haul water and sewer service.

(Percentages are based on estimated number of unserved homes in each region)

ource: Department of Environmental Conservation and Alaska Native Tribal Health Consortium 2011 House Count.

Distribution of First Service Needs by Region Based on Project Cost

Alaska Department of Environmental Conservation
February 2012



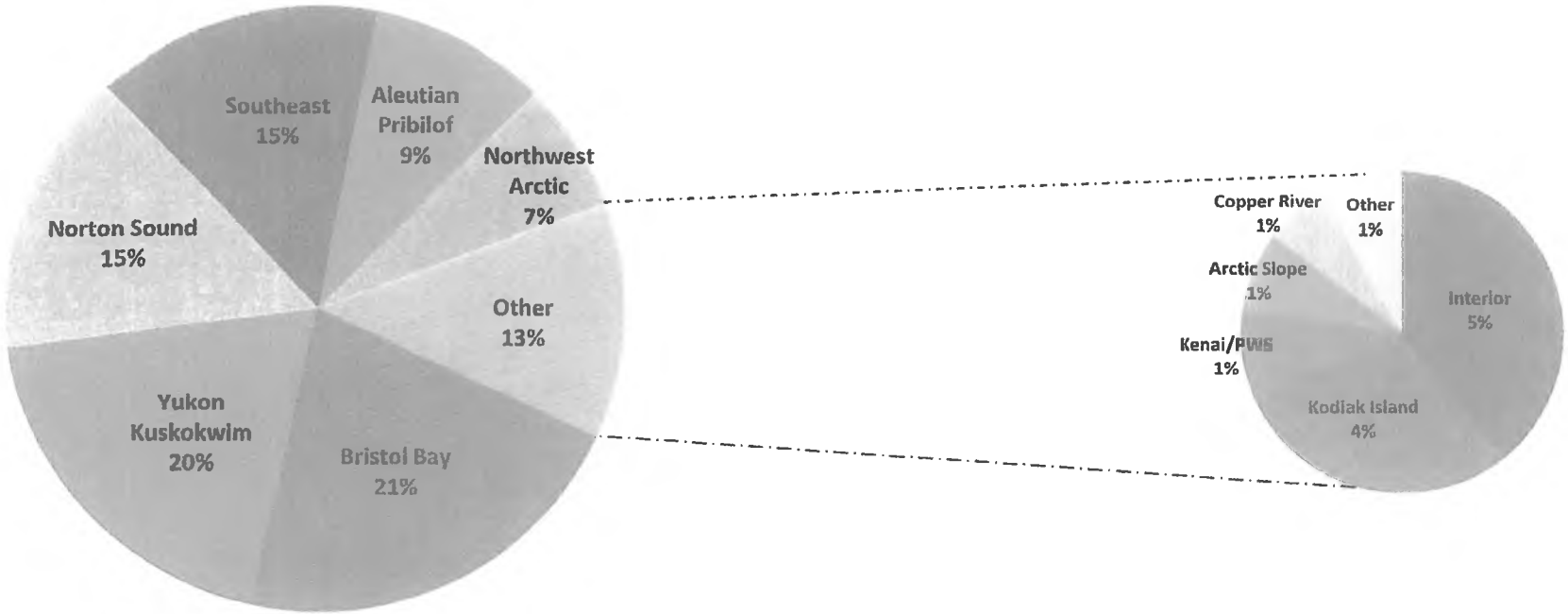
Total Cost to Address First Service Needs (in 2011 dollars): $292,682,161

(Percentages are based on projected costs in each region)

Source: Sanitation Deficiency System, Alaska Area

Distribution of Expansion, Upgrade, and Replacement Needs by Region Based on Project Cost

Alaska Department of Environmental Conservation
February 2012



Total Cost to Address Expansion, Upgrade, and Replacement Needs (in 2011 dollars): $410,015,442

(Percentages based on projected costs in each region)

Source: Sanitation Deficiency System, Alaska Area

- Good afternoon. Welcome to today's C&RA hearing. With me here today is:
  - Senator Kookesh
  - Senator Menard
  - Senator Ellis
- Please turn off all cell phones. This meeting is teleconferenced and recorded.
- On today's agenda, we will consider
  - SB 147 – Water & Sewer Task Force
  - The following administration officials are available for comments and questions,
    - Bill Griffiths – DEC
- Sen. Kookesh and his staff will introduce the bill.
- We will not move this bill today. We will revisit SB 147 next Tuesday for further committee action.

Possible questions for SB 147

- What health concerns are associated with poor sanitation in rural AK?
- TO DEC: What advances in technology do we need to be aware of for water/sanitation systems in rural AK? In other words: what do we know now that we didn't know 30 years ago?
- TO DEC: I have a press release dated July of 2011 that states the USDA awarded $23.6 million. My questions are this: Do these funds pass through Village Safe Water? Do you know the totality of federal funds that have been awarded and received by the state for water & sewer projects from the FEDS?

The C&RA Committee will meet on Thursday to consider SB 183 - PROPERTY TAX EXEMPTION/MILITARY WIDOW(ER)

USDA NEWS RELEASE

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USDA Announces Water and Wastewater Improvement Projects in Alaska

WASHINGTON – July 15, 2011 - Agriculture Secretary Tom Vilsack announced today that 14 communities, many with populations that are predominately Alaska Native, will receive $23.6 million through the Rural Alaska Village Grant program to fund water quality improvement projects in rural Alaska villages. The announcement of funding follows a new Memorandum of Understanding between Rural Development and program partners to improve efforts to provide clean water and improved sanitation services to the villages.

"Rural Development made a commitment to streamline the Rural Alaska Village Grant program and this funding is the result of that commitment," Vilsack said. "Residents of these rural communities will now be able to have running water for cooking, cleaning and laundry that most people take for granted."

The Memorandum of Understanding is the result of an initiative launched by USDA in April of 2010 through a Rural Alaska Village Grant (RAVG) Process Improvement Conference in Anchorage. The conference was attended by representatives from USDA, Alaska's Department of Environmental Conservation (DEC), Alaska Native Tribal Health Consortium, U.S. Environmental Protection Administration (EPA), Indian Health Service and the Denali Commission and focused on ways to improve communication, simplify the application process and maintain grant funds accountability.

The inter-agency collaboration has produced results throughout the streamlining initiative. In 2009 and 2010 USDA invested more than $65 million in RAVG construction and planning projects.

For example, the community of Old Kasigluk will use grant funds to construct core facilities, including a water treatment plant, washeteria, a water storage tank, lift station, and a sewer force main to transport wastewaster directly to a recently constructed sewage lagoon. The washeteria, a centralized running-water facility, will provide the residents of Old Kasigluk, a rural community in southwestern Alaska, with access to clean water for cooking, cleaning and washing. The improvements are the first upgrades needed to provide the community with quality sanitary services and replace structurally unsound facilities that can no longer be used. The residents of the community currently haul water and dispose of wastewater by utilizing "honey" buckets.

Communities receiving grant funds under this announcement include: Toksook Bay, $5,252,400; Stebbins, $5,064,367; Kasaan, $3,393,750; Togiak, $937,509; Old Kasigluk, $4,082,250; Shungnak, $1,492,500; Nunam Iqua, $137,655; Igiugig, $1,326,122; Kwigillingok, $973,875; Saxman, $303,938; Eek, $210,000; Golovin, $74,700; Kobuk, $33,750; Kotlik, $375,000.

In June, President Obama signed an Executive Order establishing the first White House Rural Council, chaired by Agriculture Secretary Tom Vilsack. The White House Rural Council will work throughout government to create policies to promote economic prosperity and a high quality of life in our rural communities.

Since taking office, President Obama's Administration has taken significant steps to improve the lives of rural Americans and has provided broad support for rural communities. The Obama Administration has set goals of modernizing infrastructure by providing broadband access to 10 million Americans, expanding educational opportunities for students in rural areas, and providing affordable health care. In the long term, these unparalleled rural investments will help ensure that America's rural communities are repopulating, self-sustaining, and thriving economically.

USDA, through its Rural Development mission area, administers and manages housing, business and community infrastructure and facility programs through a national network of state and local offices. Rural Development has an existing portfolio of more than $150 billion in loans and loan guarantees. These programs are designed to improve the economic stability of rural communities, businesses, residents, farmers and ranchers and improve the quality of life in rural America.

#

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#

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 147**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB147-LEG-COU-02-06-12
Dept. Affected: Legislature
Title: "Relating to an Alaska Water & Sewer Task Force; and providing an effective date"
Appropriation: Legislative Council
Allocation: Council and Subcommittees
Sponsor: Senator Kookesh
Requester: Senate Community & Regional Affairs
OMB Component Number: 783

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	60.8						
Travel	46.6						
Services	0.5						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**107.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	107.9						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**107.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time	**1**						
Temporary							

CHANGE IN REVENUES							

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

Estimated CAPITAL (FY13) costs _____ *(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)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 2/6/12 3:19pm
Approved by: Pamela Varni, Executive Director — Date: 2/6/2012
Legislative Affairs Agency

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 147
2012 LEGISLATIVE SESSION

Analysis

SB147 establishes the Alaska Water and Sewer Task Force in the Legislative Branch. The Task Force consists of nine members, comprised of four Legislators, one member of a State Agency, one member of a Federal Agency, and three public members, one of which will be an engineer. It is anticipated that the Task Force will hold five meetings, to be held in Allakaket, Venetie, Stebbins, Elin, and Anchorage. Travel funding for all nine members is included in this fiscal note. Meetings will be held in various locations, mainly local government facilities. There is a small facilities rental cost, which is included in this fiscal note. The Alaska Water and Sewer Task Force will be staffed by one Range 19 position for a period of seven months. The Task Force will develop and submit findings and proposed legislation addressing the provision of safe and sustainable water and sewer systems to all rural areas of the State. A report with the Task Force's findings and proposed legislation will be prepared by December 1, 2012 to be presented on the first day of the 2013 regular legislative session. Costs to teleconference meetings and print the proposals and reports will be absorbed in the existing Legislative Affairs Agency Budget.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB 147**
Fiscal Note Number
Publish Date

Identifier (file name) SB147-DEC-FC-01-26-12
Title Water and Sewer Task Force
Sponsor Senator Kookesh
Requester Senate Community and Regional Affairs Committee

Dept. Affected Environmental Conservation
Appropriation Division of Water
Allocation Facility Construction
OMB Component Number 637

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	6.3		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**6.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004 GF	6.3		0.0	0.0	0.0	0.0	0.0
1005 GF/Prgm (DGF)	0.0		0.0	0.0	0.0	0.0	0.0
1037 GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178 temp code (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL	**6.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
POSITIONS							
Full-time	**0.0**		0	0	0	0	0
Part-time	0.0		0	0	0	0	0
Temporary	0.0		0	0	0	0	0
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

Estimated CAPITAL (FY13) costs 0.0 *(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)

Not applicable, initial version.

Prepared by Michelle Bonnet, Director
Division Water
Approved by Lynn Kent
Deputy Commissioner

Phone 907-269-7599
Date/Time 1/26/12 9:12 AM
Date 2/17/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 147
2012 LEGISLATIVE SESSION

Analysis

SB 147 would establish a Water and Sewer Task Force to address challenges in providing water and sewer improvements in rural Alaska villages. The Task Force would consist of nine members, including one state agency member. The bill currently calls for eight tasks, including significant research projects, to be completed during the first six months of FY2013.

Assumptions:
The bill, as written, does not specify how tasks would be completed or how extensive the effort should be. The Department assumes that it will be responsible for participating in the Task Force as the state agency member and will not be responsible for coordination, financial, or administrative support for the Task Force or it's activities. A number of the tasks called for in the bill are presently being completed through collaborative efforts between the Department of Environmental Conservation, the Alaska Native Tribal Health Consortium, and federal agencies. It is assumed that a much more comprehensive effort is envisioned by the author of the bill and that tasks would not be carried out by the Department, other than to provide existing data and information to the Task Force.

Travel:
Travel funding will be used for Department employees who participate in the Task Force meetings. The estimated cost per trip is $1,050 for six meetings.

SB 148

<TARGET><BILL>SB 148</BILL><SUBJECT>SB 148</SUBJECT><COMM>SCRA27</COMM></TARGET>

- Good afternoon. Welcome to today's C&RA hearing. With me here today is:
  - Senator Kookesh
  - Senator Menard
  - Senator Ellis
- Please turn off all cell phones. This meeting is teleconferenced and recorded.
- On today's agenda, we will consider
  - SB 148 – GAS PIPELINE PROPERTY TAX EXEMPTION
  - The following administration officials are available for comments and questions,
    - Steve Van Sant, the state Assessor
    - Jim Greeley – Petroleum Property Assessor
    - Joyce Lofgren – Economist w/ Dept. of Revenue
- Sen. Wielechowski & his staff will present the bill.

Possible questions for SB 148

- Was this idea (the exemption of property taxes) discussed during the AGIA debate? If so, do we know why it wasn't included as a "facet" of AGIA?
- There are gas production inducements that became law with AGIA. (AS 43.90.300). If SB 148 becomes law, do these inducements still offer incentives for gas production and what are the fiscal impacts? Would the state be offering potential developers too much?
- TO Dept. of REVENUE: How does this affect municipalities? Do you have any analysis of this?

ALASKA STATE LEGISLATURE

Session

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Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Sponsor Statement

SB 148: Waiving State Property Taxes on Natural Gas Pipeline during Construction

Alaskans have long sought to get Alaska's stranded North Slope natural gas reserves to market. Thirty-five trillion feet of natural gas have already been "proven," and experts say an additional 200 trillion feet could yet be discovered, enough to meet existing demand in the U.S. for eight years. Alaskans are also eager to access North Slope gas to meet their own needs as production in Cook Inlet declines and high oil prices in Interior and rural Alaska burdens families and businesses. A variety of proposals has emerged – from building a large diameter pipeline that would carry Alaska's gas to the Lower 48 to a smaller line designed primarily to meet Alaskans' needs. More recently, attention has focused on a medium-sized line that would transport gas to tidewater in Southcentral Alaska, where it could be liquefied and shipped to Asia.

The economic viability of each these proposals is currently being assessed, but experts note that all face significant challenges. The shale gas boom in the Lower 48 has significantly depressed domestic gas prices; the cost of transporting gas on an instate line could be enormous; and many nations are racing to meet Asia's growing needs for gas, creating an increasingly competitive marketplace. If Alaskans want to see a gas line built, the state may need to take additional action to ensure that a line is economically viable.

One such action, called for in SB 148, is waiving state property taxes until gas begins to flow down a line and generate revenue for its owners. While the state has many other fiscal options for assisting with a pipeline, waiving state property taxes during construction has several notable benefits. It is a modest investment, far less than the billions of dollars the state could invest if it were to cover or subsidize the cost of building a pipeline, finance construction overruns, or significantly reduce production taxes. It also provides assistance to pipeline owners during a critical period – when they are spending vast sums and generating no revenue. Waiving state property taxes also benefits those who will ship gas down the line by reducing the tariff and boosting the value of their gas. This could help attract customers, a critical element to moving a project forward. Finally, the state would ultimately benefit from any reduction in property taxes as it would receive greater production tax revenue as a result of higher netbacks for shippers.

This bill does not propose to waive property taxes collected by local governments in Alaska.

Please join me in supporting SB 148.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 148**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB148-DCCED-DCRA-02-03-12
Dept. Affected: DCCED
Title: GAS PIPELINE PROPERTY TAX EXEMPTION
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
Sponsor: Senators Wielechowski, Egan, Ellis, French, Davis...
Requester: Senate Community & Regional Affairs
OMB Component Number: 2879

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Initial Version

Prepared by: Scott Ruby, Director — Phone: (907) 269-4569
Division: Community and Regional Affairs — Date/Time: 2/3/2012 4:30pm
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 2/3/2012
Commerce, Community, and Economic Development

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 148

Analysis

This Bill provides an exemption from the state 20 mill property tax levied under AS 43.56.010(a) to a gas pipeline which is defined as a line that has a design capacity of 500,000,000 or more cubic feet per day.

This bill creates no fiscal impact upon the Department/Division.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB148**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB148-DNR-O&G-02-06-12
Title: Gas Pipeline Property Tax Exemption
Sponsor: Wielechowski, Egan, Ellis, French, Davis, Kookesh
Requester: Senate Community & Regional Affairs Committee

Dept. Affected: Department of Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Not applicable, Initial Version

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 2/6/12 3:00 PM
Approved by: Daniel S. Sullivan, Commissioner — Date: 2/6/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB148

Analysis

SB 148 exempts a large gas pipeline (over half a billion cubic feet per day) from paying property tax during construction and for the first year of operation. Currently, the gas pipeline would have to pay a 20 mil (two percent) tax on the value of the real and tangible property of a gas pipeline during construction and for the first year of operation.

The impact on royalties is positive indeterminate. All else equal, the property tax exemption would slightly improve the economics of a large gas line. The exact amount of savings from the property tax exemption would depend upon the cost of the project and the length of the construction period. As an example, in an open season filing with FERC, the Alaska Pipeline Project (APP) estimated that it would have to pay between $186 and $243 million total in property taxes during construction for the Alaska section of its project, and between $9 and $11 million during construction for the gas pipeline from Point Thomson to the Gas Treatment Plant (GTP). See Appendix C, Exhibit J, Alaska-Canada Rate Model at pgs. 2-3, 16-17. The lower cost of the pipelines would mean slightly lower tariffs, and, all else equal, slightly higher netback royalty values for gas.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 148**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB148-DOR-TAX-02-07-12
Title: Gas Pipeline Property Tax
Sponsor: Sen's Wielechowski, Egan, Ellis, French, Davis, Kookesh
Requester: Senate Community and Regional Affairs

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

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

Estimated CAPITAL (FY13) costs _____ *(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)

Initial version.

Prepared by: Joyce Lofgren, Economist & Jim Greeley, Petroleum Property Assessor — Phone: 269-1026
Division: Tax — Date/Time: 2/7/12, 12pm
Approved by: Jerry Burnett, Director Administrative Services — Date: 2/7/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 148
2012 LEGISLATIVE SESSION

Analysis

Revenue from this project is not currently included in the state revenue forecast ; therefore, any exemptions would have no impact on current revenue expectations.

SB 148 would exempt a gas pipeline with a design capacity of 500,000,000 or more cubic feet of gas a day from the state's oil and gas exploration, production, and pipeline transportation property taxes until the pipeline generates revenue for its owners. "Or more" means that a larger design capacity pipeline such as the 4.5 Bcf per day pipeline under AGIA could qualify for the exemption. Property tax during construction of the 4.5 Bcf per day AGIA pipeline is estimated at $1.1 billion (2010 dollars) by the Office of the Federal Coordinator, Alaska Natural Gas Transportation Projects.

In addition to pipeline capacity, the length, diameter and thickness of the pipeline and the maximum operating pressure must be specified in order to estimate capital costs from which property value can be assessed. Absent such specifications , this analysis uses the capital costs estimated for the base case pipeline in the Alaska Stand Alone Gas Pipeline (ASAP) study. The pipeline is scoped to bring 500 Mcf of gas per day from Prudhoe Bay to Southcentral with a lateral pipeline to the Fairbanks area. The case is scaled to conform with the Alaska Gasline Inducement Act (AGIA) which limits other projects receiving state support to 500 Mcf.

Assumptions:

Natural gas pipeline with capacity of 500 Mcf per day
Capital costs for the BASE CASE in the ASAP

	$ Billions (2011)
Pipeline	$5.68
Gas Conditioning Facility	1.84
TOTAL Project Capital Costs	$7.52

Annual tax of 20 mills is levied each tax year
Construction ramp up is 50% in 2014 and 100% complete in 2015
State share 45%

Property Tax Estimate for 500,000,000 Gas Pipeline
Million 2011$

Project Facility Capital Costs	$7,520	
Property Tax Rate	2% 20 mills	
State Share	45%	
Annual Property Tax to State	$68	
Construction Period		
2014	$34	
2015	$68	
TOTAL	$102	Exemption during construction

Source: Capital costs per **Alaska Stand Alone Gas Pipeline** base case
Tax assumptions per Petroleum Property Tax Department

Results

Property tax on a natural gas pipeline with a scope as defined by the base case in the ASAP could result in roughly $225 million during the construction phase. Exempting such a pipeline from the tax would result in $102 million not being collected as revenue to the state. The share for municipalities would be $124 million.

27-LS0990\M.2
Bullock
2/8/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: SB 148

Page 3, following line 28:

Insert new bill sections to read:

"* **Sec. 6.** AS 43.56.060(a) is amended to read:

(a) The department shall assess property for the tax levied under AS 43.56.010(b) and AS 29.45.080 on property used or committed by contract or other agreement for use for the pipeline transportation of gas or unrefined oil or for the production of gas or unrefined oil**, including property that is exempt under AS 43.56.020(d) from the tax imposed under AS 43.56.010(a),** at its full and true value as of January 1 of the assessment year.

* **Sec. 7.** AS 43.56.070(a) is amended to read:

(a) The department may require by notice every person having ownership or control of an interest in property taxable under this chapter **or property that is exempt under AS 43.56.020(d) from the tax imposed under AS 43.56.010(a)** to submit a return in the form prescribed by the department, based on property values existing on January 1 of each year, except as otherwise provided in this chapter."

27-LS0990\M.3
Bullock
2/9/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR WIELECHOWSKI

TO: SB 148

Page 1, line 1:

Delete "**gas**"

Insert "**certain gas**"

Page 3, line 20, following "day":

Insert "to market in the state south of 68 degrees North latitude for sale"

SB 148: Fact Sheet

- SB 148 would waive state property taxes for a natural gas pipeline designed to carry 500 million cubic of feet of gas per day until gas begins to flow down the line.

- The purpose of this bill is to help move a project forward by improving project economics early on when major expenditures are being made and no revenue is being generated.

- SB 148 does not waive oil and gas property taxes collected by local governments, such as the North Slope Borough, Fairbanks North Star Borough, Kenai Peninsula Borough, or City of Valdez.

- State property taxes during construction are estimated at as much as $600 million for a large diameter line.

- A study conducted by the nationally recognized consulting firm Black and Veatch estimated that the state could generate as much as $66 billion in revenue over the life of a large diameter pipeline carrying gas from the North Slope to the Lower 48.

- These revenues would help pay for essential state services, such as public safety, roads and education, during a time when oil production is in decline.

- Construction of a pipeline – be it a large export line to Asia or the Lower 48 or a smaller in-state bullet line – would, however, have many additional benefits for Alaskans. These include:

    - Up to 10,000 high-paying jobs for Alaskans during peak construction, with in-state spending on wages, goods and services of up to $6 billion

    - A long-lasting supply of affordable natural gas to ease the burden of high energy prices on Alaskan families, businesses and utilities

    - Improved economics for additional oil and gas exploration and development on Alaska's North Slope

    - Prolonged life for the Trans-Alaska Pipeline

- Congress has stepped up and provided a variety of incentives to facilitate construction of a pipeline to the Lower 48, including:

    - A federal loan guarantee of up to 21 billion (as of 2011), which will reduce the cost of borrowing

ALASKA NATURAL GAS
TRANSPORTATION PROJECTS
OFFICE OF THE FEDERAL COORDINATOR

State fiscal options to help move Alaska gas

The goal of this paper is to ask: What could the state do to help the economics of a large-volume natural gas pipeline from the North Slope to out-of-state markets, combined with a smaller in-state line to serve Alaska's energy needs? And should the state do anything? We identify several fiscal options, but do not suggest these are the only ones that might help put a gas pipeline into Alaska's future.

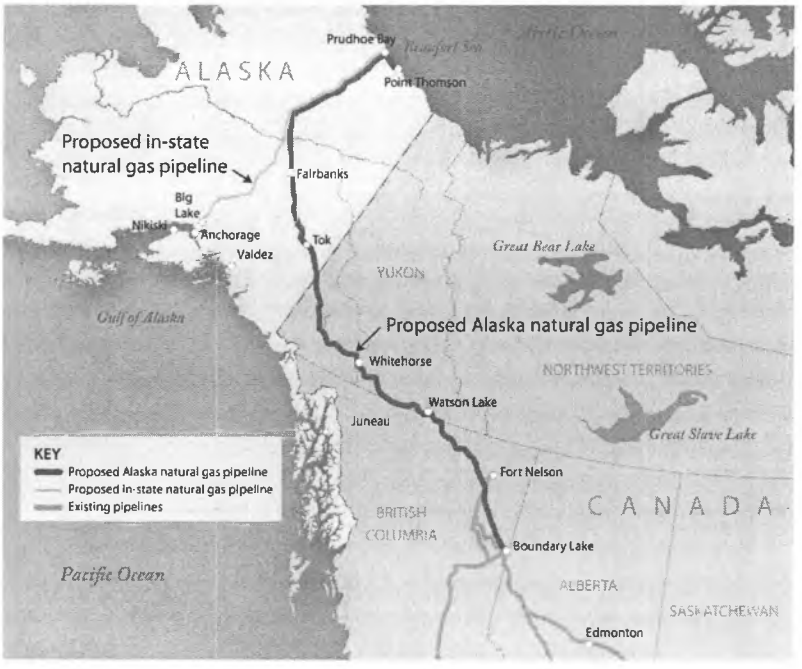
The rewards of state financial involvement with any Alaska gas delivery system could be large: Public revenue from selling the state's stranded gas resources, jobs for Alaskans, and long-lasting low natural gas prices for Alaska homeowners, businesses and utilities thanks to the economies of scale that will greatly reduce transportation costs to in-state markets.[1] Moreover, entry to the worldwide market for North Slope gas promises to improve oil and gas exploration economics and prolong the life of the trans-Alaska oil pipeline.

Certainly, stability of gas supply for Alaskans is essential for any project, especially one with state dollars invested. Southcentral residents and businesses worry that Cook Inlet production could fall short of meeting local needs in the years ahead, and Fairbanks would love to see affordable gas break the economic stranglehold that costly diesel has on its economy. Those concerns have prompted renewed interest in a smaller in-state line to meet local needs if a big pipeline is not going to happen.

While the Alaska Gasline Inducement Act (AGIA) of 2007, which is helping to partially fund development expenses for the larger pipeline to out-of-state markets, requires off-take points along the line for Alaska deliveries, it does not create or fund any mechanism to build and operate a spur line(s) for in-state distribution. The Alaska Gasline Development Corp. (AGDC), created by House Bill 369 in 2010 and partially funded for its initial project development costs, could fill that role if the Legislature and governor so choose.

There would be benefits to planning an out-of-state line and in-state spur to coincide with the same

ALASKA GAS PIPELINE PROJECTS



[1] The July 2011 report by the Alaska Gasline Development Corp. analyzing an in-state pipeline estimated the gas treatment plant and pipeline tariff at $5.63 per million Btu, assuming there are customers for 100 percent of the gas. Because of economies of scale, the tariff on the much larger TransCanada/ExxonMobil project, for example, would be less than half that amount to pipe gas to Fairbanks. The bigger project would require a spur line to serve Southcentral, so the tariff to move gas to Anchorage would be higher than the cost to the Fairbanks area, but likely still less than $5.63.

in-service date. Construction and mobilization efforts could be coordinated, along with scheduling and labor needs. Perhaps more importantly, decisions on the two lines are linked politically and economically for the state.

But could coordinated state assistance get both a large gas line and an in-state delivery system built? A detailed examination of economics, markets and financing strategies would be useful if the state wants to seriously consider its options.

However, there are risks to state financial participation. This background paper identifies some of the risks associated with selected approaches the state could take to help move North Slope gas to Alaska consumers *and* key out-of-state markets, but it does not identify every risk or every potential reward. Markets create their own uncertainties. For example, companies spent almost $10 billion in the past decade building or expanding liquefied natural gas import terminals at U.S. ports because they thought the nation was running short of gas. They guessed wrong.

Federal encouragements

If the state of Alaska decides to provide further assistance with a gas pipeline, it will find itself aligned with federal policy.

Congress, through passage of the Alaska Natural Gas Pipeline Act of 2004 and other legislation, committed the federal government to assist an Alaska gas line project. The 2004 legislation created the Office of Federal Coordinator to oversee federal agency permitting, and also set out an expedited schedule for the Federal Energy Regulatory Commission to prepare the project's environmental impact statement.

In addition, Congress has:

- Authorized a federal loan guarantee to cover much of the project debt (up to $21 billion, as of 2011), which would reduce the cost of borrowing for construction, thereby reducing the debt service payments and pipeline tariff. A lower tariff means a higher "netback" value for the gas as it leaves the ground at North Slope fields, providing more revenue for the producers and the state.
- Provided for accelerated tax depreciation for the pipeline in Alaska, allowing the owners a faster payback on their huge upfront construction cost. Based on current cost estimates for the more than 700 miles of pipe in Alaska, the tax break could reduce the pipeline tariff by an estimated 6 cents per thousand cubic feet (mcf).
- Granted a tax credit for the Prudhoe Bay gas treatment plant, projected by TransCanada/ ExxonMobil to cost as much as $12 billion. The credit could reduce the estimated tariff by 11 cents per mcf.

Assuming the accelerated depreciation and gas treatment plant tax credit reduce the tariff by 17 cents, and adding in the potential savings from a $21 billion federal loan guarantee (estimated at 10 cents to 15 cents per mcf), the reduction in shipping costs from the federal incentives could total $450 million to $550 million a year (close to a 10 percent savings on shipping costs). The tax incentives and loan guarantee, however, are available only for a project that serves U.S. Lower 48 markets.

Alaska paradox: Robust finances, precarious economy

If Alaska wasn't so wealthy, the resources to invest in or assist with a gas line wouldn't be available, and this discussion would be of little more than academic interest.

No state in the union, and only a few sovereign nations, can boast the per-capita financial assets accumulated by Alaska. As of June 30, 2011, the state held $55.5 billion (over $78,000 for every resident) in the Alaska Permanent Fund, Constitutional Budget Reserve Fund and other savings accounts. If Alaska truly wants a gas line(s) to become a reality, it likely has the means to help make it so.

Living on the economic edge

A recent study by Scott Goldsmith of the University of Alaska Anchorage Institute of Social and Economic Research found that half of all Alaska jobs are due to a single industry — petroleum — either directly from that industry or through state outlays financed by petroleum royalties and taxes.[2] North Slope oil

[2] Scott Goldsmith, "Alaska's Petroleum Industry: Transformative, But is it Sustainable?" Presentation sponsored by Northrim Bank, Anchorage, April 2011.

production peaked at 2 million barrels per day in fiscal year 1988 and since then has declined every year but one. Between FY 2009 and 2010, output dropped 7 percent. There is little evidence to suggest the trend will soon reverse.

The state has been protected from the economic effects of this decline by rising oil prices, which as of Oct. 12 stood at $110 per barrel for North Slope crude. However, many Alaskans remember that as recently as December 1998 Alaska oil briefly sold below $9 per barrel. The unbalanced and precarious oil-dependent state of Alaska's economy lends urgency to the discussion of what the state might do to sustain the economy, monetize the stranded gas assets on the North Slope and help lower energy costs for a significant share of residents.

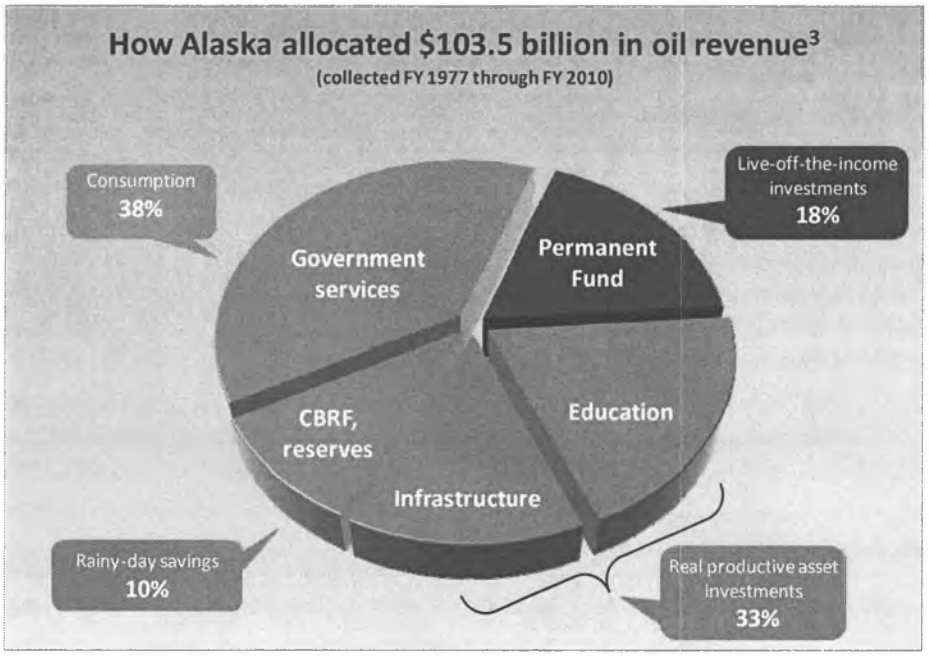
Finding the right balance

There are three distinct ways any individual or organization can use savings to help secure its economic future:

- Live-off-the-income: Put the savings in financial investments with the goal of eventually living wholly or partially off the earnings.
- Rainy-day savings: Place the money in safe, short-term investments to cover emergencies or budget shortfalls.
- Invest in real productive assets: Put the savings in non-financial investments that increase future productivity. For Alaska, these include transportation (roads, ports, harbors and airports), energy projects, other infrastructure, education and job training.

The first two kinds of investments usually go out of state. The third generates real assets in Alaska.

How to deploy the state's billions in financial assets has been a continuing issue for Alaskans. Since 1977, when North Slope crude first flowed down the trans-Alaska pipeline, the state has collected $103.5 billion in oil revenue. About 62 percent has been saved or invested. But as the chart shows, only 33 percent ($34.5 billion) was invested in productive assets including infrastructure and education. Thirty-eight percent was neither saved nor invested; it has been consumed in the form of government services. Eighteen percent has been channeled into the Alaska Permanent Fund, where it supports the state's unique and hugely popular live-off-the-income program, the Permanent Fund dividend. And 10 percent has been allocated to three "rainy-day" accounts, including $10.3 billion in the Constitutional Budget Reserve Fund.



[3] This chart was prepared by Gregg Erickson based on published data from the Alaska Department of Revenue (DOR), Legislative Finance Division (LFD) and the Alaska Permanent Fund Corp. (APFC). Small discrepancies in additive subtotals are due to rounding.

DOR data shows the state received $103.5 billion from oil. The infrastructure investment total ($14.2 billion) is from LFD's historical general fund capital budget data series, plus an estimated $3 billion appropriated to capitalize the Alaska Housing Finance Corp., Alaska Industrial Development and Export Authority and other smaller endowments. Permanent Fund investment income and other investment earnings on oil revenue are not included.

Education investment of $20.4 billion was calculated as a percentage of total general fund operating spending as compiled by LFD to approximate spending through the Department of Education and University of Alaska.

Options for state fiscal assistance to a gas line

The options discussed here were chosen to illustrate broad categories of approaches the state could take to financially assist with a gas pipeline project(s). No development means no revenue and no public benefits for Alaska, so state financial assistance leading to a pipeline that otherwise wouldn't be built is a plus.

1. Provide direct subsidies

The direct-subsidy model familiar to Alaskans is the 2007 Alaska Gasline Inducement Act (AGIA). Under AGIA, the state established a list of "must-have" conditions for a pipeline developer. These included the licensee's acceptance of financing and rate-setting methodologies to produce lower tariffs, a commitment to expand pipeline capacity as needed, adoption of local-hire policies, the opportunity for in-state delivery of gas at reasonable costs, and acceptance of a timeline for submitting a project application to the Federal Energy Regulatory Commission (FERC).

In return, the state agreed to provide the AGIA licensee up to $500 million to help offset the developer's initial design and permitting costs. The state awarded the license to TransCanada in 2008. As part of the deal, TransCanada agreed to submit a project application to FERC by October 2012. If FERC determines that the application is complete, federal law requires a decision by the commission late summer 2014.

By making the subsidy available early in the development process, when risks are highest and potential payouts are the most distant, the state's $500 million provides a clear benefit to project economics. Another advantage is that the state knows from the outset the maximum size of its financial commitment.

This design and permitting subsidy, while moving the project ahead in the risky, early years when it lacks contracted customers, is only one piece of the puzzle to lock in a gas line. The AGIA subsidy will get you a building permit for the pipeline, but without customers and financing there will be no pipeline.

ExxonMobil in 2009 signed up as a partner on the project, and in 2010 TransCanada/ExxonMobil held an open season to solicit bids from potential customers. Though the developer received several bids, it has yet to announce any signed shipping deals on a pipeline to move 4.5 billion cubic feet of gas per day into North America markets.

It appears the AGIA subsidy, by itself, is insufficient to make the gas line a reality. The project is high-centered, waiting for a push from the market and maybe the state to move it forward.

The state could build on the AGIA model by offering a substantial direct subsidy in return for further commitments by the licensee, including commitments to proceed to actual construction. But this could prove very costly to the state, in that it's likely any pipeline developer would require significant sums of state dollars to start ordering steel pipe for a project lacking enough shippers to pay the mortgage. And though a bold move, a direct state cash subsidy cannot change market economics or guarantee the state a positive return on its money.

2. Make equity investment

The state agency created and directed by the Legislature in 2010 to develop a plan for a smaller in-state gas line recommended in its July 2011 report that state ownership of the project would produce the lowest tariffs for moving gas down the line. The Alaska Gasline Development Corp. ran the numbers assuming the state would borrow 100 percent of the estimated $7.5 billion needed for construction. The cost of borrowing money using the state's solid credit rating would be less than what a private owner would expect for a return on its equity investment in the project. Lower cost of capital means a lower tariff. The AGDC analysis calculated that state borrowing to pay the entire in-state pipeline project cost could drop the tariff at least 25 percent from the cost of private ownership — and maybe more if the Internal Revenue Service agreed to let the Alaska Railroad Corp. issue tax-exempt bonds for the project.

But there are risks to the state. Adding the gas line debt to the state's existing debt "would make Alaska's percentage of debt compared to gross domestic product three times any other state," the AGDC report said.[4] State financing of the project "may result in a downgrade of the state's (credit) ratings, depending on the rating agencies' views of the risks and reliability" that pipeline revenues could cover the bond payments, the report added. A downgrade would boost the cost of

[4] Alaska Gasline Development Corp., "Alaska Stand-Alone Gas Pipeline Project Plan," July 1, 2011, pages 4-10.

future borrowing not just for the state, but for school districts and municipalities, too. And borrowing so much money could hinder the state's ability to borrow for other needs in the years ahead, such as for schools or roads. AGDC in its report acknowledged those risks and said it would strive to convince rating agencies that the state could handle the debt.

Another risk would be if tariff revenues were insufficient to cover the pipeline debt payments and operating expenses. If that happened, the state would be liable to cover any shortfall.

The costs of such a potential subsidy are significant. If the state is ready to take such a $7-billion-plus financing risk for the small pipeline, it is worth considering the potential of incurring the same size risk to assist a much larger line to serve out-of-state markets *and* the smaller spur line moving what is needed to meet Alaska's needs. The public benefits of marrying large-pipeline economies of scale and a spur pipeline supplying in-state needs would be gas delivered to Alaskans at the lowest cost while also producing much greater tax and royalty revenue. Under the state's existing tax and royalty structure, public revenues would be **seven times higher** under such a combination than from a stand-alone, smaller in-state gas line.

There also are questions with even partial state ownership of a gas line: Is it a conflict for the state to be both an owner and a regulator? Would politics interfere with pipeline business decisions? Worth asking and worthy of debate.

3. Defer or amend property taxes

The most straightforward of pipeline incentives, and one often discussed in the past, would be to defer or eliminate the substantial property taxes assessed on the project during construction. Property taxes are estimated at $1.1 billion (2010 dollars) during the years of construction, before the pipeline generates any revenue. In addition, under the current property tax structure, construction cost overruns will add to the tax bill — adding up to more cash outflow for shippers.

Past proposals were designed to help project economics by eliminating the heavy front-end loading effect of the state's property tax structure. Because property taxes are paid through the pipeline tariff, any property tax relief will benefit shippers and boost the value of the gas. That's a plus for the project, which needs to attract shippers. Most property tax revenue goes to municipalities, however, so the state likely would need to consider providing offsetting aid to municipalities to cover their actual costs of public services during construction.[5]

State options

1. Provide direct subsidies
2. Make equity investment
3. Defer or amend property taxes
4. Defer production taxes
5. Modify rules on royalty switching
6. Add to federal loan guarantee
7. Finance construction overruns
8. Take share of shipping commitments

In addition to considering tax deferrals during construction, the state could look for a solution to annual battles over what is the taxable value of the pipeline — battles that have consumed millions of dollars and decades of legal fights over the taxable value of the trans-Alaska oil pipeline. For example, rather than assessing the replacement cost or depreciated value of the gas line each year, the state could look at assessing property taxes on the basis of flow down the line. Less flow, less value, less in taxes; or, as long as the line stays full, the taxes stay full, too (perhaps with an inflation escalator). Under the current system, even if the line stays full it would drop in value over the years, knocking down municipal property tax revenues.

4. Defer production taxes

Besides taxing the actual pipeline's value, the state levies taxes on gas production. The state take from its current profits-based production tax on natural gas is expected to be lower than its tax revenue from oil — natural gas is less profitable per Btu than crude oil, after deducting transportation costs. But the

[5] See Information Insights Inc., "*Stranded Gas Development Act Municipal Impact Analysis.*" Prepared for the *Alaska* Department of Revenue, November 2004.

production tax on gas still would be significant for a 4.5 bcf/day pipeline (hundreds of millions of dollars a year, or even a billion-plus, depending on gas prices) and, in fact, would exceed the state's royalty take from gas production. The major North Slope producers, even if they do not own the pipeline, would provide the financing through the tariff they would pay for moving their gas down the line. Any deferral of production taxes during the early years of the project would allow the producers quicker recovery of their investment, thereby lessening their risk if gas prices are depressed at the outset of deliveries. Less risk makes a project more attractive to them. Similarly, back-end loading of tax rates would allow the companies to recover their investment in the early years, with the state waiting for its bigger payday in later years. If the state expects to be cash rich with oil dollars when the gas line starts flowing, Alaska may be in a good position to defer its gas production tax receipts until later.

5. Modify rules on royalty switching

Royalty rates and terms are set by contract when a company and the state sign an oil and gas lease. One term that producers have expressed concerns about is the state's ability to switch frequently and with short notice between taking its royalty share of production in kind (actual ownership of the gas) or in value (letting the producer sell the gas and send a check to the state). The producers believe that could create problems if pipeline capacity does not accompany the switch. They worry that they, as pipeline capacity holders, might not have gas to move when a switch occurs or, alternatively, that they could have state royalty gas to move but lack sufficient capacity rights to transport the gas. This is addressed, in part, in the Alaska Gasline Inducement Act, but may require further consideration to reduce the misalignment risk to producers, which could mean the state taking on some of the risk — trying to lessen the risk to investors to entice them to commit to the project.

6. Add to federal loan guarantee

Congress in 2004 authorized an $18 billion loan guarantee for an out-of-state line. Indexed for inflation to 2011, that guarantee could backstop almost $21 billion of debt.[6] Back in 2004, the amount looked adequate to cover the entire amount a pipeline owner would borrow for construction. That no longer is the case. The pipeline's estimated cost has escalated, and now the guarantee might cover just two-thirds of the debt.

An additional loan guarantee by the state could raise the total to cover the higher construction cost estimate. Whether that would make *the* difference, given the unfavorable gas market, is not clear. But it would further lessen the risk to investors and lower the pipeline tariff, making the project more attractive to shippers and the gas more valuable to the state.

7. Finance construction overruns

Cost-overrun financing by the state (such as a "soft-second" mortgage) is another option.

The risk of construction overruns on such a massive project is real, and the threat to project economics is just as real. The profit left for producers after paying transportation costs could be thin, especially in the early years. Adding the cost of construction overruns to the initial tariff would hurt, and that worries the companies that must sign 20-year binding contracts to ship gas down the line regardless of market conditions.

The problem of paying for potential overruns has hung over a North Slope gas line for decades. One option would be for the state to step in and offer financing to cover some or all of any overruns, structuring the debt to be repaid only after the first lenders are paid (much like a soft-second mortgage on a home gets repaid only after the homeowner pays off the first mortgage, thereby avoiding two payments at the same time). While such a financing plan would stretch out debt payments on the project, that may be preferable to crushing debt payments in the early years. The state could lend money directly for the construction costs, or guarantee the debt taken on by other lenders.

8. Take share of shipping commitments

Signing a firm transportation shipping commitment is another option for the state.

Open seasons, like the one held last year by TransCanada/ExxonMobil, are designed to elicit interest from potential gas shippers that would later commit to firm transportation shipping contracts.

[6] Bill White, "Federal loan guarantee helps pipeline finances," Office of the Federal Coordinator, May 22, 2011. http://www.arcticgas.gov/federal-loan-guarantee-helps-pipeline-finances

Under the contracts, the shipper commits to pay the tariff regardless whether it ships the gas or can sell it downstream for enough to cover the tariff and other costs. The shipping contract is a key element in assuring lenders that their money will be paid back even if market conditions or gas supplies don't materialize as expected.

As a royalty owner of approximately one-eighth of North Slope gas, and as the recipient of production tax revenue, the state could consider taking its royalty gas in kind and also taking its production tax in kind (instead of a check from the producers) and signing shipping commitments equal to its share of the gas flow. This would clearly transfer risk (commodity price and project cost-overrun risk) from the producers to the state. How big a risk would the state be taking if it did that, and could such a commitment make a difference in getting a line built? The answers are unknown at this time, but it would boost the producers' expected rate of return by lowering their liability for having to cover all of the shipping costs. That could help tip the balance on a pipeline.

ALASKA PipelineProject

TransCanada ExxonMobil

ALASKA GASLINE DEVELOPMENT CORP. GAS FOR ALASKANS

Alaska Gasline PORT AUTHORITY

Issues of risk

Given the longstanding concern over the state's unbalanced and unsustainable economy, why hasn't Alaska chosen to invest more of its oil revenue in long-term, productive assets to take up the slack when the state feels the pinch from declining oil? The question is important because the risks of shifting resources to infrastructure and the historical impediments to making such a shift are likely to come up as Alaskans consider whether to provide state assistance to a gas line.

Competition for state funds

A decision to assist a gas line will mean less money is available for other state spending. But many constituencies that depend on state funding worry that throttled-down state spending is imminent anyway, caused by declining oil production. Other big infrastructure projects also could compete with a gas line for state financial assistance. For example, supporters of state assistance for the proposed Kink Arm crossing want the state to guarantee funding that would enable private investors to meet bond payments even if toll revenues fall short of expectations.

Some recipients of state money are likely to view even a highly contingent, potential future commitment of state gas line assistance as a potential threat to their funding — the state has only so much cash and credit to go around.

Doubts about success

Is there any assurance that state assistance will achieve its intended result? Critics of the state's promise to provide assistance to TransCanada under AGIA say the project is uneconomic and assert that reimbursing TransCanada for the remainder of the state's $500 million obligation won't be enough to get the project built. Why throw more money at the project when there is no hope, they say.

The honest answer is that no such assurance is possible. This concern can be allayed if the assistance is structured so that potential costs to the state come late in the project, after major risks are past. Unfortunately, state assistance is likely to have the greatest leverage on a project if it comes early, when risks are greatest.

Doubts about need

Underlying the doubts about success are doubts about need. The current abundance of shale gas in North American markets and the significant build-up of new liquefaction projects to serve the Asia-Pacific LNG market suggest that conditions in 2011 are not favorable for an immediate project commitment on a $30 billion to $50 billion capital investment. However, any number of plausible developments could quickly and substantially improve the economic prospects for a gas line project.

Doubts about the need for assistance can be allayed, however, if the state financial involvement — be it a loan, loan guarantee, equity investment or tax deferral

— includes contingent provisions to recapture the value of state assistance. The owners profit, the state profits, and everyone should try to live happily ever after.

Regional balance

State assistance, if successful in getting the project(s) built, would add a stream of natural gas revenue to the state treasury, improve the prospect for finding additional oil and gas resources, and likely prolong the life of the trans-Alaska oil pipeline. These outcomes benefit every state resident more or less equally, but other benefits, including reduced energy costs and construction employment, would be concentrated in areas along the pipeline route. Achieving political and popular consensus on state assistance may require inducements, such as investments for regions distant from the pipeline project.

Bill Egan, the state's first governor, proposed creation of a state ferry system principally to serve the Southeast Panhandle, but he was careful build support for this idea by linking it to a proposal for a smaller ferry system to serve Southcentral ports and, most importantly, for the state's first four-lane, limited-access freeways to reduce traffic congestion in Anchorage and Fairbanks.

Why is it important?

Alaska is in the envious position of having the cash and solid credit rating that other states — and the federal government — lack. Congress likely has done all it will do to help the gas line, and it's not surprising that even global oil and gas companies are hesitant about signing binding contracts that put them on the collective hook to pay $150 billion or more to ship gas 10, 20, 30 years into the future when natural gas prices are unpredictable.

Accepting the premise that a large out-of-state natural gas pipeline and an in-state line would be good for Alaska, the question is: Can the state help make it happen and, if so, what could the state do to help?

The best answer would be state financial participation that tips the scale toward construction of a large gas line out of state along with an in-state delivery system to help meet Alaskans' energy needs for decades to come.

For more information, please visit our website: www.arcticgas.gov

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14.17 → Financing of Public Schools
29.45 → Muni Tax on Oil & Gas Production & Pipeline Property
43.56 → Oil & Gas Exploration/Production/Pipeline Transportation Property Taxes

27-LS0990\M

SENATE BILL NO. 148

NSB

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

① Neutral
② Impacted communities getting not necessarily revenue
③ What is gas? What is oil? → NRDA

BY SENATORS WIELECHOWSKI, EGAN, ELLIS, FRENCH, DAVIS, AND KOOKESH

Introduced: 1/17/12
Referred: Community and Regional Affairs, Resources, Finance

(40.90.300 AS/A)

A BILL

FOR AN ACT ENTITLED

"An Act exempting a gas pipeline with a design capacity of 500,000,000 or more cubic feet of gas a day from the state's oil and gas exploration, production, and pipeline transportation property taxes until the pipeline generates revenue for its owners; and relating to the determination of full and true value for the purpose of determining the amount of required local contribution for public school funding."

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

Determination of full & true value by DCCED →

*** Section 1.** AS 14.17.510(a) is amended to read:

(a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Commerce, Community, and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough. If there is no local assessor or current local assessment for a city or borough school

Local match

district, then the Department of Commerce, Community, and Economic Development shall make the determination of full and true value guided by AS 29.45.110 and based on a determination of full and true value made by the state assessor at least every two years using the best information available, including on-site inspections made by the state assessor in each of those districts at least once every four years. For purposes of this subsection, the full and true value of taxable real and personal property in any area detached shall be excluded from the determination of the full and true value of the municipality from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district, or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a tax is not levied under AS 29.45.080 by the municipality that is the school district. The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Commerce, Community, and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination. **In this subsection, "property taxable under AS 43.56" has the meaning given to "taxable property taxable under AS 43.56" in AS 29.45.080(e).**

* **Sec. 2.** AS 29.45.080(e) is amended to read:

(e) For purposes of this section,

(1) population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and the commissioner shall advise each municipality of its population by January 15 of each year**;**

(2) "taxable property taxable under AS 43.56" includes real and tangible personal property used or committed by contract or other agreement for use in this state primarily in the pipeline transportation of gas that is exempt

under AS 43.56.020(d) from the tax imposed under AS 43.56.

*** Sec. 3.** AS 43.56.010(d) is amended to read:

(d) **Except as provided in (e) of this section, a** [A] tax paid to a municipality under AS 29.45.080 **before July 1** [OR FORMER AS 29.53.045 ON OR BEFORE JUNE 30] of the tax year shall be credited against the tax levied under (a) of this section for that tax year. **Except as provided in (e) of this section, if** [IF, HOWEVER,] a tax is not paid to a municipality until after June 30 of the taxable year, the department, upon application, shall refund to the taxpayer the amount of tax paid to the municipality under AS 29.45.080 [OR FORMER AS 29.53.045]. The credit or refund of taxes paid to a municipality may not exceed the total amount of tax levied by the department upon the taxpayer for the tax year, under (a) of this section.

*** Sec. 4.** AS 43.56.010 is amended by adding a new subsection to read:

(e) Notwithstanding (d) of this section, a tax paid to a municipality under AS 29.45.080 on property that is exempt under AS 43.56.020(d) from the tax imposed under (a) of this section may not be credited against the tax levied under (a) of this section and may not be refunded to a taxpayer under (d) of this section.

*** Sec. 5.** AS 43.56.020 is amended by adding new subsections to read:

(d) Real and tangible personal property used or committed by contract or other agreement for use in this state primarily in the pipeline transportation of gas in a pipeline with a design capacity of 500,000,000 or more cubic feet of gas a day is exempt from the tax imposed under AS 43.56.010(a) through December 31 of the year in which the first flow of gas in that pipeline generates revenue for the owners of that pipeline.

(e) For property that is not used exclusively for or committed by contract or other agreement to the gas pipeline described in (d) of this section, the department shall determine that portion of the full and true value that

(1) is not exempt under (d) of this section; and

(2) is subject to tax under AS 43.56.010(a).

David Scott

From: David Scott
Sent: Tuesday, February 28, 2012 7:46 AM
To: Kimberly Clark; Margaret Dowling; Grace Abbott; Beau Poppen-Abajian; Michelle Sydeman
Cc: Christopher Dickrell; Michelle Sydeman
Subject: SB 148
Attachments: CSSB 148 version I.PDF

Morning all:

Attached is a CS for SB 148. We will adopt & move this at today's C&RA hearing.

The changes are:

1. 10-year sunset.
2. Required that the pipeline must transport the gas "to market for sale" (page 4, line 27-28).
3. Made it clear that that when the state assesses the pipeline transportation systems it would also assesses the .5 bcf line (page 5, line 7 & 8).

Let me know if you have any questions.

Also, I'll have a new sectional for you soon.

Thanks,

Dave

David Scott
Chief of Staff
Office of Senator Olson
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AS 14.17 is Financing of Public Schools
AS 29.45 is Municipal Property Taxes
AS 43.56 is Oil & Gas Exploration, Production, and Pipeline Transportation Property Taxes

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Section 1 14.17.510 (a) Determination of full and true value by DCCED

is amended to define, for purposes of this section, that property taxable under 43.56 is defined in AS 29.45.080(e), which is a pipeline that transports gas with a capacity of .5 bcf gas a day to market for sale.

Section 2 14.17.510 (a) Determination of full and true value by DCCED

is the original 14.17.510 (a) that will again become law in 10 years (1/1/23).

Section 3 29.45.080(e) Tax on oil & gas production and pipeline property

is amended to define that property taxable under 43.56 includes the pipeline exempted in 43.56.020(d)

Section 4 43.56.010(d) Levy of Tax

is amended to add conforming language because of section 6

Section 5 43.56.010(d) Levy of Tax

is the original 43.56.010(d) that will again become law in 10 years (1/1/23)

Section 6 43.56.010(e) Levy of Tax

adds a new subsection to specify that there is no refund of state property tax for a municipal tax when the state is not collecting a tax on the same property.

Section 7 43.56.020 Exemptions

adds a pipeline that transports .5 bcf or more natural gas to market for sale to exemptions from 43.56.010 (20 mils).

Section 8 43.56.060(a) Assessment

adds .5 bcf pipeline to property the department shall assess

Section 9 43.56.060(a) Assessment

is the original 43.56.060(a) that will again become law in 10 years (1/1/23)

Section 10 43.56.070(a) Returns

is amended to require those who have ownership in .5bcf pipeline to file a return.

Section 11 43.56.070(a) Returns

is the original 43.56.070 that will again become law in 10 years (1/1/23)

Section 12

Repeals:

- 29.45.080(e)2 created in Section 3
- 43.56.010(e) created in Section 6
- 43.56.020(d) created in Section 7
- 43.56.020(e) created in Section 7

Section 13

Is the 10 year sunset

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 28, 2012

SUBJECT: Section 6 of CSSB 148(CRA), Draft Version "I"
(Work Order No. 27-LS0990\I)

TO: Senator Donald Olson
Attn: David Scott

FROM: Donald M. Bullock Jr.
Legislative Counsel

You asked for an explanation of sec. 6 of the bill presently being considered by the Senate Community and Regional Affairs Committee.

This memo is obviously more than one sentence, but will provide you with a fuller explanation of the effect of sec. 6.

Section 6 reads as follows:

> * **Sec. 6.** AS 43.56.010 is amended by adding a new subsection to read:
> (e) Notwithstanding (d) of this section, a tax paid to a municipality under AS 29.45.080 on property that is exempt under AS 43.56.020(d) from the tax imposed under (a) of this section may not be credited against the tax levied under (a) of this section and may not be refunded to a taxpayer under (d) of this section.

The new subsection states that there is no refund for local taxes paid on property that the state is not taxing under AS 43.56.020(d), one of the new subsections added to AS 43.56.020 in sec. 7 of the bill.

The bill does not disturb municipal taxation of property in the state used primarily for the pipeline transportation of natural gas. The bill does, however, exempt certain natural gas pipelines from the state tax.

Section 6 simply states that there is no refund of state property tax for a municipal tax when the state is not collecting a tax on the same property.[1]

If I may be of further assistance, please advise.

DMB:ljw
12-167.ljw

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[1] Under current law, the state and a municipality may both tax property taxable under AS 43.56. The state tax is 20 mills. If a municipality imposes a 10 mill tax, a taxpayer still pays a total tax of 20 mills, however the state refunds or credits the taxpayer for the local tax paid. Effectively, the 20 mill tax is split between the municipality and the state because of the credit or refund provision.

SB 148: Moving a Natural Gas Pipeline Forward



February 9, 2012

Senator Wielechowski

Senate Community and Regional Affairs Committee

In a Nutshell

SB 148 would waive state property taxes for a natural gas pipeline designed to carry at least 500 million cubic of feet of gas per day until gas begins to flow down the line.

SB 148 Goal

To help move a project forward by improving project economics early on when major expenditures are being made, yet no revenue is being generated.

Of Note

SB 148 does not waive oil and gas property taxes collected by local governments, such as the North Slope Borough, Fairbanks North Star Borough, Kenai Peninsula Borough, Mat-Su Borough, or City of Valdez.

SB 148 Does Not Discriminate

It would provide property tax relief for an instate bullet line, a line designed to carry gas to an LNG facility at tidewater, or a large diameter line to the Lower 48 through Canada.

How Much Relief Would SB 148 Offer?

It depends, of course, on the size and cost of the pipeline. For a large diameter line to the Canadian border, waiving State property taxes during construction would save about **$600 million**, under current cost estimates.

Higher Returns Ultimately

The roughly $600 million saved would reduce total construction costs, leading to lower tariffs and higher returns for shippers and the state. During the AGIA debate, experts testified that a $500 million state investment upfront would increase state revenues over 25 years by **$1.2 billion**.

Why Give up Property Taxes?

1. The state stands to gain substantial revenue.

   A 2008 study conducted by the nationally recognized consulting firm Black and Veatch estimated that the state could receive as much as **$66 billion** in revenue over the life of a large diameter pipeline carrying gas from the North Slope to the Lower 48.

Why Give up Property Taxes?

A January 2012 draft EIS for the Alaska State Alone Pipeline estimates more modest state revenue for a bullet line ($359-$616 million a year).

Why Give up Property Taxes?

Of course, these revenues would help pay for essential state services, such as public safety, roads and education, during a time when oil production is in decline.

Why Give up Property Taxes?

2. Jobs for Alaskans

A recent report estimates that up to **10,000 high-paying jobs** for Alaskans would be created during construction of a large diameter line, with instate spending on wages, goods and services of up to $6 billion.

Why Give up Property Taxes?

The recent Draft EIS for the ASAP project estimates that as many as 9,500 construction jobs could be created by that project between 2016 and 2019, with another 50-75 workers employed on an ongoing basis.

Why Give up Property Taxes?

3. Natural gas for Alaskans

   All of the pipelines being considered would provide a long-term, stable supply of affordable natural gas to Alaskans in Interior and Southcentral Alaska, easing the burden of high energy prices on many Alaskan families, businesses and utilities.

Why Give up Property Taxes?

Additional strategies would have to be pursued for Alaskans outside of the Railbelt, who experience some of the highest energy prices in the state.

Why Give up Property Taxes?

4. Stimulate more O&G production

   A pipeline will provide the impetus and improve the economics for additional oil and gas exploration and development on Alaska's North Slope.

Why Give up Property Taxes?

5. Extend the life of TAPS

   More O&G exploration on the North Slope will help prolong the life of the Trans-Alaska Pipeline, which carried 2 million barrels a day at its peak in the late 80's and now carries just 625,000 barrels a day.

Congressional Incentives

Congress has stepped up and provided a variety of incentives to build a pipeline:

1. A federal loan guarantee of up to 21 billion (as of 2011), which will reduce the cost of borrowing, lower pipeline tariffs, increase returns to shippers, and provide more revenue to the state.

Congressional Incentives

2. Accelerated tax depreciation for the pipeline in Alaska, enabling owners to recoup construction costs more quickly.

3. A federal tax credit for construction of a gas treatment facility in Prudhoe Bay, projected to cost roughly $12 billion by TC Alaska and ExxonMobil.

Options for State Incentives

With substantial savings and a AAA credit rating, Alaska could help in a variety of ways. Options include:

1. Direct subsidies
2. Equity investment
3. Lower or defer production taxes
4. State loan guarantee
5. Finance cost overruns

Pros and Cons

Each option, of course, has its advantages and disadvantages.

A few examples:

1. A **direct initial subsidy** (e.g., the $500 million awarded to the AGIA licensee or initial funding for work on the ASAP line) can help to get a project permitted, but can't guarantee that it's built. The state risks getting no return on its investment.

Pros and Cons

2. **Equity investment** in a line could decrease shipping tariffs, boost returns and lower consumer costs, since the state can borrow cash at a lower rate than a private company.

   But a significant investment could affect the state's AAA credit rating and increase the cost of borrowing for future state and municipal projects. The state could also be liable for shortfalls, if tariff revenues are insufficient to cover debts payments and operating expenses. And it could be a conflict of interest for the state to both own and regulate a pipeline.

Pros and Cons

3. The state could **lower or defer production taxes**, which may be necessary to get a project off the ground. Deferring taxes during the early years of operation lessens the risk if gas prices are low initially. But the state's return on gas production is significantly lower than oil. Further reductions could substantially eat into the state's revenues.

Pros and Cons

4. The state could provide a **loan guarantee** to supplement the federal one, which only covers about 2/3 of cost of a line to the Lower 48. This would lessen risk to investors, lower the pipeline tariff and make the gas more valuable to the state and shippers. While this shows alignment and reduces risk, the state could be on the hook for an unknown amount.

Pros and Cons

5. The state could also **finance cost overruns**, which can be expected on a mega-project, especially in the Arctic. Risk of overruns discourages companies from making the significant shipping commitment needed to finance a line.

   One downside to this option is the state could wait a long time to be repaid if its loan is 2nd to initial construction loans.

Disclaimer

There are many other pros and cons. These are listed simply to highlight the complexities associated with each option. The bill sponsor believes all of the options merit discussion.

Conclusion

Waiving state property taxes is a **modest, first step** the state can take to make a project more economic. It is relatively **straightforward** and **risk-free**, yet signals the state's willingness to participate in the project. It's one of many steps the state could ultimately take to encourage investment.

SB 148: Moving a Natural Gas Pipeline Forward



February 9, 2012

Senator Wielechowski

Senate Community and Regional Affairs Committee

.5 BCF or more

In a Nutshell

- 20 mil?
- other taxes
- municipalities (?) affected communities in unorg. boro

SB 148 would waive state property taxes for a natural gas pipeline designed to carry 500 million cubic of feet of gas per day until gas begins to flow down the line.

which one?
1. ASAP
2. Alsia
3. ???

what about a time limit from "beginning of project"

(7 years 10 years)

so there is no abuse of

SB 148 Purpose

To help move a project forward by improving project economics early on when major expenditures are being made and no revenue is being generated.

Of Note

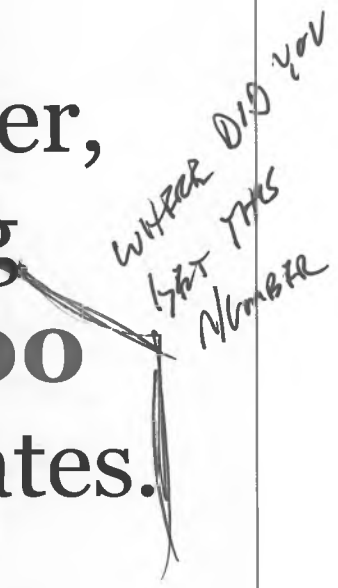
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It depends, of course, on the size and cost of the pipeline. For a large diameter line to the Canadian border, waiving State property taxes during construction would save about **$600 million**, under current cost estimates.



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The $600 million saved would reduce total construction costs, leading to lower tariffs and higher returns for shippers and the state. During the AGIA debate, experts testified that a $500 million state investment upfront would increase state revenues over 25 years by **$1.2 billion**.

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   All of the pipelines being considered would provide a long-term, stable supply of affordable natural gas to Alaskans in Interior and Southcentral Alaska, easing the burden of high energy prices on many Alaskan families, businesses and utilities.

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Clearly, additional strategies would have to be pursued for Alaskans outside of the Railbelt, who experience some of the highest energy prices in the state.

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More O&G exploration on the North Slope will help prolong the life of the Trans-Alaska Pipeline, which carried 2 million barrels a day at its peak in the late 80's and now carries just 625,000 barrels a day.

Congressional Incentives

Congress has stepped up and provided a variety of incentives to build a pipeline:

1. A federal loan guarantee of up to 21 billion (as of 2011), which will reduce the cost of borrowing, lower pipeline tariffs, increase returns to shippers, and provide more revenue to the state.

Congressional Incentives

2. Accelerated tax depreciation for the pipeline in Alaska, enabling owners to recoup construction costs more quickly.

3. A federal tax credit for construction of a gas treatment facility in Prudhoe Bay, projected to cost roughly $12 billion by TC Alaska and ExxonMobil.

Options for State Incentives

With substantial savings and a AAA credit rating, Alaska may be in a position to help in other ways. Options include:

1. Direct subsidies → FOR WHAT? UNECONOMIC BUDGET LINE?
2. Equity investment
3. Lower or defer production taxes
4. State loan guarantee
5. Finance cost overruns

Direct Subsidies

Example: The $500 million provided to the AGIA licensee or the funds appropriated to the Alaska Gasline Development Corp.

Pros:

- Clear benefit to project economics, particularly before "customers" (who will ultimately finance the line with shipping commitments) have been identified. Moves a project forward during the risky design and permitting phase.
- Reduces tariffs, thereby increasing returns for shippers and the state
- State knows the size of its financial investment from the outset.

Direct Subsidies

Cons:

DOES ANYBODY KNOW THE STATE'S "DIRECT SUBSIDIES" ARE? TOTAL!?

- Subsidies early on may get a project permitted, but can't guarantee that it gets built.
- A direct cash subsidy may not change market economics.
- The state may never get a positive return on its money.

Equity Investment

Example: State investment of $7.5 billion in an Alaska Stand Alone Pipeline as recommended in the July 2011 report by the AGDC.

Pros:

- Would decrease shipping tariffs, since the state can borrow cash at a lower rate than a private company, increasing returns for shippers and the state and potentially decreasing gas costs for consumers.
- Could make the difference between a proposed and an actual project.

Equity Investment

Cons:

- If state borrows substantial money to invest, it could jeopardize Alaska's solid credit rating, boosting the cost of borrowing for future state and municipal projects.
- State could be liable for shortfalls if tariff revenues are insufficient to cover pipeline debt payments and operating expenses.
- Could be a conflict of interest for the state to both own and regulate a pipeline.
- Politics could interfere with business decisions.
- WHAT IF THERE IS NO "ANCHOR TENNANT

Lower or Defer Production Taxes

Pros:

- Reductions may be necessary to get a project off the ground, according to experts such as Pedro Van Meurs.
- Deferring production taxes during the early years of operation lessens the risk if gas prices are low initially.
- Deferring enables companies to recover capital in a shorter time, improving project financials.
- Alaska has reserves now and can more easily afford deferral of productional taxes.

Lower or Defer Production Taxes

Cons:

- The return on gas production is already much lower than oil. Further reductions could eat substantially into the state's share of gas revenues.
- Delaying payments to the state diminishes the value of collections over time.

State Loan Guarantee

Provide a state supplement to the federal loan guarantee.

Pros:

- With cost increases, the federal loan guarantee would only cover about 2/3rds of the projected cost of a line to the Lower 48.
- The state could make up the difference, lessening the risk to investors, lowering the pipeline tariff, making the project more attractive to shippers, and making the gas more valuable to the state.
- Such a guarantee should be relatively risk-free as Firm Transportation Commitments will be signed by shippers.
- May help to maintain the federal loan guarantee, which some members of Congress would like to roll-back.

State Loan Guarantee

Cons:

- The state could be on the hook for an unknown amount, although the risk is small.
- Loan guarantees may not be the issue as much as other factors such as market , fiscal structure, etc.

Finance construction overruns

Pros:

- Risk of cost overruns on an Arctic mega-project is high and the threat to project economics is real.
- Concern about cost over-runs can discourage companies from signing long-term shipping commitments needed to finance a pipeline.
- State commitment to finance overruns could ensure that tariffs for not rise for initial shippers.

Finance Construction Overruns

Cons:

- The loan size could be large, depending on the size of the cost over-run.
- If state were to be repaid after initial borrowers , the wait could be 20 years or more, reducing the value of the repayment.

The Bottom Line

Waiving state property taxes is a modest, first step the state can take to make a project more economic. It signals the state's willingness to participate in the project and may encourage investment. It's one of many steps the state could ultimately take.

Chapter 56. Oil and Gas Exploration, Production, and Pipeline Transportation Property Taxes.

Section
10. Levy of tax
18. Property tax education credit
20. Exemptions
30. In place of other taxes
40. State Assessment Review Board
50. Per diem and expenses
60. Assessment
70. Returns
80. Investigation
90. Assessment roll
100. Assessment notice
110. Appeal to the department
120. Appeal to the board
130. Hearings of the board
135. Certification
140. Supplementary assessment rolls
150. Collection and deposit
160. Interest and penalty
180. Remedy
200. Regulations
210. Definitions

Administrative Code. — For oil and gas exploration, production and pipeline transportation property tax, see 15 AAC 56.

Collateral references. — 71 Am. Jur. 2d, State and Local Taxation, §§ 155-157.

84 C.J.S., Taxation, §§ 95-98, 398-400, 418, 494-500.

Constitutional exemption from taxation as subject to legislative regulation respecting conditions of its assertion. 4 ALR2d 744.

Loading or unloading interstate freight in performance of obligation resting upon one other than interstate carrier as interstate commerce as regards local taxation. 10 ALR2d 651.

Property destined for removal from state as subject to taxation therein. 11 ALR2d 938.

Power of legislature to remit, release, or compromise tax claim. 28 ALR2d 1425.

Validity of provision for exemption from taxation of property transferred to private parties for redevelopment purposes. 44 ALR2d 1446.

When right to refund of state or local taxes accrues within statute limiting time for applying for refund. 46 ALR2d 1350.

Legislative power to exempt from taxation property purposes, or uses additional to those specified in constitution. 61 ALR2d 1031.

Financial hardship or inability to pay taxes as rendering inapplicable statutes denying remedy by injunction against assessment or collection of tax. 66 ALR2d 550.

Expenses and taxes deductible by lessee in computing lessor's oil and gas royalty or other return. 73 ALR2d 1056.

Right of property taxpayer to recover back taxes voluntarily but mistakenly paid a second or successive time. 84 ALR2d 1133.

Transportation, freight, mailing, or handling charges billed separately to purchaser of goods as subject to sales or use taxes. 2 ALR4th 1124.

Sec. 43.56.010. Levy of tax. (a) An annual tax of 20 mills is levied each tax year beginning January 1, 1974, on the full and true value of taxable property taxable under this chapter.

(b) A municipality may levy and collect a tax under AS 29.45.080 at the rate of taxation that applies to other property taxed by the municipality. The tax shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. A municipality may not exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.45.030, 29.45.050, and AS 43.56.020.

(c) If the total value of assessed property of a municipality taxing under AS 29.45.080(c) exceeds the product of 225 percent of the average per capita assessed full and true value of property in the state, to be determined by the department and reported to each municipality by January 15 of each year, multiplied by the number of residents of the taxing municipality, the department shall designate the portion of the tax base against which the local tax may be applied.

(d) A tax paid to a municipality under AS 29.45.080 or former AS 29.53.045 on or before June 30 of the tax year shall be credited against the tax levied under (a) of this section for that tax year. If, however, a tax is not paid to a municipality until after June 30 of the taxable year, the department upon application shall refund to the taxpayer the amount of tax paid to the municipality under AS 29.45.080 or former AS 29.53.045. The credit or refund of taxes paid to a municipality may not exceed the total amount of tax levied by

the department upon the taxpayer for the tax year, under (a) of this section. (§ 1 ch 1 FSSLA 1973; am § 7 ch 159 SLA 1975; am §§ 1, 2 ch 107 SLA 1976; am §§ 69 — 71 ch 74 SLA 1985)

Opinions of attorney general. — Municipal tax ordinance which established three differential tax zones but levied a higher mill rate in Tax Zone III, a zone consisting entirely of oil and gas property owned by Alyeska and assessed by the State of Alaska, Department of Revenue, under AS 43.56, violated the uniform rate provision of subsection (b). December 8, 1986 Op. Att'y Gen.

In the event that creation of a tax zone consisting entirely of oil and gas property was proper and was thereby taxed at a higher mill rate than other property in the city under AS 29.45.580 because it received different services than those generally provided in the city, the municipality's collection of the higher tax from Alyeska in 1986 failed to meet the requirement of a rational relationship between the benefits conferred and the costs to the taxpayer in 1986. December 8, 1986 Op. Att'y Gen.

AS 43.56 property annexed to a municipality after the statutorily prescribed January 1 property assessment deadline, but before a municipality finalizes its tax roll, is taxable under AS 29.45.080 and the tax paid to the municipality will be a credit against that oil company's corporate state tax for that year under subsection (d) of this section. March 1, 1989 Op. Att'y Gen.

NOTES TO DECISIONS

Entitlement to state tax credit. See North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978).

Regulation denying credit held invalid. — An emergency regulation which denied a credit against the tax levied by the state under subsection (a) of this section for property taxes collected by municipalities in excess of the limitations set forth in former AS 29.53.045 and former 29.53.050(b) was invalid since subsection (d) of this section mandated that all taxes paid under former AS 29.53.045 were to be credited against the levy of subsection (a). North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978).

City's imposition of higher property tax mill rate on oil and gas invalid. — City's imposition of a higher property tax mill rate on oil and gas property than on other property in the city, for the purpose of paying the cost of providing oil spill prevention and response services, was invalid, because the tax violated subsection (b), which specifically prohibits a municipal tax rate higher than that which applies to "other property taxable by the municipality." City of Valdez v. State, Dep't of Community & Regional Affairs, 793 P.2d 532 (Alaska 1990).

Local property tax on ships held invalid. — Valdez, Alaska ordinance imposed a personal property tax on the value of large ships, primarily oil tankers, traveling to or based in Valdez, which violated the Tonnage Clause, U.S. Const. art. I, § 10, cl. 3, because it taxed no other form of personal property, its amount depended upon a ship's capacity, and it raised revenue for general municipal services; the ship tax was not a permissible tax on "other oil-related property" under AS 29.45.080, AS 43.56.210, and this section, in that it was a purely municipal tax with no effective electorate-related check upon the city's vessel-taxing power. Polar Tankers, Inc. v. City of Valdez, — U.S. —, 129 S. Ct. 2277, 174 L. Ed. 2d 1 (2009).

225% valuation cap. — When the full and true value of property in a municipality exceeds the limit imposed by the AS 29.45.080(c) 225% valuation cap, the municipality may reduce the value of all taxable property on a pro-rata basis. The pro-rata method does not violate the requirement to assess non-oil-and-gas property at full and true value under AS 29.45.110 or exceed the exemptions authorized by this section, and the 225% limitation does not apply to taxes imposed to repay bonded indebtedness under AS 29.45.100. Bullock v. State, 19 P.3d 1209 (Alaska 2001).

Cited in Matanuska-Susitna Borough v. Hammond, 726 P.2d 166 (Alaska 1986).

Sec. 43.56.018. Property tax education credit. (a) **[See delayed amendment note.]** The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; and

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

(b) **[See delayed amendment note.]** The amount of the credit is

(1) 50 percent of contributions of not more than $100,000;

(2) 100 percent of the next $200,000 of contributions; and

(3) 50 percent of the amount of contributions that exceed $300,000.

(c) Each public college and university shall include in its annual operating bud request contributions received and how the contributions were used.

(d) **[See delayed amendment note.]** A contribution claimed as a credit under th section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during t taxpayer's tax year under AS 21.96.070, 21.96.075, AS 43.20.014, AS 43.55.019, A 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceedin $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073.

(e) **[Effective January 1, 2011.]** The credit under this section may not reduce person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

(f) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014. (§ 5 ch 58 SLA 1987; am § 50 ch 21 SLA 1991; am §§ 6, 7, 12 ch 71 SLA 1991; am § 6 ch 21 SLA 1994; am § 19 ch 126 SLA 1994; am § 18 ch 81 SLA 1996; am §§ 5, 6 ch 86 SLA 2000; am §§ 13, 14 ch 46 SLA 2002; am § 4 ch 48 SLA 2008; am §§ 27, 29, 31, 33 ch 92 SLA 2010)

Delayed amendment of subsections (a), (b), and (d). — Until January 1, 2011, subsections (a), (b), and (d) of this section will read as follows: "(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

"(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

"(2) for secondary school level vocational education courses and programs by a school district in the state; and

"(3) by a state-operated vocational technical education and training school.

"(b) The amount of the credit is

"(1) 50 percent of contributions of not more than $100,000; and

"(2) 100 percent of the next $100,000 of contributions.

"(d) A contribution claimed as a credit under this section may not

"(1) be claimed as a credit under another provision of this title; and

"(2) when combined with credits taken during the taxpayer's tax year under AS 21.96.070, 21.96.075, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed $150,000."

Under §§ 28, 30, 32, and 57, effective January 1, 2014, subsections (a), (b), and (d) of this section will read as follows: "(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

"(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

"(2) for secondary school level vocational education courses and programs by a school district in the state; and

"(3) by a state-operated vocational technical education and training school.

"(b) The amount of the credit is

"(1) 50 percent of contributions of not more than $100,000; and

"(2) 100 percent of the next $100,000 of contributions.

"(d) A contribution claimed as a credit under this section may not

"(1) be the basis for a credit claimed under another provision of this title; and

"(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.96.070, 21.96.075, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding $150,000."

Under §§ 55 and 57, ch. 92, SLA 2010, subsection (e) of this section is repealed January 1, 2014.

Revisor's notes. — In 1991, to harmonize the amendments made by chs. 21 and 71, SLA 1991, the words "by an Alaska" were inserted before "university foundation" in (a) of this section.

In 2010, in (d)(2) of this section "AS 21.96.070, 21.96.075" was substituted for "AS 21.89.070, 21.89.075" to reflect the 2010 renumbering of AS 21.89.070 and 21.89.075. Subsection (e) was enacted as (f); relettered in 2010, at which time subsection (e) was relettered as subsection (f).

Effect of amendments. — The 2000 amendment, effective July 1, 2000, inserted a section reference in paragraph (d)(2); and, effective July 1, 2003, deleted that added reference.

The 2002 amendment, effective June 19, 2002, added section references in paragraph (d)(2).

The 2008 amendment, effective January 1, 2009, rewrote the section, which provided for oil or gas property education credits.

The 2010 amendment, effective January 1, 2011, in (a)(2), added ", and facilities" following "programs", in (a)(3), added "for vocational education courses, programs, and facilities" preceding "by a state-operated vocational", added (a)(4), and made related changes; in (b)(2), substituted "$200,000" for "$100,000", added (b)(3), and made related changes; in (d)(1), substituted "be the basis for a credit claimed" for "be claimed as a credit", in (b)(2), added "contributions that are the basis for" following "when combined with", substituted "result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073" for "exceed $150,000"; added (f) (now (e)).

Sec. 43.56.019. Alaska veterans' memorial endowment fund contribution credit. [Repealed, § 25 ch 46 SLA 2002.]

Sec. 43.56.020. Exemptions. (a) The following are exempt from local taxes levied or authorized under AS 43.56.010(b):

(1) property rights attached to or inherent in the right to explore for or produce oil or gas;

(2) oil or gas leases or properties, whether producing or not;

(3) oil or gas in place;

(4) oil or gas produced or extracted in the state;

(5) the value of intangible drilling expenses and exploration expenses;

(6) an interest in property described in AS 43.55.017(a).

(b) There is exempt from state taxes levied or authorized under AS 43.56.010(a), 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.

(c) In (a) (2) of this section, "properties" means mineral interests in oil and gas and working interests, royalty interests, and overriding royalty interests in oil and gas leases. (§ 1 ch 1 FSSLA 1973; am § 26 ch 208 SLA 1975; am § 119 ch 6 SLA 1984)

Opinions of attorney general. — A municipality may not levy a transportation tax on crude oil flowing through the Trans Alaska Pipeline (pipeline) while the crude oil passes through the municipality. November 15, 1989 Op. Att'y Gen.

Sec. 43.56.030. In place of other taxes. Except for those taxes imposed under AS 43.55, the taxes levied or authorized under AS 43.56.010(b) are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; and

(2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first $1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

(C) taxes on the sale or use of services used in or associated with the property or in its maintenance or operation except for the sales tax on the first $1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services. (§ 1 ch 1 FSSLA 1973; am § 55 ch 127 SLA 1974; am § 5 ch 34 SLA 1999)

Effect of amendments. — The 1999 amendment, effective July 1, 1999, made a section reference substitution in the introductory language and made a minor stylistic change.

Secs. 14.17.230 — 14.17.240. Transition; repealer. [Repealed, § 2 ch 71 SLA 1972.]

Sec. 14.17.250. Definitions. [Repealed, § 39 ch 83 SLA 1998.]

Sec. 14.17.300. Public education fund. (a) The public education fund is established. The fund consists of appropriations for

(1) distribution to school districts, to the state boarding school, and for centralized correspondence study under this chapter; and

(2) transportation of pupils under AS 14.09.010.

(b) Money appropriated to the fund may be expended without further appropriation. Money appropriated to the fund does not lapse. The money in the fund may be expended only in aid of public schools and for centralized correspondence study programs under this chapter and for transportation of pupils under AS 14.09.010. Interest earned on money held in the fund before expenditure may be appropriated to the fund by the legislature. (§ 2 ch 83 SLA 1998; am § 1 ch 4 SLA 2005)

Cross references. — For statement of legislative intent regarding appropriation to this fund of a portion of proceeds obtained from the retrospective application of certain provisions of the 2007 amendments of the production tax on oil and gas (AS 43.55), as authorized by ch. 74, SSSLA 2007, see § 1(c), ch. 1, SSSLA 2007.

Effect of amendments. — The 2005 amendment, effective April 2, 2005, rewrote this section.

Sec. 14.17.400. State aid for districts. (a) The state aid for which a school district is eligible in a fiscal year is equal to the amount for which a district qualifies under AS 14.17.410.

(b) If the amount appropriated to the public education fund for purposes of this chapter is insufficient to meet the amounts authorized under (a) of this section for a fiscal year, the department shall reduce pro rata each district's basic need by the necessary percentage as determined by the department. If the basic need of each district is reduced under this subsection, the department shall also reduce state funding for centralized correspondence study and the state boarding school by the same percentage. (§ 2 ch 83 SLA 1998; am § 2 ch 4 SLA 2005)

Effect of amendments. — The 2005 amendment, effective April 2, 2005, in the first sentence in subsection (b) substituted "amount appropriated to the public education fund for purposes of this chapter" for "amount in the public school account."

Sec. 14.17.410. Public school funding. (a) A district is eligible for public school funding in an amount equal to the sum calculated under (b) and (c) of this section.

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(1) state aid equals basic need minus a required local contribution and 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum obtained under (D) of this paragraph, multiplied by the base student allocation set out in AS 14.17.470; district adjusted ADM is calculated as follows:

(A) the ADM of each school in the district is calculated by applying the school size factor to the student count as set out in AS 14.17.450;

(B) the number obtained under (A) of this paragraph is multiplied by the district cost factor described in AS 14.17.460;

(C) the ADMs of each school in a district, as adjusted according to (A) and (B) of this paragraph, are added; the sum is then multiplied by the special needs factor set out in AS 14.17.420(a)(1);

(D) the number obtained for intensive services under AS 14.17.420(a)(2) and the number obtained for correspondence study under AS 14.17.430 are added to the number obtained under (C) of this paragraph;

(E) notwithstanding (A) — (C) of this paragraph, if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;

(ii) for the second fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 50 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the second fiscal year after the base fiscal year;

(iii) for the third fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 25 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the third fiscal year after the base fiscal year;

(F) the method established in (E) of this paragraph is available to a school district for the three fiscal years following the base fiscal year determined under (E) of this paragraph only if the district's ADM adjusted for school size determined under (A) of this paragraph for each fiscal year is less than the district's ADM adjusted for school size in the base fiscal year;

(G) the method established in (E) of this paragraph does not apply to a decrease in the district's ADM adjusted for school size resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29;

(2) the required local contribution of a city or borough school district is the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

(c) In addition to the local contribution required under (b)(2) of this section, a city or borough school district in a fiscal year may make a local contribution of not more than the greater of

(1) the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110; or

(2) 23 percent of the district's basic need for the fiscal year under (b)(1) of this section.

(d) State aid may not be provided to a city or borough school district if the local contributions required under (b)(2) of this section have not been made.

(e) If a city or borough school district is established after July 1, 1998, for the first three fiscal years in which the city or borough school district operates schools, local contributions may be less than the amount that would otherwise be required under (b)(2) of this section, except that

(1) in the second fiscal year of operations, local contributions must be at least the greater of

(A) the local contributions, excluding federal impact aid, for the previous fiscal year; or

(B) the sum of 10 percent of the district's eligible federal impact aid for that year and the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the city or borough school district as of January 1 of the second

preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110; and

(2) in the third year of operation, local contributions must be at least the greater of

(A) the local contributions, excluding federal impact aid, for the previous fiscal year; or

(B) the sum of 10 percent of the district's eligible federal impact aid for that year and the equivalent of a three mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110.

(f) A school district is eligible for additional state aid in the amount by which the local contributions that would otherwise have been required under (b)(2) of this section exceed the district's actual local contributions under (e) of this section. (§ 2 ch 83 SLA 1998; am § 3 ch 9 SLA 2008)

Revisor's notes. — In 1999, "Department of Community and Economic Development" was substituted for "Department of Community and Regional Affairs" in subsections (b), (c), and (e) of this section in accordance with § 91(a)(2), ch. 58, SLA 1999. In 2004, "Department of Community and Economic Development" was changed to "Department of Commerce, Community, and Economic Development" in (b), (c), and (e) of this section, in accordance with § 3, ch. 47, SLA 2004.

Effect of amendments. — The 2008 amendment, effective July 1, 2008, added subparagraphs (b)(1)(E) through (b)(1)(G).

Collateral references. — Validity of public school funding systems. 110 ALR5th 293.

Sec. 14.17.420. Special needs and intensive services funding. (a) As a component of public school funding, a district is eligible for special needs funding and may be eligible for intensive services funding as follows:

(1) special needs funding is available to a district to assist the district in providing special education, gifted and talented education, vocational education, and bilingual education services to its students; a special needs funding factor of 1.20 shall be applied as set out in AS 14.17.410(b)(1);

(2) in addition to the special needs funding for which a district is eligible under (1) of this subsection, a district is eligible for intensive services funding for each special education student who needs and receives intensive services and is enrolled on the last day of the count period; for each such student, intensive services funding is equal to the intensive student count multiplied by 13.

(b) If a district offers special education, gifted and talented education, vocational education, or bilingual education services, in order to receive funding under (a)(1) of this section, the district must file with the department a plan that indicates the services that will be provided to students who receive these services.

(c) In this section, "intensive services" has the meaning given by the department by regulation adopted under AS 14.30.180 — 14.30.350. (§ 2 ch 83 SLA 1998; am §§ 4 — 6 ch 9 SLA 2008)

Effect of amendments. — The 2008 amendment, effective July 1, 2008, substituted "nine" for "five" at the end of subsection (a); effective July 1, 2009, substituted "11" for "nine" at the end of subsection (a) and effective July 1, 2010, substituted "13" for "11" at the end of subsection (a).

Sec. 14.17.430. State funding for correspondence study. Except as provided in AS 14.17.400(b), funding for the state centralized correspondence study program or a district correspondence program, including a district that offers a statewide correspondence study program, includes an allocation from the public education fund in an amount calculated by multiplying the ADM of the correspondence program by 80 percent. (§ 2 ch 83 SLA 1998; am § 3 ch 4 SLA 2005)

Effect of amendments. — The 2005 amendment, effective April 2, 2005, substituted "public education fund" for "public school account" near the end of the section.

Opinions of attorney general. — A book may not be approved for use in publicly provided education if it advocates a partisan, sectarian, or denominational doctrine. To allow otherwise would permit a school board to advocate partisan, sectarian, and denominational doctrines in a public classroom through textbooks. September 20, 2005 Op. Att'y Gen.

Sec. 14.17.440. State funding for state boarding schools. (a) Except as provided in AS 14.17.400(b), funding for state boarding schools established under AS 14.16.010 includes an allocation from the public education fund in an amount calculated by

(1) determining the ADM of state boarding schools by applying the school size factor to the student count as described in AS 14.17.450;

(2) multiplying the number obtained under (1) of this subsection by the special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base student allocation; and

(3) multiplying the product determined under (2) of this subsection by the district cost factor that is applicable to calculation of the state aid for the adjacent school district under AS 14.17.460.

(b) State boarding schools are also eligible for intensive services funding under AS 14.17.420(a)(2). (§ 2 ch 83 SLA 1998; am § 4 ch 4 SLA 2005)

Effect of amendments. — The 2005 amendment, effective April 2, 2005, substituted "public education fund" for "public school account" in the introductory language of subsection (a).

Sec. 14.17.450. School size factor. (a) For purposes of calculating a school's ADM to determine state aid, the ADM of each school in a district shall be computed by applying the following formula:

If the student count in a school is			The adjusted student count is				
At least		But less than	Base		Multiplier		The number of students in excess of
10	-	20	39.6				
20	-	30	39.6	+	(1.62	x	20)
30	-	75	55.8	+	(1.49	x	30)
75	-	150	122.85	+	(1.27	x	75)
150	-	250	218.1	+	(1.08	x	150)
250	-	400	326.1	+	(0.97	x	250)
400	-	750	471.6	+	(0.92	x	400)
750 or over			793.6	+	(0.84	x	750).

(b) If the ADM in a school is less than 10, those students shall be included in the ADM of the school in that district with the lowest ADM as determined by the most recent student count data for that district.

(c) Except as provided in (d) of this section, if the student count in a charter school is less than 150, the adjusted student count for the school shall be calculated by multiplying the student count by the student rate for a school that has a student count of 400.

(d) If a charter school has a student count of more than 120 but less than 150 for the current year and is in the first year of operation or had a student count of 150 or more in the previous year of operation,

(1) the adjusted student count for the school shall be calculated by multiplying the student count by 95 percent of the student rate for a school that has a student count of 150; and

(2) not later than February 15, the charter school shall submit for approval of the governing board of the district a plan for the following school year that includes a statement about whether the school will continue to operate if the student count remains the same that year and, if so, a projection of the funding anticipated from the state and

funding, a district is eligible to receive a quality school funding grant not to exceed the district's adjusted ADM multiplied by $16. The department shall by regulation establish a grant process to implement this section.

(b) For purposes of the reduction required under AS 14.17.400(b), funding authorized under (a) of this section is treated the same as the state share of public school funding under AS 14.17.410. (§ 2 ch 83 SLA 1998)

Sec. 14.17.490. Public school funding adjustments. (a) Except as provided in (b) — (e) of this section, if, in fiscal year 1999, a city or borough school district or a regional educational attendance area would receive less public school funding under AS 14.17.410 than the district or area would have received as state aid, the district or area is, in each fiscal year, eligible to receive additional public school funding equal to the difference between the public school funding the district or area was eligible to receive under AS 14.17.410 in fiscal year 1999 and the state aid the district or area would have received in fiscal year 1999.

(b) A city or borough school district is not eligible for additional funding authorized under (a) of this section unless, during the fiscal year in which the district receives funding under (a) of this section, the district received a local contribution equal to at least the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110.

(c) For the purposes of the reduction required under AS 14.17.400(b), funding authorized under (a) of this section is treated the same as the state share of public school funding under AS 14.17.410.

(d) Beginning in fiscal year 2000, if a district receives more public school funding under AS 14.17.410 than the district received in the preceding fiscal year, any amount received by the district under this section shall be reduced. The amount of the reduction required under this subsection is equal to the amount of increase from the preceding fiscal year in public school funding multiplied by 40 percent. In this subsection, "public school funding" does not include funding under this section.

(e) Beginning in fiscal year 2000, in each fiscal year, the department shall compare each district's ADM with the district's ADM in fiscal year 1999. If the current fiscal year ADM is less than 95 percent of the district's ADM in fiscal year 1999, the department shall reduce the district's public school funding calculated under (a) of this section by a percentage equal to the percentage of decrease in the district's ADM.

(f) For purposes of this section, "state aid" means state aid distributed under the provisions of AS 14.17, as those provisions read on January 1, 1998, and additional district support appropriated by the legislature for fiscal year 1998. (§ 2 ch 83 SLA 1998)

Revisor's notes. — In 1999, "Department of Community and Economic Development" was substituted for "Department of Community and Regional Affairs" in (b) of this section in accordance with § 91(a)(2), ch. 58, SLA 1999. In 2004, "Department of Community and Economic Development" was changed to "Department of Commerce, Community, and Economic Development" in (b) of this section, in accordance with § 3, ch. 47, SLA 2004.

Article 2. Preparation of Public School Funding Budget.

Section

500. Student count estimate
505. Fund balance in school operating fund
510. Determination of full and true value by Department of Commerce, Community, and Economic Development
520. Minimum expenditure for instruction

Collateral references. — 68 Am. Jur. 2d Schools, § 99 et seq.

78A C.J.S. Schools and School Districts, § 500 et seq.

Sec. 14.17.500. Student count estimate. (a) A district shall prepare and submit to the department by November 5 of each fiscal year, in the manner and on forms prescribed by the department, an estimate of its ADM and other student count data, including per school student count data, for the succeeding fiscal year upon which computations can be made to estimate the amount of state aid for which the district may be eligible under AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall consider its ADM, other student count data, the pattern of growth or decline of the student population in preceding years, and other pertinent information available to the district.

(b) Part-time students shall be included in the student count data in accordance with regulations adopted by the department.

(c) When reporting a district's ADM, a part-time student who is a correspondence student may not be counted as more than one full-time equivalent student. (§ 2 ch 83 SLA 1998; am § 3 ch 120 SLA 1998)

Revisor's notes. — Subsection (c) was enacted as AS 14.17.080(b) by § 3, ch. 120, SLA 1998. Renumbered in 1998.

Sec. 14.17.505. Fund balance in school operating fund. (a) A district may not accumulate in a fiscal year an unreserved portion of its year-end fund balance in its school operating fund, as defined by department regulations, that is greater than 10 percent of its expenditures for that fiscal year.

(b) The department shall review each district's annual audit under AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund balance. The amount by which the unreserved portion of that balance exceeds the amount permitted in (a) of this section shall be deducted from the state aid that would otherwise be paid to the district in the current fiscal year. (§ 2 ch 83 SLA 1998)

Sec. 14.17.510. Determination of full and true value by Department of Commeree, Community, and Economic Development. (a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Commerce, Community, and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough. If there is no local assessor or current local assessment for a city or borough school district, then the Department of Commerce, Community, and Economic Development shall make the determination of full and true value guided by AS 29.45.110 and based on a determination of full and true value made by the state assessor at least every two years using the best information available, including on-site inspections made by the state assessor in each of those districts at least once every four years. For purposes of this subsection, the full and true value of taxable real and personal property in any area detached shall be excluded from the determination of the full and true value of the municipality from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district, or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a tax is not levied under AS 29.45.080 by the municipality that is the school district. The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the

commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Commerce, Community, and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

(b) Motor vehicles subject to the motor vehicle registration tax under AS 28.10.431 shall be treated as taxable property under this section.

(c) Notwithstanding AS 14.17.410(b)(2) and the other provisions of this section, if the assessed value in a city or borough school district determined under (a) of this section increases from the base year, only 50 percent of the annual increase in assessed value may be included in determining the assessed value in a city or borough school district under (a) of this section. The limitation on the increase in assessed value in this subsection applies only to a determination of assessed value for purposes of calculating the required contribution of a city or borough school district under AS 14.17.410(b)(2) and 14.17.490(b). In this subsection, the base year is 1999. (§ 2 ch 83 SLA 1998; am § 3 ch 95 SLA 2001; am § 1 ch 5 SLA 2006)

Revisor's notes. — In 1999, "Department of Community and Economic Development" was substituted for "Department of Community and Regional Affairs" in (a) of this section in accordance with § 91(a)(2), ch. 58, SLA 1999. In 2004, "Department of Community and Economic Development" was changed to "Department of Commerce, Community, and Economic Development" in (a) of this section, in accordance with § 3, ch. 47, SLA 2004.

Effect of amendments. — The 2006 amendment, June 14, 2006, rewrote the second sentence of subsection (a), and inserted the third and fourth sentences.

Opinions of attorney general. — The 50 percent discount allowed in (c) of this section applies to an increase in a district's assessment on account of the annexation of additional territory. Therefore, the Department of Community and Economic Development should treat increases in the municipal tax base caused by annexation the same as it treats increases caused by appreciation. April 25, 2005 Op. Att'y Gen.

Sec. 14.17.520. Minimum expenditure for instruction. (a) A district shall budget for and spend a minimum of 70 percent of its school operating expenditures in each fiscal year on the instructional component of the district budget.

(b) The commissioner shall reject a district budget that does not comply with (a) of this section and, unless a waiver has been granted by the board under (d) of this section, shall withhold payments of state aid from that district, beginning with the payment for the second full month after rejection and continuing until the school board of the district revises the district budget to comply with (a) of this section.

(c) The commissioner shall review the annual audit of each district for compliance with the expenditure requirements of (a) of this section. If the commissioner determines that a district does not meet those requirements, the commissioner shall advise the district of the determination, calculate the amount of the deficiency, and deduct that amount from state aid paid to the district for the current fiscal year. A deduction in state aid required under this subsection begins with the payment for the second full month after the determination, unless a waiver has been granted by the board under (d) of this section.

(d) A district that has been determined by the commissioner to be out of compliance with the requirements of this section may, within 20 days of the commissioner's determination, request a waiver by the board of the imposition by the commissioner of any reduction in state aid payments under (b) or (c) of this section. The request must be in writing and must include an analysis of the reasons and causes for the district's inability to comply with the requirements of this section. The board may grant the waiver if the board determines that the district's failure to meet the expenditure requirements of this section was due to circumstances beyond the control of the district. The request must also be submitted to the Legislative Budget and Audit Committee, which shall review the district's request and forward the committee's recommendations on it to the board.

(e) The commissioner shall submit an annual report on actions taken by the commissioner or the board under this section to the Legislative Budget and Audit Committee by April 15 of each year.

(f) In this section, "instructional component" includes expenditures for teachers and for pupil support services. (§ 2 ch 83 SLA 1998)

Article 3. Procedure for Payments of State Aid.

Section
600. Student count periods
610. Distribution of state aid

Cross references. — For provision concerning the withholding of funds, see AS 14.07.070.

Collateral references. — 78A C.J.S. Schools and School Districts, § 428 et seq.

Determination of school attendance, enrollment, or pupil population for purpose of apportionment of funds. 80 ALR2d 953.

Sec. 14.17.600. Student count periods. (a) Within two weeks after the end of the 20-school-day period ending the fourth Friday in October, each district shall transmit a report to the department that, under regulations adopted by the department, reports its ADM for that count period and other student count information that will aid the department in making a determination of its state aid under the public school funding program. For centralized correspondence study, the October report shall be based on the period from July 1 through the fourth Friday in October. The department may make necessary corrections in the report submitted and shall notify the district of changes made. The commissioner shall notify the governor of additional appropriations the commissioner estimates to be necessary to fully finance the public school funding program for the current fiscal year.

(b) Upon written request and for good cause shown, the commissioner may permit a district to use a 20-school-day count period other than the period set out in (a) of this section. However, a count period approved under this subsection must be 20 consecutive school days unless one or more alternate count periods are necessary to permit a district to implement flexible scheduling that meets the district's needs and goals without jeopardizing the state aid for which the district would ordinarily be eligible under this chapter. (§ 2 ch 83 SLA 1998; am § 6 ch 114 SLA 2003; am § 15 ch 41 SLA 2009)

Effect of amendments. — The 2003 amendment, effective July 1, 2003, in subsection (a) deleted ", except that summer school students shall be counted as a proportionate fraction as determined by the department" from the end of the second sentence.

The 2009 amendment, effective June 21, 2009, substituted "count" for "counting" in the section heading and throughout the section.

Sec. 14.17.610. Distribution of state aid. (a) The department shall determine the state aid for each school district in a fiscal year on the basis of the district's student count data reported under AS 14.17.600. On or before the 15th day of each of the first nine months of each fiscal year, one-twelfth of each district's state aid shall be distributed on the basis of the data reported for the preceding fiscal year. On or before the 15th day of each of the last three months of each fiscal year, one-third of the balance of each district's state aid shall be distributed, after the balance has been recomputed on the basis of student count and other data reported for the current fiscal year.

(b) Distribution of state aid under (a) of this section shall be made as required under AS 14.17.410. If a district receives more state aid than it is entitled to receive under this chapter, the district shall immediately remit the amount of overpayment to the commissioner, to be returned to the public education fund. The department may make

application shall be made upon forms prescribed by the state assessor for the use of the local assessor, and must include information that may reasonably be required to determine the entitlement of the applicant. If the land is leased for farm use purposes, the applicant shall furnish to the assessor a copy of the lease bearing the signatures of both lessee and lessor along with the completed application. The applicant shall furnish the assessor a copy of the lease covering the period for which the exemption is requested. This subsection does not apply to a person with an interest in land that is classified by the state for agricultural use or that is restricted by the state for agricultural purposes.

(c) In the event of a crop failure by an act of God the previous year, the owner or lessee may submit an affidavit affirming that 10 percent of gross income for the past three years was from farming.

(d) Subject to legislative appropriations for the purpose, the state shall reimburse a borough or city, as appropriate, for the property tax revenues lost to it by the operation of this section.

(e) All land that is classified by the state for agricultural use or that is restricted by the state for agricultural purposes shall be assessed on the basis of full and true value based upon that restricted use.

(f) This section does not apply to land for which the owner has granted, and has outstanding, a lease or option to buy the surface rights. A property owner wishing to file for farm use classification having no history of farm-related income may submit a declaration of intent at the time of filing the application with the assessor setting out the intended use of the land and the anticipated percentage of income. An applicant using this procedure shall file with the assessor before February 1 of the following year a notarized statement of the percentage of gross income attributable to the land. Failure to make the filing required in this subsection forfeits the exemption.

(g) In this section, "farm use" means the use of land for profit for raising and harvesting crops, for the feeding, breeding, and management of livestock, for dairying, or another agricultural use, or any combination of these. To be farm use land, the owner or lessee must be actively engaged in farming the land, and derive at least 10 percent of yearly gross income from the land. (§ 12 ch 74 SLA 1985; am §§ 1, 2 ch 117 SLA 2002)

Revisor's notes. — Subsection (e) was enacted as (f) and relettered in 2002, at which time (e) was relettered as (f). Subsection (f) was also formerly (c) and was relettered in 1992, at which time what had been (d) and (e) were relettered as (c) and (d), respectively. Subsection (g) was formerly the first two sentences of subsection (f) and was redesignated as (g) in 2008.

Opinions of attorney general. — Commercial greenhouses should be considered a farm use of property for taxation purposes under this section. April 2, 1992 Op. Att'y Gen.

Sec. 29.45.062. Land subject to a conservation easement. (a) Land that is subject to a conservation easement created under AS 34.17.010 — 34.17.060 and used consistent with the conservation easement shall be assessed on the basis of full and true value for use subject to the conservation easement and may not be assessed as though it was not subject to the conservation easement. The assessor shall maintain records valuing the land for both full and true value and value subject to the conservation easement. The municipality may, by ordinance, require that if the land is sold, leased, or otherwise disposed of for uses incompatible with the conservation easement or if the conservation easement is conveyed to the owner of the property, the owner shall pay to the municipality an amount equal to the additional tax at the current mill levy together with eight percent interest for the preceding 10 years, as though the land had not been assessed subject to the conservation easement.

(b) To secure the assessment under this section, an owner of land subject to a conservation easement shall apply to the assessor before May 15 of each year in which the assessment is desired. The application must be made upon forms prescribed by the assessor and must include information that may reasonably be required to determine the entitlement of the applicant. (§ 3 ch 73 SLA 1989)

...tion. — In 2008, under § 5, ch. 116, ...4.17.010 — 34.17.060" was substituted ...

...45.065. Assessment of private airports open for public use. (a) A ...ity may provide by ordinance that airports located on private land and open ...ble for public use may be assessed at full and true value for airport use and not ...vided or used for some other nonairport use. The assessor shall maintain ...aluing the land at both full and true value and airport use value. If the land is ...ed, or otherwise disposed of for uses incompatible with airport use by the public ...owner converts the land to a use incompatible with airport use by the public, the ...liable to pay an amount equal to the additional tax at the current mill levy ...with eight percent interest from the time of the incompatibility, as if the land ...been assessed for airport use. Payment of the additional tax and interest shall be ...the municipality.

...o secure the assessment under this section, the owner of the airport shall show ...e airport is on private land, is open and available for public use, and is of benefit ...public or municipality. The owner shall apply to the assessor before May 15 of each ...hat the assessment is desired on forms to be prescribed by the municipality for use ...local assessor and shall include information reasonably required to determine the ...ment of the applicant. If the land is leased for airport purposes, the applicant shall ...h the assessor with a copy of the lease bearing the signature of both the lessee and ... for the period that the exemption is requested.

...In this section, "airport" means an area of land or water that is used for the landing, ...ff, movement, or parking of aircraft, and the appurtenant areas that are used for ...ort buildings or other airport facilities or right-of-way, together with airport buildings ...facilities at the location. (§ 1 ch 16 SLA 1987)

Sec. 29.45.070. Mobile homes. Mobile homes, trailers, house trailers, trailer ...ches, and similar property used or intended to be used for residential, office, or ...mmercial purposes and attached to the land or connected to water, gas, electric, or ...wage facilities are classified as real property for tax purposes unless expressly ...ssified as personal property by ordinance. This section does not apply to house trailers ...d mobile homes that are unoccupied and held for sale by persons engaged in the ...siness of selling mobile homes. (§ 12 ch 74 SLA 1985)

Sec. 29.45.080. Tax on oil and gas production and pipeline property. (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

(b) A municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue at a rate not to exceed that which produces an amount of revenue from the total municipal property tax equivalent to $1,500 a year for each person residing in its boundaries.

(c) 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.

(d) By February 1 of each assessment year a taxing municipality shall inform the Department of Revenue which method of taxation the municipality will use.

(e) For purposes of this section, population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and the commissioner shall advise each municipality of its population by January 15 of each year. (§ 12 ch 74 SLA 1985)

Opinions of attorney general. — The military population of the state should be included in the total population for purposes of applying the property tax methodology described in this section. 1978 Op. Att'y Gen. No. 21, decided under former, similar law.

Section 43.56 property annexed to a municipality after the statutorily prescribed January 1, property assessment deadline, but before a municipality finalizes its tax roll, is taxable under this section and the tax paid to the municipality will be a credit against that oil company's corporate state tax for that year under AS 43.56.010(d). March 1, 1989 Op. Att'y Gen.

NOTES TO DECISIONS

225% valuation cap. — When the full and true value of property in a municipality exceeds the limit imposed by the subsection (c) 225% valuation cap, the municipality may reduce the value of all taxable property on a pro-rata basis. The pro-rata method does not violate the requirement to assess non-oil-and-gas property at full and true value under AS 29.45.110 or exceed the exemptions authorized by AS 43.56.010, and the 225% limitation does not apply to taxes imposed to repay bonded indebtedness under AS 29.45.100. Bullock v. State, 19 P.3d 1209 (Alaska 2001).

Local property tax on ships held invalid. — Valdez, Alaska ordinance imposed a personal property tax on the value of large ships, primarily oil tankers, traveling to or based in Valdez, which violated the Tonnage Clause, U.S. Const. art. I, § 10, cl. 3, because it taxed no other form of personal property, its amount depended upon a ship's capacity, and it raised revenue for general municipal services; the ship tax was not a permissible tax on "other oil-related property" under AS 43.56.010, AS 43.56.210, and this section, in that it was a purely municipal tax with no effective electorate-related check upon the city's vessel-taxing power. Polar Tankers, Inc. v. City of Valdez, — U.S. —, 129 S. Ct. 2277, 174 L. Ed. 2d 1 (2009).

Cited in City of Valdez v. State, Dep't of Community & Regional Affairs, 793 P.2d 532 (Alaska 1990).

Sec. 29.45.090. Tax limitation. (a) A municipality may not, during a year, levy an ad valorem tax for any purpose in excess of three percent of the assessed value of property in the municipality. All property on which an ad valorem tax is levied shall be taxed at the same rate during the year.

(b) A municipality, or combination of municipalities occupying the same geographical area, in whole or in part, may not levy taxes

(1) that will result in tax revenues from all sources exceeding $1,500 a year for each person residing within the municipal boundaries; or

(2) upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds 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.

(c) The commissioner shall apportion the lawful levy and equitably divide the tax revenues on the basis of need, services performed, and other considerations in the public interest if two or more municipalities occupying the same geographical area, in whole or in part, attempt to levy a tax

(1) the combined levy of which would result in tax revenues from all sources exceeding $1,500 a year for each person residing within the municipal boundaries; or

(2) upon value that, when combined with the value of property otherwise taxable by the municipality, exceeds 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.

(d) For the purpose of (b) and (c) of this section, population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or on other reliable population data. (§ 12 ch 74 SLA 1985; am § 3 ch 40 SLA 1995)

NOTES TO DECISIONS

Paragraph (b)(1) does not apply to sales taxes. Keane v. Local Boundary Comm'n, 893 P.2d 1239 (Alaska 1995).

Promulgation of regulations. — Although the tax-limitation statutes do not require that the Department of Community and Regional Affairs promulgate regulations, the department should have promulgated its approach to 1983 tax-limitation population counts as an administrative regulation. Matanuska-Susitna Borough v. Hammond, 726 P.2d 166 (Alaska 1986) (decided under former similar law).

Determination of "population". — The Department of Community and Regional Affairs' 1983 determinations of the "population" of municipalities for state revenue-sharing and tax-limitation purposes, including its method of counting remote site workers on the North Slope, were a rational exercise of its discretion. Matanuska-Susitna Borough v. Hammond,

726 P.2d 166 (Alaska 1986) (decided under former similar law).

Cited in Bullock v. State, 19 P.3d 1209 (Alaska 2001).

Sec. 29.45.100. No limitations on taxes to pay bonds. The limitations provided for in AS 29.45.080 — 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default. (§ 12 ch 74 SLA 1985)

NOTES TO DECISIONS

Prohibition on people, acting through initiative. — Since a municipality, in its legislative capacity, is prohibited from enacting a limitation on taxes to pay bonds, then the people, acting through the initiative, in their legislative capacity, are similarly precluded. Whitson v. Anchorage, 608 P.2d 759 (Alaska 1980), decided under former similar law.

225% valuation cap. — When the full and true value of property in a municipality exceeds the limit imposed by the AS 29.45.080(c) 225% valuation cap, the municipality may reduce the value of all taxable property on a pro-rata basis. The pro-rata method does not violate the requirement to assess non-oil-and-gas property at full and true value under AS 29.45.110 or exceed the exemptions authorized by AS 43.56.010, and the 225% limitation does not apply to taxes imposed to repay bonded indebtedness under this section. Bullock v. State, 19 P.3d 1209 (Alaska 2001).

Sec. 29.45.101. Limitation on taxation of fuel. A municipality may not levy or collect a property tax under AS 29.45.010 or 29.45.055 on refined fuel unless the fuel has been physically loaded, unloaded, or stored in the municipality. (§ 3 ch 117 SLA 2003)

Sec. 29.45.103. Taxation records. (a) Municipal records dealing with assessment, valuation, or taxation may be inspected by the state assessor or a designee.

(b) If a municipality's assessment and valuation has been done by a private contractor, records concerning the municipality's valuation and assessment shall be made available to the state assessor or a designee on request.

(c) Upon request, a record described in (a) or (b) of this section shall promptly be made available to the child support services agency created in AS 25.27.010 or the child support enforcement agency of another state. If the record is prepared or maintained in an electronic data base, it may be supplied by providing the requesting agency with a copy of the electronic records and a statement certifying its contents. The agency receiving information under this subsection may use the information only for child support purposes authorized under law. (§ 12 ch 74 SLA 1985; am § 141 ch 87 SLA 1997)

Revisor's notes. — In 2004, "child support enforcement agency created in AS 25.27.010" was changed to "child support services agency created in AS 25.27.010" in (c) of this section in accordance with § 12(a), ch. 107, SLA 2004.

Sec. 29.45.105. Errors in taxation procedures. (a) If a municipality receives a notice from the state assessor that major errors have been found in its assessment, valuation, or taxation procedures, the municipality shall correct its procedures before the beginning of the next fiscal year or file an appeal under (b) of this section.

(b) A municipality may appeal a notice from the state assessor that it has made a major error in assessment, valuation, or taxation procedures by filing an appeal with the commissioner within 30 days after receipt of notice of error.

(c) The commissioner, after consulting with the Alaska Association of Assessing Officers, shall render a decision within 60 days after the receipt of a request under (b) of this section. If the commissioner determines that a major error has been made in assessment, valuation, or taxation procedures the commissioner shall notify the municipality of changes that must be made and the municipality shall correct its procedures before the beginning of the next fiscal year.

SB 152

<TARGET><BILL>SB 152</BILL><SUBJECT>SB 152</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

Senator Hollis French

SPONSOR STATEMENT

SB 152 – LEGISLATIVE APPROVAL OF BRISTOL BAY SULFIDE MINE

Senate Bill 152 is designed to engage the legislature in development issues in the Bristol Bay Fisheries Reserve. The bill would require the legislature to enact a law that includes a finding that any proposed large-scale metallic sulfide mining operation constitutes no danger to the fishery within the reserve. This would have to be completed before the issuance of an authorization, license, permit, or approval of a plan of operation that could affect water in or flowing into or over the reserve.

The Bristol Bay Fisheries Reserve was created in 1972. At the same time, a provision was put in place to protect the reserve from oil or gas exploration or development. AS 38.05.140(f) provides that within the Bristol Bay Fisheries Reserve, a surface entry permit to develop an oil or gas lease or an exploration license may not be issued on state owned or controlled land until the legislature by appropriate resolution specifically finds that the entry will not constitute danger to the fishery. SB 152 would treat large-scale metallic sulfide mining in the same way.

The fishery in Bristol Bay is a renewable resource with huge economic benefits to Alaskans. In Bristol Bay alone, the 2008 harvest of all salmon species was approximately 29 million fish, and the value of the 2008 commercial catch topped $113 million.

Due to the geochemistry and location, sulfide deposits in the headwaters of some of the major rivers that feed Bristol Bay run a high risk of polluting it if mined. SB 152 does not prohibit mining in the Bristol Bay Fisheries Reserve, but would ensure that any large-scale metallic sulfide mining operation in the region is found to pose no danger to the existing renewable resource by the legislature.

With competing economic interests of such magnitude, it is in the best interest of the legislature to again provide heightened protection for the valuable resources in Bristol Bay.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 152**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB152-DNR-MLW-02-26-12
Title: LEG. APPROVAL OF BRISTOL BAY SULFIDE MINE
Sponsor: SEN. FRENCH
Requester: (S) CRA

Dept. Affected: Department of Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining Land & Water
OMB Component Number: 3002

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Prgm (DGF)							
[illegible]37 GF/MH (UGF)							
[illegible]8 temp code (UGF)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
POSITIONS							
Full-time	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	***

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

Estimated CAPITAL (FY13) costs 0.0 *(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)

Initial Version, not applicable

Prepared by: Brent Goodrum, Director — Phone: 269-8600
Division: Mining, Land & Water — Date/Time: 2/26/12 9:00 AM
Approved by: Daniel S. Sullivan, Commissioner — Date: 2/27/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 152
12 LEGISLATIVE SESSION

Analysis

SB 152 provides that an authorization, license, permit, or approval of a plan of operation for a large-scale metallic sulfide mining operation, that may adversely affect the water in or flowing into or over the Bristol Bay Fisheries Reserve designated in AS 38.05.140(f), may not be issued before the legislature enacts a law that includes a finding that the proposed large-scale metallic sulfide mining operation constitutes no danger to the fishery within the Bristol Bay Fisheries Reserve.

MLW assumes that the bill, as written, applies only to large-scale metallic sulfide mining operations and only to authorizations, licenses, permits, or approval of a plan of operations issued by the department for those types of mining operations, **and not** to authorizations, licenses, permits, or approval of a plan of operations for exploration, and base-line data gathering by holders of mining claims not under an application for a large-scale metallic sulfide mining operation. Alaska has robust permitting laws, processes, and standards in place that permit applicants are required to fulfill prior to being issued a permit.

As:
1) the bill requires that the Alaska Legislature must enact a law that includes a finding that the proposed large-scale metallic sulfide mining operation constitutes no danger to the fishery within the Bristol Bay Fisheries Reserve before DNR can issue such an authorization, license, permit, or approval of a plan of operation for a large-scale metallic sulfide mining operation,

2) the bill does not require additional finding standards or requirements in excess of those already in place under AS 38.05, and

3) the only possible candidate for a large-scale metallic sulfide mining operations in the affected area is eight to ten years away from any such authorizations,

If a project of the size and scope described in the bill were developed, the state stands to gain significant revenue. Currently, the state would collect 3% royalty, 7% mining license tax, and 9% corporate income tax on profits, and there may be an estimated hundreds of billions of dollars worth of copper, gold, and molybdenum in the deposit. However, there have not yet been any attempts to quantify the potential revenue to the state from a project as described in the bill.

Uncertainty in the legislative approval of a project and taking the decision-making out of agencies' hands may chill project proponents and potential investors from investing in resource development in Alaska. Furthermore, there could be a case for a takings lawsuit against the state if the legislature does not approve the project.

Because the fiscal note form only goes to FY18, we have indicated indeterminate in FY18 although we do not expect a financial impact until later.

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 20, 2012

SUBJECT: SB 152 and the Alaska Constitution
(Work Order No. 27-LS1133\A)

TO: Senator Donald Olson
Attn: David Scott

FROM: Donald M. Bullock Jr.
Legislative Counsel

You asked whether SB 152 was in conflict with either art. I, sec. 15[1] or art. II, sec. 19[2] of the Alaska Constitution.

SB 152 would require legislative approval before an "authorization, license, permit, or approval of a plan of operation" for a mine connected by a water course to Bristol Bay could be issued.[3] The bill is specific to a mine affecting more than 640 acres near Bristol Bay that "may adversely affect the water flowing into or over the Bristol Bay Fisheries Reserve."

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[1] Article I, sec. 15, Constitution of the State of Alaska:

> **Prohibited State Action.** No bill of attainder or ex post facto law shall be passed. No law impairing the obligation of contracts, and no law making any irrevocable grant of special privileges or immunities shall be passed. No conviction shall work corruption of blood or forfeiture of estate.

[2] Article II, sec. 19, Constitution of the State of Alaska:

> **Local or Special Acts.** The legislature shall pass no local or special act if a general act can be made applicable. Whether a general act can be made applicable shall be subject to judicial determination. Local acts necessitating appropriations by a political subdivision may not become effective unless approved by a majority of the qualified voters voting thereon in the subdivision affected.

[3] Requiring legislative approval for permitting and administration of regulatory programs by the executive could be challenged under the separation of powers doctrine. Article II, sec. 1 and art. III, sec. 1 describe the powers of the legislature and the governor, respectively.

A conflict between art. I, sec. 15 and SB 152 is not readily apparent on the face of the bill. It may be that there are contracts that a mine, such as the Pebble mine, have entered into that would be impaired if legislative approval of the mine was denied. To further evaluate this possibility, the legislature could gather information during the committee process about the existence of contracts that would be impaired by the legislature failing to approve a mine going forward.

Because SB 152 basically identifies a single drainage in the state and possibly a single mine, the bill could be challenged as violating the prohibition against local and special legislation in art. II, sec. 19. A general law may be made applicable if it was directed at all mines that may affect water quality, or may affect water quality and a fishery. The applicability provision in sec. 2 of the bill further acknowledges the narrow scope of the bill. Given the narrow scope of the bill and the regional limitation, it may be challenged as local or special legislation. I do not speculate on the result of such a challenge.

There is one more constitutional concern raised by the effect of failing to approve the development of vested mineral rights. Using the Pebble Gold Project as an example, the developers of the project have acquired mineral rights in an area identified by the commissioner of natural resources as open to mining. The rights were acquired by discovery of the minerals, location, and the filing of the claims in the recorder's office. This process creates a protected property right that is subject to the takings clauses in art. I, sec. 18, Constitution of the State of Alaska, and Amendment V of the U.S. Constitution. If the state now takes those rights or imposes such extensive requirements for necessary permits that the developer is denied all economically feasible use of those rights, the state may be required to pay "just compensation" to the owner of those rights. Alaska courts have recognized that fair market value at the time of the taking is a basis for determining the amount of just compensation.

If I may be of further assistance, please advise.

DMB:ljw
12-142.ljw

LAWS OF ALASKA

1972

Source

CSSB 2 am

Chapter No.

102

AN ACT

Relating to limitations upon oil and gas leases in certain areas.

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

* Section 1. AS 38.05.140 is amended by adding a new subsection to read:

(f) The submerged and shorelands lying north of 57°, 30 minutes north latitude and east of 159°, 49 minutes west longitude within the Bristol Bay drainage are designated as the Bristol Bay Fisheries Reserve. Within the Bristol Bay Fisheries Reserve no surface entry permit to develop an oil or gas lease may be issued on state owned or controlled lands until the legislature by appropriate resolution shall specifically find that such entry shall not constitute danger to the fishery.

Permitted to become law without signature: June 3, 1972
Actual effective date: September 1, 1972

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF FISH AND GAME
ALASKA BOARD OF FISHERIES

ADF&G
P.O. BOX 115526
JUNEAU, AK 99811-5526
PHONE: (907) 465-4110
FAX: (907) 465-6094

Representative Mike Chenault
Speaker of the House, Alaska State Legislature
State Capitol, Room 208
Juneau, Alaska 99801-1182

Senator Gary Stevens
Senate President, Alaska State Legislature
State Capitol, Room 111
Juneau, Alaska 99801-1182

January 30, 2010

Dear Representative Chenault and Senator Stevens,

The Alaska Board of Fisheries (BOF) was established by the Alaska Legislature, "For purposes of the conservation and development of the fishery resources of the state," (AS 16.05.221 (a)). The BOF is tasked by AS 16.05.251 (a) to "adopt regulations it considers advisable in accordance with AS 44.62 (Administrative Procedures Act) for (1) setting apart fish reserve areas, refuges, and sanctuaries in the waters of the state over which it has jurisdiction, subject to the approval of the legislature;" and "(7) watershed and habitat improvement, and management, conservation, protection, use, disposal, propagation, and stocking of fish".

With these directives in mind, the BOF held a meeting in Anchorage in December, 2009, for the purpose of considering regulatory proposals pertaining to Bristol Bay fisheries. Among them was a non-regulatory proposal asking the BOF to recommend that the Alaska Legislature create a fish refuge in the Kvichak and Nushagak River drainages. The authors of the proposal requested it because of concerns that creation and operation of the Pebble Mine would result in environmental damage to the fish and game habitat in the two drainages.

Before public testimony was heard, the state agencies charged with permitting large mine projects made presentations to the BOF for the purpose of showing how the permitting process worked and what safeguards are provided to protect against environmental damage that might be caused by large scale mine operations.

Many members of the public from a wide range of interests testified at the meeting. A large number of these were Bristol Bay watershed residents. The majority believed that a refuge should be established with many believing that the permitting process would be inadequate to protect the fisheries habitat within the drainages. A significant number of others, many also watershed residents, testified that a refuge was unnecessary and would prohibit legitimate economic development of the area and restrict traditional uses like subsistence hunting and fishing. Some also believed that the permitting process was sufficient to protect the area.

One thing that everyone, on all sides of the issue, had in common was concern for the protection of the Bristol Bay fisheries. They disagreed on what that protection should be.

While the BOF recognizes that no specific permitting plan has yet been proposed for the development and operation of the Pebble Mine, the board is still very concerned about the Pebble Mine development because of its potential magnitude. Both proponents and opponents of the Pebble Mine have publically stated that this development could be larger than any mining operation ever created in Alaska.

Because the habitat of the potentially affected drainages is so critical to the fish and game resources of Bristol Bay, the BOF respectfully requests that the Legislature conduct a comprehensive evaluation of the permitting protections and standards, including regulations and statutes, which provide safeguards against environmental damage. After such evaluation, we further request that the legislature enact any additional safeguards which are considered prudent to provide strict protections to the fish and game habitat of the drainages to prevent any chance of environmental damage.

The various state permitting agencies also need the financial ability to properly monitor and enforce their permit standards.

Whatever the legislature decides to do regarding the public concerns expressed about future development in this area, we would request that subsistence hunting, fishing, and gathering; commercial fishing; personal use; and sport hunting and fishing activities on state lands in this region continue to be protected for the local residents and all Alaskans.

To assist the Legislature in its evaluation, we are enclosing copies of the presentations by the state agencies and copies of the testimony by the public.

If the Alaska Board of Fisheries can be of any further assistance, please let me know what we can do to help.

Sincerely,

Vince Webster

Vince Webster
Chairman, Alaska Board of Fisheries

cc: Governor Sean Parnell
Denby Lloyd, Commissioner, Department of Fish and Game
Tom Irwin, Commissioner, Department of Natural Resources
Larry Hartig, Commissioner, Department of Environmental Conservation

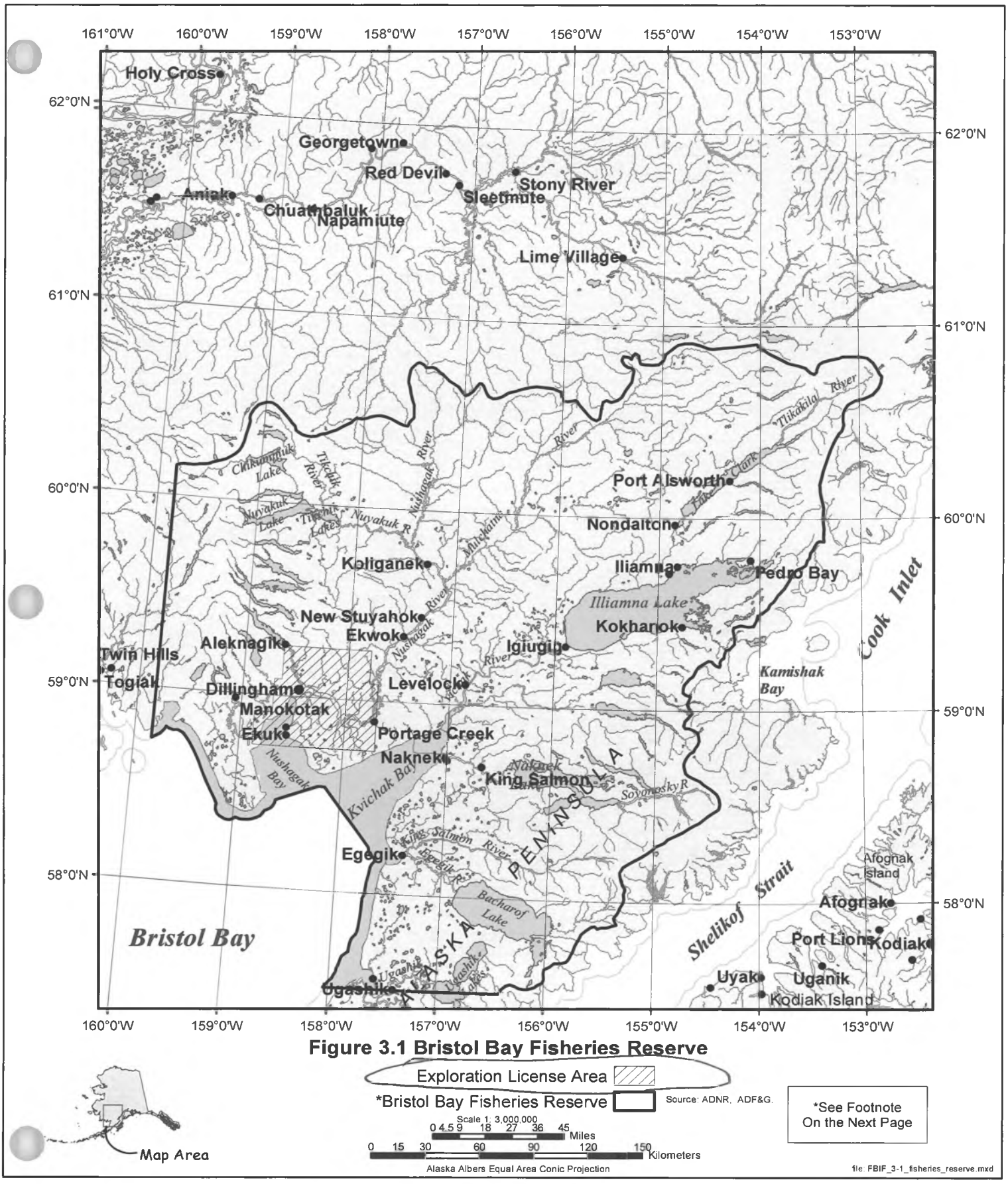


Figure 3.1 Bristol Bay Fisheries Reserve

Exploration License Area

*Bristol Bay Fisheries Reserve

Source: ADNR, ADF&G.

Scale 1: 3,000,000

0 4.5 9 18 27 36 45 Miles

0 15 30 60 90 120 150 Kilometers

Alaska Albers Equal Area Conic Projection

file: FBIF_3-1_fisheries_reserve.mxd

Map Area

*See Footnote On the Next Page

Bristol Bay
Native Corporation *Enriching Our Native Way of Life*
111 West 16th Avenue, Suite 400 / Anchorage, Alaska 99501-5109 / (907) 278-3602 / Fax (907) 276-3924

RESOLUTION 11 – 28

IN SUPPORT OF RESPONSIBLE RESOURCE DEVELOPMENT

WHEREAS, Bristol Bay Native Corporation's (BBNC) mission is "Enriching Our Native Way of Life" – and BBNC's land department policy "Responsible Resource Development" reflects that value; and

WHEREAS, as a result of the Alaska Native Claims Settlement Act (ANCSA) BBNC is the steward, owner and manager of over three million acres of land in the Bristol Bay Region – most of that being subsurface acreage; and

WHEREAS, BBNC's Directors and Shareholders have made it clear they will only support resource development on BBNC lands that is consistent with shareholder values - tasking the BBNC Land department to ensure that development projects meet high standards of fiscal, environmental and social sustainability and protect subsistence culture, practices, clean water and healthy fish;

WHEREAS, BBNC believes that Responsible Resource Development also means choosing strategic and profitable development projects that:

1) Provide economic benefit to our village communities and shareholders;
2) Invest in infrastructure that supports the health, safety, communication and transportation needs of the region such as airports, roads, harbors, gravel and rock quarries and local business opportunities;
3) Build quality of life for shareholders, descendants and residents;
4) Locate and develop sources of renewable and nonrenewable energy;
5) Pursue subsurface extraction of resources where environmentally feasible;
6) Meet BBNC's business investment standards; and
7) Plan for future generations.

WHEREAS, BBNC actively pursues in-region investments that include, but are not limited to, tourism, alternative energy, extraction of subsurface resources supported by local residents, on-shore oil production, and, that meet the above BBNC Responsible Development Policy criteria; and

WHEREAS, BBNC actively supports statewide projects such as tourism, geothermal, oil, gas and mineral exploration that strengthen our statewide economy and provide a better quality of life for our shareholders and neighbors; and

THEREFORE BE IT RESOLVED, that BBNC's Responsible Resource Development policy is sensitive to fiscal, environmental, and social sustainability concerns including the protection of subsistence culture, practices, clean water and healthy fish; and

THEREFORE BE IT FURTHER RESOLVED, that BBNC recognizes that exploration and development of natural resources on state, federal and Alaska Native corporation lands can be done responsibly and in a manner that meets the long term environmental, fiscal and social objectives of regional and statewide communities – BBNC supports Responsible Resource Development.

ADOPTED this 7th day of December 2011 at Anchorage, Alaska.

Joseph L. Chythlook, Chairman

April Ferguson, Corporate Secretary

Bristol Bay Native Corporation

Enriching Our Native Way of Life

111 West 16th Avenue, Suite 400 / Anchorage, Alaska 99501 / (907) 278-3602 / Fax (907) 276-3924

RESOLUTION 09 - 41

RESOURCE PROTECTION POLICY

WHEREAS, the Board of Bristol Bay Native Corporation (BBNC) is committed to the protection and responsible care for the resources of the Bristol Bay Region; and

WHEREAS, the Bristol Bay watershed produces the largest run of sockeye salmon in the world and is the last pristine environment for producing all species of Pacific wild salmon; and

WHEREAS, the people of Bristol Bay have cultural ties to the land and subsistence activities and access to those resources are deemed the highest priority use of resources in the Bristol Bay region; and

WHEREAS, commercial fishing has historically provided a sustainable economy in the Bristol Bay region and the State of Alaska for the last 126 years;

WHEREAS, the Board of BBNC is aware that the Pebble Mine Project represents potential catastrophic risks to our Native way of life including the cultural, ecological, subsistence and economic use of resources in Bristol Bay; and

WHEREAS, in order to protect the approximately three million acres of BBNC lands and the BBNC shareholder way of life for current and future generations, BBNC must do its part to protect sustainable resources of the region

THEREFORE BE IT RESOLVED that the Board of BBNC has determined that it is no longer in the corporation's best interest to continue its neutral stance on the Pebble Mine Project;

BE IT FURTHER RESOLVED that the Board of BBNC opposes the development of the Pebble Mine given the unquantifiable impacts the Mine could have on the resources of the Bristol Bay region and BBNC;

BE IT FURTHER RESOLVED, that BBNC management will continue to proactively monitor the Pebble Mine Project while working with appropriate organizations and agencies to further develop plans that protect the resources of the Bristol Bay region.

ADOPTED this 11th day of December 2009 at Anchorage, AK.

Joseph L. Chythlook, Chairman

April Ferguson, Secretary

adn.com
Anchorage Daily News

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Pebble opponents see mine study as slanted

Agencies express concerns over lack of data into mine development plans.

By BECKY BOHRER

(02/26/12 21:40:04)

The group behind a massive copper and gold prospect near a world premier salmon fishery has released what it bills as "one of the most exhaustive environmental study programs in the history of U.S. mineral development."

The Pebble Limited Partnership, in some 27,000 pages of data and analysis, purports to provide an in-depth look at the environmental and social conditions in southwest Alaska's Bristol Bay region. Pebble vice president for environment Ken Taylor said the data, as well as ongoing studies, are critical for monitoring and ensuring that the Pebble mine project does not alter the pristine environment.

The work has been dismissed by environmentalists, fishermen and others as bought-and-paid-for science that should be viewed as tilted in favor of development. Taylor said this is a standard response from opponents and is "ridiculous." He said some consultants who helped Pebble also do work for federal agencies and that they're credible, objective scientists.

But this isn't the first time concerns have been raised about Pebble's study process.

Correspondence between state and federal agencies, obtained through a public records request by Trout Unlimited and provided to The Associated Press, shows frustration and sometimes doubt about the working groups Pebble established to provide expertise as the project moves toward the permitting phase.

"The current process is beneficial to Pebble Partners. However, the process is not beneficial to the Agencies," according to minutes from what was called the fish technical working group in a Jan. 9, 2008, meeting. "Pebble Partners need to provide additional information for the process to be useful to the Agencies."

"This is getting to be a huge time sink for agencies and at this point it does not seem like a good use of our time," Phil Brna, a U.S. Fish and Wildlife Biologist, wrote in an email to working group colleagues on Dec. 23, 2008.

"It's virtually impossible to provide substantive review comments when (Pebble) doesn't disclose more details of their development plans and their contractors only occasionally share snippets of the data they've collected," Ted Otis, of the Alaska Fish and Game Department, said in response to Brna's message.

The state Department of Natural Resources helped set up an interagency steering committee to guide the scope of and address concerns raised by the working groups. Working group meetings began in mid-2007, when studies were already under way, and they continued until January 2010, when Pebble ended the effort.

There were warnings of possible defections just months into the effort. The Army Corps of

Engineers announced it would no longer participate in the working groups in January 2009, citing lack of information.

In an interview, Brna said the agencies felt like Pebble was not really answering their questions. He said the agencies were never even able to sort out with Pebble the questions that should be addressed.

"It's one thing to have sufficient information for permitting. It's another thing to have sufficient information to study the effects of a mine over time, over the life of the mine," he said. "And we felt we needed to do both of those."

"I'm sure some of the stuff for ground water, there's probably not any better ground water data anywhere, or some of the surface water stuff, or the chemical constituents in the water or the rock, all that stuff is probably pretty amazing," Brna said. "But when it comes to some of the fish stuff, I think that's when the agencies have more concern."

Kate Harper with the Alaska Department of Fish and Game said each agency has its priorities and people with different expertise have certain things they'd like to see. She said Fish and Game must decide what it believes is necessary for Pebble to address.

The Pebble project has been the subject of a heated PR battle for years. Supporters say it would bring much-needed jobs to economically depressed rural Alaska, but opponents fear it could fundamentally change the landscape and disrupt if not destroy a way of life. Some of Pebble's own ads simply urge a "factual" conversation about the project.

The mine is a joint venture of Canada-based Northern Dynasty Minerals Ltd. and Anglo American plc of the United Kingdom.

The companies have spent hundreds of millions of dollars scoping the deposit, which Pebble, on its website, calls one of the large deposits of its kind in the world with the potential of producing 80.6 billion pounds of copper, 107.4 million ounces of gold and 5.6 billion pounds of molybdenum over decades.

Taylor called the deposit "a strategic national resource," saying the U.S. imports about 40 percent of its copper. The mine would be above Iliamna Lake, the largest producer of sockeye salmon in the world. Taylor said he'd be "gone in a heartbeat" if anything came up showing the project couldn't be developed in an environmentally responsible way.

Taylor, who was hired in 2008, said he thinks the biggest frustration among working group members was the lack of a project description, include details on where infrastructure like a mill or tailing facility would be.

"They were ready to say, 'OK, let's see what you're going to do, and we'll see if you have the right information or if your studies are focused on the right things.' It was very difficult for them to meet month after month, year after year, without having anything in front of them," he said in an interview.

Without that information, he said, it was "hard for them to figure out" what the impacts would be and what needed to be mitigated.

Taylor said it's possible the project could advance to the permitting phase as early as this year, and a full project description would surely come then.

Doug Limpinsel, a biologist with National Oceanic and Atmospheric Administration Fisheries who

was involved in the working group process, said one of his biggest unanswered questions is: How many fish are going to be removed?

Limpinsel said it would be a great gesture if Pebble, which spent a reported $150 million compiling the report and $100 million more building off that with agency input.

The U.S. Environmental Protection Agency is also conducting a baseline watershed assessment, a draft of which it plans to release in late April. Agencies also will again review Pebble's studies to determine if they're sufficient once it applies for permits.

"With Pebble, everybody can be confident there will be a pretty rigorous review of that information," said Tom Crafford, the director of project management and permitting for the state Department of Natural Resources.

Lindsey Bloom, a program manager with Trout Unlimited, said the state has never rejected a large mining project, and it will be relying on Pebble's own studies, going back to the company if it needs more information. Bloom and others say one has to question whether Pebble's work can be trusted.

Said Taylor, "We're not encouraging people to support us at this point. There's nothing to support. Wait until there's a project out and let it go through the process."

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PENINSULA CLARION

Legislature should favorably consider SB 152 for Bristol Bay region

Posted: February 24, 2012 - 8:55am

Anyone who has lived on the Peninsula long enough will tell you that decisions regarding our fisheries are of the utmost importance to our livelihoods today and in the long term.

Decisions and proposals that might affect the health of our lakes, rivers, streams, watersheds and ocean waters often go hand-in-hand with the health of our salmon, halibut and other fisheries.

Because those issues are so important to us, we often like to keep an ear to the ground in regard to other proposals and water activity around the state. Along those lines, we would like to direct attention to SB 152 introduced by Alaska State Sen. Hollis French.

French, a Democrat from Anchorage, is proposing the Legislature be more engaged in development issues in the Bristol Bay Fisheries Reserve through his bill.

Specifically, French's bill would require the Legislature to enact a law that includes a finding that any proposed large-scale metallic sulfide mining operation constitutes no danger to the fishery within the Bristol Bay reserve.

"This would have to be completed before the issuance of an authorization, license, permit or approval of a plan of operation that could affect water in or flowing into or over the reserve," French wrote in a sponsor statement.

According to the statement, the Bristol Bay Fisheries Reserve was created in 1972 with a provision put in place to protect the reserve from oil or gas exploration or development on state owned or controlled land until the Legislature by "appropriate resolution" finds such activities will not "constitute danger to the fishery."

The bill would treat large-scale metallic sulfide mining, defined as those affecting 640 or more acres of land with the goal of extracting gold and copper from a sulfide bearing rock, in the same way.

We support SB 152 because the Alaska Legislature needs to be involved in any issue that might prove harmful to the Bristol Bay fishery, which in 2011 produced a harvest of 21.9 million fish with a commercial value of $137.7 million, according to preliminary numbers from the Alaska Department of Fish and Game.

The bill wouldn't prohibit mining in the Bristol Bay reserve, but would ensure that any large-scale metallic sulfide mining operation must be found to pose no danger to the area's renewable resources by the Legislature.

The passage of SB 152 would make our Legislature pay extra attention to how that activity would affect the area. It would place an added level of accountability and responsibility on how decisions in the Bristol Bay region are made, as well.

It would also hopefully ensure state departments doing the ground work -- Department of Natural Resources, Department of Fish and Game and others -- have the best, newest and most accurate information, resources and staff at their disposal to make conclusions of such magnitude.

In short: Lawmakers should favorably consider SB 152, realize the importance of decisions made in the Bristol Bay region and that anything less than a thorough review of these large-scale decisions would not be wise for Alaska's future.

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JuneauEmpire.com

Empire editorial: Alaska must take control of Bristol Bay development

Posted: February 26, 2012 - 12:00am

A healthy balance is needed in all things.

Alaska needs oil exploration, mining and natural gas extraction, and the world needs our products. America also needs the useful minerals that exist in many regions of Alaska, including the proposed Pebble Mine, because many necessary materials such as molybdenum are extracted almost exclusively in remote or unfriendly countries.

We don't need to extract those things at the expense of ecological disaster and long-term damage to the land we love. Alaska needs a strong voice in the development of Bristol Bay, where a large mine with yet-unknown potential ecological impacts is under study and moving toward the permitting process.

The federal Environmental Protection Agency is studying the Bristol Bay watershed to determine the efficacy of allowing a large mining operation to operate in close proximity to Bristol Bay, indeed among the waters that feed the bay and in which Bristol Bay's salmon stocks breed.

We think the state of Alaska's elected representatives should have a strong say in any development that could affect the world's best fishing grounds. That's why we support Senate Bill 152, which gives the people we elect final say over whether a large mine – any large mine – situated only in that specific area will be safe enough to be allowed to receive permits.

The state Legislature already has authority over permits for oil and gas exploration in the unique and pristine waters of Bristol Bay. Senate Bill 152, currently before the Senate Community and Regional Affairs Committee, is a logical extension that gives the Legislature final say over whether any large-scale metallic sulfide mining operation is safe in that environment. Any operation, not just The Pebble Project.

This bill will not kill the Pebble Mine. It will give our state control of development in a specific area, for a metallic sulfide mining operation that extracts metals including gold and copper from sulfide bearing rock and affects 640 or more acres of land. The rock that will become tailings from any mine in that area are considered toxic due to their natural composition and the chemicals they will leach.

The bill has no effect at all on existing mining operations.

It does not outlaw any mine at all.

It does demand that our elected representatives vote yea or nay on issuance of permits for large mines in the sensitive waters of Bristol Bay. We like the sound of that. Outside influences and multinational corporations increasingly seek control over Alaska's resource development, and our federal government places restrictions on so much of our state. This is one area where we should have the final say through our Legislature.

Alaska's natural resources aren't just counted in the volume of crude oil that flows from rigs on land and sea, and in the vast quantities of minerals used in industry. It's not just gold, silver, lime and coal that fire Alaska's economic engines.

This is a state where people utilize nature not as a museum, but as home, work and also a place to play.

Alaska's natural and economic abundance includes its fisheries, healthy waters that sustain fishing fleets, subsistence users and sport fishermen alike and sustain the wild creatures that also feed on salmon, groundfish and other marine life.

SB 152 is narrow in focus, brief and direct. It deserves bipartisan support in the house and senate and the full support of Alaska's governor. To oppose this bill is to oppose giving Alaska the loudest voice at the table on what is without question the most important natural resources issue to face this state since the discovery of oil.

(This editorial has been modified to clafiry that molybdenum is not among the 17 rare earth minerals.)

Comment

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Kristen Peterson

From: Lynn Highland <lynnhighland@gmail.com>
Sent: Tuesday, February 21, 2012 10:40 AM
To: Sen. Hollis French
Subject: I support Senate Bill 152

Dear Senator French,

I am writing in support of Senate Bill 152. Thank you for taking a stand.

If you have not already, I would encourage you to read Collapse: How Societies Choose to Fail or Succeed by Jared Diamond. Dr. Diamond's discussion of the mining industry is illuminating. (The entire book is illuminating...and a bit frightening.)

Thanks again.
Lynn Highland
4650 Southpark Bluff Drive
Anchorage, AK 99516
907-345-5035

Kristen Peterson

From: Brian Holl <birdfarm@mtaonline.net>
Sent: Wednesday, February 15, 2012 1:54 AM
To: Kristen Peterson
Subject: Re: bill 152

Kirsten,

Enclosed my letter of support

SB152:

To date the citizens of Alaska have been caught up in resource battles since the idea of land and or (resource) ownership. As of recent history there has been an ever increasing awareness to the effects of irresponsible resource development everywhere on the planet. Major Corporations sting from the idea of being thought of as not environmentally conscious. Yes even mining corporations. We now live in an empowered age where being connected and in the know is more possible than ever before. If you are an irresposible government, corporation or representitive It is a lot harder to lie about being environmentally responsible without walking the talk.

In simple words this means unless you can prove you will cause no harm to this land you simply will not be allowed to proceed. What is refreshing here is that there is finally a history and track record of grassroots change to look at what we are doing firstly to the land and finally to our selfs.

To those Corporations that believe it is business as uswal here in Alaska as far as resource development is concerned you better check again. I am in firm agreement with S/B 152 and I applaud Hollis French for his efforts with this Bill. These battles will continue to be about the challenge of educating the public to environmental vs. economic concerns and the real abilities of those in the know to convey and bring long term realities to those whom really do not understand what is at risk.

My sincere thanks to Hollis French for continuing to challenge all of those here in Alaska to think thrice and act once.

Brian E. Holl, Chugiak, Alaska

----- Original Message -----

From: Kristen Peterson
To: Brian Holl
Sent: Tuesday, February 07, 2012 9:05 AM
Subject: RE: bill 152

Hi Brian,

Thank you for your email. I am the staff member in Senator French's office assigned to SB 152, so if you feel like writing a letter of support, please send it my way. Thanks!

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Contessa Gossett <messa@gci.net>
Sent: Friday, February 17, 2012 4:24 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Contessa Gossett
611 S.Williwaw Dr.
Palmer, Alaska 99645

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Dee Longengaugh <deelong@alaska.com>
Sent: Friday, February 17, 2012 4:30 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Dee Longengaugh
299 N. Franklin
Juneau, Alaska 99801

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Katherine Huber <kater16@gmail.com>
Sent: Friday, February 17, 2012 5:02 PM
To: Sen. Hollis French
Subject: Act on SB152

Follow Up Flag: Follow up
Flag Status: Flagged

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Katherine Huber
4000 Tazlina Ave
Anchorage, Alaska 99517

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of wayne c jones <wcjones@mtaonline.net>
Sent: Friday, February 17, 2012 5:52 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

wayne c jones
P.O. Box 1237
Palmer, Alaska 99645

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Rika Mouw <rika@alaska.com>
Sent: Friday, February 17, 2012 6:05 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,
I want to applaud you and support you in your introduction of Senate Bill 152. I do not have confidence in DNR alone. Industrialization of this scale needs to have the additional layer of review of an elected body of people more responsive to the public.

A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.
Thank you for the work you are doing!
sincerely,

Rika Mouw

ncerely yours,

Rika Mouw
P.O. Box 4084
Homer, Alaska 99603

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Ken Marsh <trappercreekmuseum@yahoo.com>
Sent: Friday, February 17, 2012 6:57 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Ken Marsh
Box 13011
Trapper Creek, Alaska 99682

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of tom young <ravnhous@xyz.net>
Sent: Friday, February 17, 2012 7:07 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

tom young
pob 537, 1776 saltwater dr.
homer, Alaska 99603

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Barbara Brown <barblily7@msn.com>
Sent: Friday, February 17, 2012 7:31 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

I applaud you for your work on Senate Bill 152. I wish there was a way our legislature could outlaw Pebble before it even starts, and if this letter helps, great. Keep up the good work you are doing to protect Bristol Bay from this terrible threat.

Sincerely yours,

Barbara Brown
P O box 24
Palmer, Alaska 99645

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Sybille Castro <Alaskafrau@yahoo.com>
Sent: Friday, February 17, 2012 8:37 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Sybille Castro
Pobox 1849
Kenai, Alaska 99611

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of robert ransom <diegoransom@yahoo.com>
Sent: Friday, February 17, 2012 9:29 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

robert ransom
po box 91748
anchorage, Alaska 99509

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Maureen Knutsen <maureen.knutsen@gmail.com>
Sent: Friday, February 17, 2012 10:37 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.
As a resident of Bristol Bay who depends on commercial and subsistence fishing with my husband for our livelihood, this issue is of utmost concern to me.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud and thank you for your work on Senate Bill 152.

Sincerely yours,

Maureen Knutsen
PO Box 134
Naknek, Alaska 99633

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Mark Niver <markaniver@yahoo.com>
Sent: Friday, February 17, 2012 10:45 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Mark Niver
955 Lich ness Ct
Wasill, Alaska 99654

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Debra Wilson <Decwilson@aol.com>
Sent: Saturday, February 18, 2012 1:48 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Debra Wilson
7261 Clairborne Drive
Anchorage, Alaska 99502

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of brian slover <alaskanartmatters@yahoo.com>
Sent: Saturday, February 18, 2012 6:03 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

brian slover
po box 143
seldovia, Alaska 99663

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Robert Norris <chuckf16@att.net>
Sent: Saturday, February 18, 2012 7:12 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. My family believes the future of Bristol Bay and its incredible wild salmon runs are at risk due to the proposed mining project of Pebble. Thank-you for sponsoring this legislation that will help insure a project of this magnitude will not be ramrodded through the DNR without due process.

By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Robert Norris
4005 Lakewood Loop
North Pole, Alaska 99705

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of scott bredbenner <akbred@hotmail.com>
Sent: Saturday, February 18, 2012 8:15 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

scott bredbenner
2711 jaime way
fairbanks, Alaska 99709

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of scott heft <wiccakettle@yahoo.com>
Sent: Saturday, February 18, 2012 11:14 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

cerely yours,

scott heft
16322 Rebischke ln. apt#1
EagleRiver, Alaska 99577

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Maria Juanita Montalvan <Mjmontalvan@yahoo.com>
Sent: Saturday, February 18, 2012 1:19 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Maria Juanita Montalvan
PO Box 410
Dillingham, Alaska 99576

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of William Easton <willeaston@alaska.net>
Sent: Saturday, February 18, 2012 4:40 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.
You have my respect for taking this stand.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

William Easton
P.O. Box 1736
Homer, Alaska 99603

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Sean Dougherty <doughertysean@hotmail.com>
Sent: Saturday, February 18, 2012 8:11 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Sean Dougherty
3705 Arctic Blvd 1048
Anchorage, Alaska 99503

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Vernajean Kolyaha <vjkolyaha@gmail.com>
Sent: Sunday, February 19, 2012 8:10 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Vernajean Kolyaha
P.O. Box 47022
Pedro Bay, Alaska 99647

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Rob Lund <summersong@alaska.net>
Sent: Sunday, February 19, 2012 1:08 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Rob Lund
4178 Hohe St.
Homer, Alaska 99603

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of John Polonowski <Johnpolo@hotmail.com>
Sent: Sunday, February 19, 2012 8:33 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Thank you for your effort to protect this amazing resource.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.
Sincerely,

John Polonowski
Sincerely yours,

John Polonowski
3000 Jones Ave
Anchorage, Alaska 99517

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Nina Mann <nina@alyeskaelectric.com>
Sent: Monday, February 20, 2012 8:30 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

I am believe the mining industry is vital to the development of our state, however, this mine, in this location, at this time, is not a good idea. I believe that large scale ventures such as this, need the support of the people of Alaska. I am sure in the future technology will be developed by the mining industry, just as in the oil industry, that will ensure development with minimal impact.

I think this legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. Not to mention it gives the people of Alaska a chance to talk with their representatives in government about issues that impact our home. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Nina Mann
911 Wildrose Court
Anchorage, Alaska 99518

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Dan Oberlatz <dan@alaskaalpineadventures.com>
Sent: Monday, February 20, 2012 9:26 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152.

I own a small adventure tourism business and we've been operating in the Bristol Bay region for almost 15 years. I was a full time resident of Port
Alsworth for 10 years and now split time between Anchorage and Lake Clark.
I'm also a board member for both the Renewable Resources Foundation and the Alaska Wilderness Recreation & Tourism Association (AWRTA).

I'm not the only one who regularly calls the Bristol Bay region "a perfect place." Given the surge of mining interest in the region Senate Bill 152 is both logical and timely. Rather than hinder the permitting process, this bill will allow transparency and accountability for both the mining industry and all Alaskans - assuring that any mining project permitted meets the constitutional requirement to provide benefit for all Alaskans.

I know that Governor Jay Hammond would also applaud your efforts and fully support Senate Bill 152.

Keep up the good fight!

Regards, Dan Oberlatz
Owner-Guide: Alaska Alpine Adventures

Sincerely yours,

Dan Oberlatz
2133 Dahl Lane
Anchroage, Alaska 99503

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of James Albert <kulikjim@yahoo.com>
Sent: Monday, February 20, 2012 9:37 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.
James Albert
Sincerely yours,

James Albert
1834 Wildberry Loop
Anchorage, Alaska 99502

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Carol Jewell <ca-jewell@gci.net>
Sent: Monday, February 20, 2012 11:27 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue. I think that a cyanide heap leaching mine in this area threatens a 10,000+ year fishery. The 20 to 30 year mining jobs should not outweigh the thousands of years that the fishing can still provide for the people of this state. I am also dead set against the mining industry leaving a toxic waste site that will continue to threaten the water and fish in this area for many more years after the mine is gone.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Carol Jewell
4138 Brantley Pl
Anchorage, Alaska 99508

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Evan Young <drevanyoung@gmail.com>
Sent: Monday, February 20, 2012 8:46 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Best Regards,

Evan Young

Sincerely yours,

Evan Young
12901 Midori Drive
Anchorage, Alaska 99516

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Claudia Anderson <claudiaa.ak@hotmail.com>
Sent: Tuesday, February 21, 2012 11:46 AM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Thank you for your foresight on this issue.

This legislation recognizes the magnitude of the Pebble project and the sensitive habitat surrounding it. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

I have set net and my husband has drifted in the Bay for 35 years. Our 2 sons took their permanent fund savings and invested in boats and Bay permits. Each one of our operations employs 2 or 3 additional Alaskans. I view the Pebble as far too risky to renewable jobs.

Please continue to fight for a fair and reasonable permitting process. I applaud you for your work on Senate Bill 152.

Sincerely yours,

Claudia Anderson
PO Box 310
Kodiak, Alaska 99615

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Rosy Thompson <rosyat_@hotmail.com>
Sent: Tuesday, February 21, 2012 1:41 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Rosy Thompson
4036 Forget-me-not Rd
Kenai, Alaska 99611

Kristen Peterson

From: info@renewableresourcescoalition.org on behalf of Rhonda Maker <rhondamaker@gmail.com>
Sent: Tuesday, February 21, 2012 2:21 PM
To: Sen. Hollis French
Subject: Act on SB152

The Honorable Hollis French
Alaska State Capitol, Room 417
Juneau, AK 99801

Dear Senator French,

I am writing in support of Senate Bill 152. Further, I would like to applaud you for having the courage to engage this important but contentious issue.

This legislation should not be considered pro or anti Pebble mine; rather, it recognizes the magnitude of the project and the sensitive habitat surrounding it. By requiring a vote of approval by the legislature, it simply adds a level of review to insure that policy makers have adequately reviewed and endorsed the safety of the mine. This additional step of approval is not a significant barrier and will add a step of integrity and confidence to a process that has never denied a mining permit. A project of this magnitude in the middle of one of the world's greatest salmon spawning grounds is worth one additional step.

Please continue to fight for a fair and reasonable permitting process, which recognizes the magnitude of mines and their relationship to Bristol Bay's fishery, I applaud you for your work on Senate Bill 152.

Sincerely yours,

Rhonda Maker
508 W. Marine Way #10
Kodiak, Alaska 99615



Kvichak River, Bristol Bay
PO Box 231985 Anchorage, AK 99523 907.227.8719

February 20, 2012

Senator Hollis French,

I am in full support of SB152 in order to adequately protect the fisheries of the Bristol Bay watershed. In 1972, the Seventh Legislature created the Bristol Bay Fisheries Reserve with the main goal of permanently protecting the economically and culturally valuable renewable fishery resource. At the time, the only conceivable potential large-scale threat to this fishery was oil and gas development. Thus the legislature made it law that any oil and gas operations within the fisheries reserve would need legislative approval of its operations plan before commencement of the operations. This law did not ban oil and gas operations, however, it did ensure that the people of Alaska, through its representatives, were assured of a voice in determining the fate of this region.

Now in present day the Bristol Bay fisheries are faced with another potential large scale industrial activity, open pit mining, that has proven over the years in the lower 48 states that it is not compatible with preservation of pristine waters and healthy fisheries. It is common sense to amend the current language of the Bristol Bay Fisheries Reserve to not only include Legislative approval of plans for oil and gas development but also to include large-scale open pit mining operations within the reserve as well. Why go to the extent to ensure that one type of potentially harmful industrial activity must meet the approval of the legislature but not the other? I am quite confident that had the Seventh Legislature known of the potential of large-scale mining in the headwaters and spawning grounds of the Bristol Bay Fisheries Reserve that it would have obviously included the legislative approval requirement in its 1972 law.

Brian Kraft
Owner

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February 28, 2012

Chairman Olson
Senate Community and Regional Affairs Committee
Alaska State Legislature
State Capitol Room 508
Juneau, AK 99801

Re: SB152 Legislative Approval of Bristol Bay Sulfide Mine

Dear Senator Olson:

The Resource Development Council for Alaska (RDC) is writing in strong opposition to SB152, a bill requiring legislative approval of any sulfide mine within the Bristol Bay region.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native Regional Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

One of RDC's top legislative priorities is to encourage the state to promote and defend the integrity of Alaska's permitting process and advocate for predictable, timely, and efficient state and federal permitting processes based on sound science and economic feasibility. This bill does just the opposite. SB152 sets a terrible precedent by effectively usurping the permitting authority of state agencies, creating uncertainty for companies that are both investing and contemplating investment in Alaska. It sends a message that the Alaskan Legislature does not trust the rigorous, science-based permitting process that is in place. Sadly, even hearing a bill such as this could elicit such feelings.

We urge each of the members to send a message that Alaska is open for business and not pass this bill out of committee. Thank you for your consideration of our comments.

Sincerely,

Rick Rogers
Executive Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
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LEGAL SERVICES

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MEMORANDUM December 7, 2006

SUBJECT: Taking of mineral rights, just compensation, and NAFTA (Work Order No. 25-LS0146)

TO: Representative Paul Seaton
Attn: Louie Flora

FROM: Donald M. Bullock Jr.
Legislative Counsel

You requested an opinion on the effect of the federal or state government limiting or precluding the development of a mine on state land that was open to mineral development and is being developed by a mining company. You asked about the effect of takings laws on such government action and referred me to HCR 29 (24th Alaska Legislature) that calls on the commissioner of natural resources to report to the legislature the commissioner's conclusion regarding whether mineral development is the most appropriate land use classification for the area encompassing the proposed Pebble mine project.

You also asked about the implication of chapter 11 of the North American Free Trade Agreement on a foreign mining company developing a mine in Alaska that is then subject to the tightening of state environmental standards or outright prohibition of resource extraction in an area in which the company is working.

Acquisition of mineral rights

Under Alaska law, a person obtains exclusive rights to possess and extract minerals on state land open to claim staking by discovery, location, and recording, subject to existing claims and to any denial of or restriction in the tentative approval of state selection or patent of the land to the state.[1] A person's acquisition of mineral rights requires no discretionary action by the Department of Natural Resources to authorize or permit the right to the minerals within the claim.[2] The rights are acquired simply by satisfying the

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[1] Article VIII, sec. 11, Constitution of the State of Alaska; AS 38.05.195; AS 38.305.275.

[2] With your permission, I talked with Tom Crafford, Acting Large Mine Coordinator in the Department of Natural Resources regarding the discretion of the department in recognizing the rights to mineral deposits. Mr. Crafford confirmed that his department does not have discretion in the granting of mineral rights, so long as the potential location

three requirements -- discovery, location, and filing. Discovery is the finding of the mineral, location is the marking of the land where the mineral was found, and filing is the recording of the interest in the recorder's office for the region in which the interest is located.

Not all state land is open for mining. The commissioner of natural resources has the authority to classify land so that mining, mineral entry or location, mineral prospecting, or mineral leasing is precluded or designated as an incompatible use.[3] However, the discretion to classify land as being closed to mining has been exercised on a limited basis; according to the Department of Natural Resources, approximately 92 percent of the 91 million acres for which the state has received title are open to mineral entry and the acquiring of mineral rights by staking mining locations.[4]

Although a person may acquire mineral rights by performing the three necessary steps, those rights are "subject to existing claims and to any denial of or restriction in the tentative approval of state selection or patent of the land to the state."[5] In *Beluga Mining Co. v. State, Dept. of Natural Resources*, the court found that the mining company had a property right in its claims, but had no right to mine because "its mining 'rights' were prospective and contingent, and were subject to existing claims."[6] Until any conflicting rights are identified and resolved, the holder of the right to extract the minerals proceeds at the holder's risk. If there are no "existing claims" or the land is not subject to the tentative approval of state selected land, my opinion is that the mining rights vest and development is then only subject to the holder obtaining any required permits.

Once a person has acquired mineral rights, state policy appears to favor the continued holding of those rights, even when the holder has failed to fully comply with statutory requirements. For example, AS 38.05.185(b) requires that the lessee or holder only comply with statutory requirements "as nearly as possible under the circumstances" to avoid the invalidation of the interest. That subsection reads as follows:

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holder meets the statutory requirements. In other words, a person whose rights are not subservient to a prior interest holder, who acquires the rights by following the statutory requirements, and who maintains those rights by satisfying the annual work and rental payment requirements, has the rights to those minerals.

[3] AS 38.05.300. See also, *Moore v. State, Dep't of Natural Resources*, 992 P.2d 576, 578 (Alaska 1999).

[4] See the page published on the Internet at *http://www.dnr.state.ak.us/mlw/mining /min_prop.htm* (accessed 11/9/2006).

[5] AS 38.05.275(a).

[6] *Beluga Mining Co. v. State, Dept. of Natural Resources*, 973 P.2d 570, 575 (Alaska 1999).

> (b) The failure on the part of a mining lessee or a locator to comply strictly with AS 38.05.185 - 38.05.275 and regulations adopted under those sections does not invalidate the rights of a mining lessee or a locator if it appears to the satisfaction of the commissioner that the mining lessee or the locator complied as nearly as possible under the circumstances of the case, and that no conflicting rights are asserted by any other person.

The statutes and cases interpreting those statutes point to the conclusion that a person holding a mineral interest that is superior to competing claims has an ownership interest in the minerals that are located. The holder of the interest can continue to hold that interest so long as the holder can "compl[y] as nearly as possible under the circumstances" with the requirements in AS 38.05.185 - 38.05.275,[7] including the satisfaction of the annual rental and labor requirements.[8]

However, perfection of the mineral rights does not in itself allow the interest owner to develop a mine; the owner must obtain all the necessary government-issued permits before extracting the minerals for which the rights are held. In the case of a large mine, the Large Mine Project Team in the Department of Natural Resources coordinates the timing and completion of the numerous permits.[9] Although there is a process of negotiation, modification, and amendment for permit terms and conditions, once the mine owner or operator qualifies for the permits, the mining operation can proceed.

Government liability for taking a mineral or mining right

Article I, sec. 18, Constitution of the State of Alaska, and amendment V of the U.S. Constitution prohibit the government taking of private property without just compensation. The acquisition of mineral rights by the first claimant who discovers a valuable mineral deposit, stakes a location, and files a mining claim has a legally

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[7] AS 38.05.185(b).

[8] AS 38.05.210 (annual labor requirement); AS 38.05.211 (annual rental requirement).

[9] For more information on permitting large mine projects in the state, go to the Internet site at *http://www.dnr.state.ak.us/mlw/mining/largemine/* (accessed Nov. 22, 2006). The large mine projects listed on that site are Chuitna Coal, Fort Knox Mine, Greens Creek Mine, Kensington, Nixon Fork Project, Pebble Gold Project, Pogo Project, Red Dog Mine, Rock Creek Project, True North Mine, and Tulsequah Project. A document summarizing the large mine permitting process is available on the Internet at *http://www.dnr.state.ak.us/mlw/mining/largemine/lmpt_process.pdf* (accessed Nov. 22, 2006).

protected interest,[10] that if taken by the government, entitles the holder to just compensation.

The takings doctrine is implicated when the state deprives a person of a property right. In the case of mineral rights that have been located and are not subject to a prior existing claim, the voiding of those mineral rights or regulatory action that denies all economically feasible use of those mineral rights may be found by a court to constitute a per se taking of that property interest.[11]

The issue of whether or not a mine may be allowed on particular state land initially is decided when the commissioner of natural resources classifies state land as either open or not open to mining.[12] The classification of land as available for mining opens the land to discovery, location, and filing for the mineral rights. For example, the land on which the proposed Pebble Gold Project may be developed is classified as available for mineral development as part of the Bristol Bay Area Plan.[13] Once a holder has established mineral rights -- a protected interest -- the state may not take those rights without just compensation. HCR 29 (24th Alaska Legislature) calls for the commissioner to revisit the decision of classifying the area in which the Pebble Gold Project is located for mineral development. Since the claims have already been filed, a reclassification of the land use could amount to a taking of the mineral rights that have vested and a court could require the state to compensate the holder for those rights.

If the state chose to terminate the mining activity, one option would be for the state to purchase the mineral rights from the holders. Presumably, the state would offer the fair market value for the rights, an appropriate measure of compensation used for

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[10] *Trustees for Alaska v. State*, 736 P.2d 324, 332 (Alaska 1987). Although this case described the federal location system for establishing mineral rights, it is applicable to the state's system. The difference between the state and federal systems was that at the time *Trustees* was before the court the federal requirements did not include the payment of rent and royalties nor was there a state requirement of payment. Following the decision in *Trustees*, the legislature enacted AS 38.05.211 that requires the payment of annual rent to the state for "each mining claim, leasehold location, prospecting site, and mining lease."

[11] See, *Beluga Mining Co. v. State, Dep't of Natural Resources*, 973 P.2d 570, 575 (Alaska 1999).

[12] AS 38.05.300.

[13] The Bristol Bay Area Plan, that describes land use and classification in the area of the proposed Pebble Gold project and includes area maps, is published on the Internet at *http://www.dnr.state.ak.us/mlw/planning/areaplans/bristol/pdf/bbap_complete.pdf* (accessed Nov. 22, 2006).

condemning property through the state's exercise of the power of eminent domain.[14] Another possibility for the state to stop the mining activity would be to impose such extensive requirements for necessary permits that the developer could not economically proceed with the project. With regard to this second option, a regulation that denies the property owner all economically feasible use of the property may be found to be a "per se" taking by the state, and the state would again be in the position of paying just compensation.[15]

A court may also examine governmental action on a case-by-case basis for the purpose of determining whether the action amounts to a taking that justifies compensation to the holder of the property right. This type of examination involves an analysis of the following four factors: (1) the character of the governmental action; (2) its economic impact; (3) its interference with reasonable investment-backed expectations; and (4) the legitimacy of the interest advanced by the regulation or land-use decision.[16] In *Beluga*, the court used the four-factor analysis to consider whether the state had engaged in a taking. With regard to the third element, the *Beluga* court found that the plaintiff failed to establish a basis for concluding that it had "reasonable investment backed expectations" because the claims were always contingent upon state permission to mine and other adverse existing claims.[17]

As a practical matter, it seems reasonable for a mine developer to expect that permits for a mining project will eventually be issued although the requirements are subject to negotiation. My understanding from talking to a staff member[18] of the large mine project team in the Department of Natural Resources is that government agencies have discretion in developing the terms and conditions for each permit, but once the terms and conditions are agreed upon by the applicant (generally the case) the permits are issued and the mining operation proceeds. If there is some point in the permitting process that gives discretion to the decision maker whether or not to issue a permit and the denial of that permit is the basis for stopping the development of the mine, that discretionary step may be a basis for a court to find that the investment-backed expectations were not reasonable.

My impression from the existing statutory scheme and court cases on this issue is that mining rights that have vested through discovery, location, and filing, and that are not

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[14] *Dash v. State,* 491 P.2d 1069, 1073 n. 11 (Alaska 1971).

[15] *Beluga,* 973 P.2d at 575.

[16] *Spinell Homes, Inc. v. Municipality of Anchorage*, 78 P.3d 692, 702 (Alaska 2003). The four factors are referred to as the "Sandberg factors" based on the decision in *Anchorage v. Sandberg*, 861 P.2d 554 (Alaska 1993).

[17] *Beluga,* 973 P.2d at 576.

[18] Tom Crafford, Acting Large Mine Coordinator, *supra.*

subservient to prior or other existing claims are protected property interests and that the state's taking of those interests would require the payment of just compensation under the state and federal constitutions.

Compensation for the taking of mineral or mining rights

Should a court find that the taking of mineral interest constitutes a taking under art. I, sec. 18, Constitution of the State of Alaska or amendment V of the U.S. Constitution, the court, or the parties in negotiations, would need to determine the amount of just compensation to be paid to the holder. Since fair market value has been recognized as a basis for determining just compensation,[19] the fair market value of the interest must be determined.

The valuation of mineral rights was raised in *Phillips v. United States,* in which the 9th Circuit Court of Appeals addressed the determination of the speculative value of a mining claim.[20] The Court wrote:

> 3. The "Element of Speculation" in Mineral Right Does Not Preclude Their Having an Ascertainable Market Value.
>
> "How could the jury arrive at a dollars or cents figure for a mineral interest except by pure guess?" rhetorically asks counsel for the appellee.
>
> The Supreme Court has answered this question.
>
> In Montana Railway Co. v. Warren, 1890, 137 U.S. 348, 352, 11 S.Ct. 96, 97, 34 L.Ed. 681, the Court said:
>
> > "There remains for consideration but a single point, -- that there was admitted in evidence on the trial the opinions of witnesses as to the value of the land, which were not based upon the sale of the same or similar property, and were not therefore the opinions of persons competent to so testify. It appears that the land taken was a strip running through a mining claim, which had been patented and belonged to the defendants in error. The claim adjoined the Anaconda mining claim, which had been developed and worked, and demonstrated to contain a vein of great value. The claim in controversy had been developed so far as to indicate that *possibly, perhaps probably,* the same rich vein extended through its territory. It had not been developed so

[19] *Dash v. State, supra.*

[20] *Phillips v. United States*, 243 F.2d 1, 5 (9th Cir. 1957).

> far that this could be affirmed as a fact proved. The strip taken ran lengthwise through the claim; and, upon the trial witnesses were permitted to testify as to their opinion and judgment of its value. It may be conceded that *there is some element of uncertainty in this testimony, but it is the best of which, in the nature of things, the case was susceptible.* That this mining claim, *which may be called 'only a prospect,'* had a value fairly denominated a 'market value,' may, as the Supreme Court of Montana well says, be affirmed from the fact that such prospects are the constant subject of barter and sale. Until there has been full exploiting of the vein its value is not certain, *and there is an element of speculation, it must be conceded, in any estimate thereof. And yet uncertain and speculative as it is, such prospect has a market value;* * * *'!*

In other words, a court determining the appropriate amount of just compensation to be paid to the holder of mineral rights taken by the state would consider testimony and other evidence relating to the fair market value. Some of the evidence will be speculative, particularly the quantity of valuable minerals in place, the cost of extraction, and the expected profit. I expect the fair market value will reflect the present value of future expected earnings from the minerals. An award based on the expected market value of the minerals that does not take into consideration the cost of developing the mine and the mining, transportation, and marketing of the minerals, including the cost of financing the mining operation, would be excessive and inequitable. Ultimately, if the parties are unsuccessful in negotiating an agreed price for the taking, the determination of fair market value must be determined by a fact finder.[21]

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[21] Another example of valuation testimony is found in *United States v. L.E. Cooke Co.*, 991 F.2d 336, 339 (6th Cir. 1993). In that case, the federal government was condemning land in which the L.E. Cooke Company held coal interests. Part of the action was the determination of the value of the coal lease interests for the purpose of determining just compensation. Regarding the leasehold owners expert witness, the court wrote:

> Because Cooke had the burden of persuasion in this action, its expert witness, John Praskwiecz, testified first. Praskwiecz, a licensed mining engineer, regularly performs reserve studies, mine feasibility studies, and appraisals for his employer, Gaddy Engineering Company.
>
> . . .
>
> Praskwiecz testified that reserve evaluations involve a determination of the amount of coal that is mineable and merchantable within a given piece of property and that mine feasibility studies are economic studies to determine the cost of mining coal, such as the selection of equipment and method of mining. The coal industry categorizes reserves according to standards established by the United States Geological Survey. Praskwiecz

Foreign held mineral interests in Alaska and the relevance of chapter 11 of the North American Free Trade Agreement.

You asked whether Chapter 11 of the North American Free Trade Agreement (NAFTA) may be utilized by a foreign company that has invested in exploration of a mineral resource and is then subject to tightening of state environmental standards relative to mineral extraction or the outright prohibition of resource extraction in an area where the company has been actively exploring.

The use of ch. 11 of NAFTA as a tool for a foreign corporation to bypass or otherwise challenge state law and policy was discussed in a 2004 article that appeared in STATE

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testified that such reserves are either proven, i.e., one-quarter mile from a known point of coal thickness; probable, i.e., one-quarter to three-quarters of a mile from that point; inferred, i.e., three-quarters of a mile to one and one-half miles from that point; or potential, i.e., over one and one-half miles from the known point of coal.

After explaining the procedures he used and the sources of information he relied upon, Praskwiecz concluded that the tracts at issue contained 47,000 tons of proven coal and 1,066,000 tons of probable coal, for a total of 1,113,000 tons. Praskwiecz concluded that the remaining 487,000 tons of coal reserves had no economic value, and he ignored them. When questioned about the quality of the coal in the four seams present in the Cooke property, Praskwiecz stated, "The quality is a low to middle quality steam coal, which can definitely be sold on the steam coal market, and at a price." J.A., vol. II, p. 27. On cross-examination, Praskwiecz acknowledged that only one of the data points he used in his evaluation was actually located on a Cooke tract and that the quality of the coal seams fluctuated in Lawrence County. Also, he admitted that there were some impurities present in the coal but not, in his opinion, enough to affect the coal's marketability.

Praskwiecz further testified that in his opinion the highest and best use of the Cooke tracts was coal mining. In determining market value, Praskwiecz testified that the preferred approach in the industry is to use comparable sales. However, he identified only two sales which were similar enough to be considered comparable and found that these were insufficient to establish a market trend. Instead, he used a discounted cash flow analysis. When his calculations were completed, Praskwiecz determined that the present net value of the Cooke leases was $427,000 and that this was the fair market value at the time of taking.

LEGISLATURES, a publication of the National Conference of State Legislatures (NCSL).[22] The article included a discussion of several cases in which a foreign company sought damages based on state and local government action relating to the corporation's investment. In *Methanex v. United States,* a Canadian corporation sought damages from the United States because of its alleged loss of future profits resulting from the California legislature's ban on MTBE.[23] In a second case, Metalclad, a U.S. multinational corporation brought suit for damages against Mexico after state and local officials in a Mexican state used their land-use regulatory authority to stop the development of a hazardous waste facility in which Metalclad has invested.[24] In another case involving California, Glamis Gold is pursuing a claim against the United States based on provisions in California's mining law that protect Native American sacred sites that Glamis Gold argues will deprive the company of future profits.[25] In each of these three cases, the federal government that was a party to NAFTA -- Mexico and the United States -- is the defendant.

In 1993, the Congress of the United States enacted the North American Free Trade Agreement Implementation Act.[26] Sec. 102 of the Act addresses the relationship between NAFTA to United States and state law.[27] With regard to state law, sec. 102 requires the President to consult with the states for the purpose of achieving conformity of state laws and practices with NAFTA and to assist the states to identify those state laws that may not conform to the agreement.[28] Further, with regard to legal challenges to state law, the section states that, "No State law, or the application thereof, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with the Agreement, except in an action brought by the United States for the purpose of declaring such law or application invalid."[29]

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[22] William T. Warren, *Trade Agreement Trade-offs*, STATE LEGISLATURES, July/August 2004, at 20-23.

[23] *Id.* at 21. "MTBE" is methyl tertiary butyl ether, a fuel additive in motor gasoline. See, *http://www.epa.gov/mtbe/faq.htm#background* (accessed Dec. 6, 2006).

[24] *Warren* at 21.

[25] *Id.* at 21-22.

[26] Pub. L. 103-182, 107 Stat. 2057.

[27] Sec. 102 is codified as 19 U.S.C. 3312.

[28] 19 U.S.C. 3312(b)(1)(B).

[29] 19 U.S.C. 3312(b)(2).

Given the nature of mineral rights in this state -- that the interests vest following discovery, location, and filing -- state action that amounts to a taking requires just compensation to be paid to the holder of the property interest that is the subject of the taking. As discussed above, Alaska courts have recognized that regulatory action can amount to a taking and require compensation to be paid. The suits brought under ch. 11 of NAFTA that are based on a regulatory taking of an economic interest possibly could be resolved under Alaska law if the court finds that a regulatory taking has occurred. The remedy for a regulatory taking under NAFTA, in the form of a suit for damages against the host country, is available to a foreign corporation regardless as to whether a particular state recognizes a regulatory taking such as our court described in *Beluga*, supra.

NAFTA and the North American Fee Trade Agreement Implementation Act do seem to complicate a state's exercise of control over environmental concerns by raising the possibility of a suit against the federal government based on state regulation and, under the Implementation Act, requiring a state and federal government to coordinate regulatory actions for consistency under NAFTA.[30]

I do not know the extent of any interaction related to NAFTA between the state and federal government. You may wish to contact the office of the governor or the governor's office in Washington, D.C. for more information.

Summary

The commissioner of natural resources identifies land in the state that is open for mining. When a person acquires mineral rights through discovery, location, and filing, that person acquires a property interest that requires the state to pay just compensation if the property is taken either as a per se taking or a regulatory taking that deprives the owner of all economic use of the interest.

The North American Free Trade Agreement provides a means for a non-U.S. corporation to try to recover damages from the federal government based on what is found to be a regulatory taking by a state or local government.

If I may be of further assistance, please advise.

DMB:med
06-511.med

[30] Northern Dynasty, the developer of the Pebble Gold Project, is a corporation based in Vancouver, British Columbia, and potentially could seek protection of its investments under ch. 11 of NAFTA.

World Wildlife Fund
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THE VALUE OF COMMERCIAL FISHERIES NEAR BRISTOL BAY, ALASKA

World Wildlife Fund
August 2011



Scott Dickerson – WWF

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EXECUTIVE SUMMARY

Bristol Bay Alaska is one of the world's last remaining wild places. Its highly productive marine ecosystems support the largest sockeye salmon run in the world, as well as chum salmon, Chinook salmon, Sockeye salmon, Red King crab, Pacific halibut and other commercially valuable species. The economic, social, cultural, and ecological well-being of the region depends on the health of its fisheries. Climate change and potential infrastructure projects related to oil, gas, and mineral development in the region, however, now threaten its pristine ecosystems. Understanding the economic value of Bristol Bay's fisheries, therefore, is more important now than ever before.

This study estimates the dollar value of the total economic activity supported by Bristol Bay's commercial fisheries, from harvest to processing to retail. The total economic value of economic activity is determined using a value-chain analysis supplemented by input-output modeling. This study finds that healthy and productive fisheries in Bristol Bay generate economic activity equivalent to $4.1–$5.4 billion dollars annually.

The health of Bristol Bay fisheries is not only economically important to the region, but to the nation and the globe. The men and women who fish in Bristol Bay's waters reside in states beyond Alaska. The processors and wholesalers who process the catch are located off-shore and on-shore in and beyond Alaska. The seafood products sold by retailers are purchased by consumers the world over.

This study's estimates of the dollar value of economic activity supported by Bristol Bay fisheries captures only one dimension of the total economic value of the region. It makes no attempt to monetize the value of biodiversity and ecosystem services, recreation and scenic amenities, or cultural and social significance. Nevertheless, our estimates of the economic value of commercial fisheries in Bristol Bay provide strong economic support for protecting this unique and valuable ecosystem.



Kevin Schafer / WWF-Canon



Verner Wilson / WWF

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Scott Dickerson – WWF

1] INTRODUCTION

Southwest Alaska's Bristol Bay boasts magnificent scenery, highly productive marine ecosystems, and bountiful fisheries. The area is home to the largest sockeye salmon run in the world and also supports strong runs of chum salmon, Chinook salmon, and Coho salmon. Bristol Bay provides nursery grounds for commercially valuable Red King crab and Pacific halibut. It is a staging area and wintering ground for tens of millions of birds, and a feeding ground and migration corridor for many marine mammals, including five endangered species.

As salmon populations plummet worldwide and development and population pressures encroach on the world's last remaining wild areas, Bristol Bay's abundant natural wealth assumes global significance. Development has left Bristol Bay largely untouched thus far, but climate change, off-shore oil and gas development, and mining threaten to irrevocably diminish its natural productivity and the subsistence and commercial livelihoods of those who depend on it.

The Bristol Bay region's economic, social, cultural, and ecological well-being is tied to healthy marine ecosystems. Grizzly bears, traditional subsistence lifestyles, commercial fisherman, seafood processors and retailers, sports fishing enthusiasts, and tourism all depend on its fisheries, especially salmon. The myriad of economic, cultural, ecological, and social values supported by Bristol Bay is impossible to estimate in its entirety. These values are at risk, if proposed infrastructure projects related to oil and gas development proceed. Figure B.1 in Appendix B maps potential oil and gas lease areas near Bristol Bay. These projects can potentially disrupt pristine habitats, impact fish and wildlife populations, and pollute the watershed.

This study demonstrates the economic contributions of one of the largest and most significant industries in the region – commercial fishing. It provides a range of estimates of the total dollar value of commercial fisheries, from harvest to processing to retail. These estimates comprise only one component of the total economic value of Bristol Bay, the component that can be most readily monetized. It excludes the value of biodiversity and ecosystem services, recreation and scenic amenities, cultural and social significance. Nevertheless, these estimates of the economic value of commercial fisheries in Bristol Bay provide strong economic support for protecting this unique and valuable ecosystem.

In the section that follows, we examine commercial fisheries in our base study area at glance, identifying key species and economic impacts. In section 3, we discuss our methodology and analysis. In section 4 we present our results and conclusions.



Scott Dickerson – WWF

2] BRISTOL BAY COMMERCIAL FISHERIES AT A GLANCE

2.1. Base Study Area Defined

Bristol Bay and surrounding waters support many large and valuable fisheries. The base study area for this analysis includes the marine waters of the North Aleutian Basin and adjacent waters identified as at risk from potential oil, gas, and mineral related infrastructure (Figure 1). Specifically, it includes the marine waters contained within the following Alaska Department of Fish and Game statistical areas:

- All statistical areas south and east of 59 lat and 165 long, but north of the Aleutians.[1]
- Those statistical areas represented on Chart 9 – Alaska Peninsula and Chignik south of the Aleutians based on the fact that there will be shipping and potential spill and infrastructure impacts on that area.[2]
- Statistical areas 655530, 655500, 655430, 655410, 655407, 655409, 665500, 665430, 665410, 675430, 675400, 675333, 685331, 685332, and 685400.[3]
- All state waters that fall within or are adjacent to the above described regions.

2.2. Commercial Fisheries: Landings

The base study area encompasses commercial fishing activity that spans different management agencies, management plans, and spatial scales. In 2008, the base study area comprised almost one-third of the total commercial landings in Alaska. Between 2005–2008, the value of ex-vessel landings in the base study area averaged $463 million annually, with five commercial species (salmon, pollock, King crab, Pacific cod, and halibut) accounting for almost 95% of that value (Table 1).[4] Salmon is the largest fishery in the Bristol Bay region, contributing one-third of total landings value. Four species (pollock, salmon, Pacific cod, and herring) account for almost 96% of total pounds landed in the base study area (Table 2).

FIGURE 1. BASE STUDY AREA

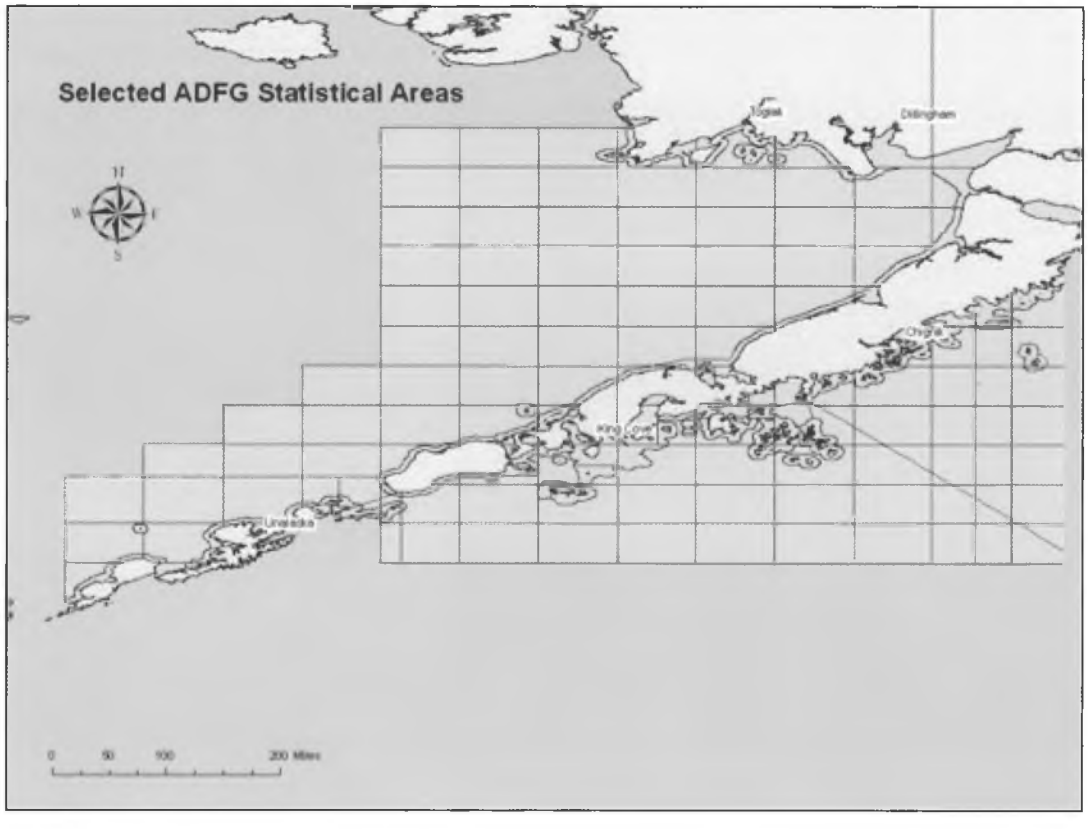


TABLE 1. LANDINGS BY SPECIES GROUP FOR SELECT ADFG STATISTICAL AREAS (MILLIONS $2008)

	2005	2006	2007	2008	Average (2005-08)	Cumulative % of total
Salmon	$142.7	$146.7	$159.8	$166.0	$153.8	33.2%
Pollock	$135.7	$126.5	$105.3	$112.3	$120.0	59.1%
King Crab	$88.1	$60.6	$91.0	$100.9	$85.1	77.5%
Pacific Cod	$39.0	$52.9	$49.4	$64.4	$51.4	88.6%
Halibut	$26.8	$29.7	$27.8	$31.4	$28.9	94.9%
Sablefish	$13.0	$15.5	$15.7	$14.7	$14.7	98.1%
Tanner Crab	$1.4	$0.9	$3.1	$3.9	$2.3	98.6%
Herring	$4.2	$3.8	$2.8	$3.3	$3.5	99.3%
Flatfish	$0.9	$1.2	$2.0	$1.2	$1.3	99.6%
Dungeness Crab	$0.6	$0.4	$1.3	$1.1	$0.9	99.8%
Scallops	-	$0.6	$0.4	$0.3	$0.3	99.9%
Rockfish	$0.3	$0.3	$0.3	$0.3	$0.3	99.9%
Other Species [5]	$0.4	$0.2	$0.2	$0.4	$0.3	100.0%
Atka Mackerel	$0.0	$0.0	$0.0	$0.0	$0.0	100.0%
Ling Cod	$0.0	$0.0	$0.0	$0.0	$0.0	100.0%
Total	**$453.1**	**$439.6**	**$459.0**	**$500.1**	**$463.0**	–

Source: Alaska Commercial Fisheries Entry Commission

TABLE 2. LANDINGS BY SPECIES GROUP FOR SELECT ADFG STATISTICAL AREAS (THOUSAND POUNDS)

	2005	2006	2007	2008	Average (2005-08)	Cumulative % of total
Pollock	1,039,076	955,297	819,118	565,685	844,794	63.6%
Salmon	243,071	241,943	270,608	263,574	254,799	82.7%
Pacific Cod	150,697	139,280	106,988	117,729	128,674	92.4%
Herring	46,495	47,778	35,328	43,876	43,369	95.7%
Flatfish	11,459	17,332	25,066	20,415	18,568	97.1%
King Crab	18,139	15,541	20,147	20,104	18,483	98.5%
Halibut	8,217	7,462	6,272	7,417	7,342	99.0%
Sablefish	5,719	6,080	6,124	5,118	5,760	99.5%
Other Species	3,294	2,875	2,850	4,397	3,354	99.7%
Tanner Crab	740	688	1,875	2,300	1,401	99.8%
Rockfish	894	1,305	1,125	772	1,024	99.9%
Atka Mackerel	1,476	1,352	629	16	868	100.0%
Dungeness Crab	437	278	653	510	470	100.0%
Scallops	0	71	50	56	44	100.0%
Ling Cod	0.673	0.594	0.762	0.341	0.593	100.0%
Total	**1,529,717**	**1,437,283**	**1,296,832**	**1,051,970**	**1,328,950**	–

Source: Alaska Commercial Fisheries Entry Commission

Harvest is conducted by permit holders. Permit holders in the base study area largely reside in Alaska, Washington, Oregon, and California (Table 3). Approximately 70% of the average landings value in the base study area over the period 2005-2008 was held by permit holders residing outside of Alaska. This demonstrates the potential geographic extent of the economic impacts of Bristol Bay commercial fisheries; revenues earned by out-of-state permit holders can contribute to spending and to the tax base in nearby states.

Case Study of Salmon Permit Holders

The Bristol Bay salmon fishery offers an instructive case study of the distribution of earnings of permit holders and the geographic extent of impacts associated with commercial harvests in the base study region. Data compiled from the Commercial Fisheries Entry Commission online database reveals that 3165 salmon permits were issued for Bristol Bay salmon permit areas in 2008. Alaska residents accounted for approximately 56% of permit ownership. Permits were also held by individuals residing in 45 U.S. states, Canada, and New Zealand.[6]

Table 4 summarizes the average earnings per permit holder per permit types for the states where ten or more permit holders reside. The data shows that the value of Bristol Bay salmon permits extends well beyond Bristol Bay.[7]

Examining the distribution of salmon permit holders within the base study region demonstrates the regional impacts of commercial harvests. The boroughs/census areas of Bristol Bay and Dillingham are the terrestrial areas most closely associated with the base study area. Less than 20% of S03T permits and just over 30% of S04T permits are held by these 'regional' residents (Table 5).

TABLE 3. AVERAGE VALUE OF TOTAL LANDINGS BY RESIDENCY OF PERMIT HOLDER

State	Landings value (millions $)	% of total landings
Alaska	$143.00	31%
Washington	$241.00	52%
Oregon	$43.00	9%
California	$13.00	3%
Other	$23.00	5%

Source: Alaska Commercial Fisheries Entry Commission

TABLE 4. SALMON PERMITS BY STATE OF RESIDENCE 2008

State	# of permits	Total gross earnings	Average gross earnings/ permit
AK	1780	$76,353,887	$42,895
WA	837	$49,847,151	$59,555
CA	157	$8,356,421	$53,226
OR	142	$7,144,183	$50,311
ID	36	$1,767,436	$49,095
MN	29	$1,346,680	$46,437
MT	28	$1,301,295	$46,475
CO	18	$657,771	$36,543
AZ	12	$636,997	$53,083
UT	10	$508,681	$50,868

Source: Authors' calculations based on permit data from Commercial Fisheries Entry Commission online database

2.3. Commercial Fisheries: Processing, Wholesale, and Retail

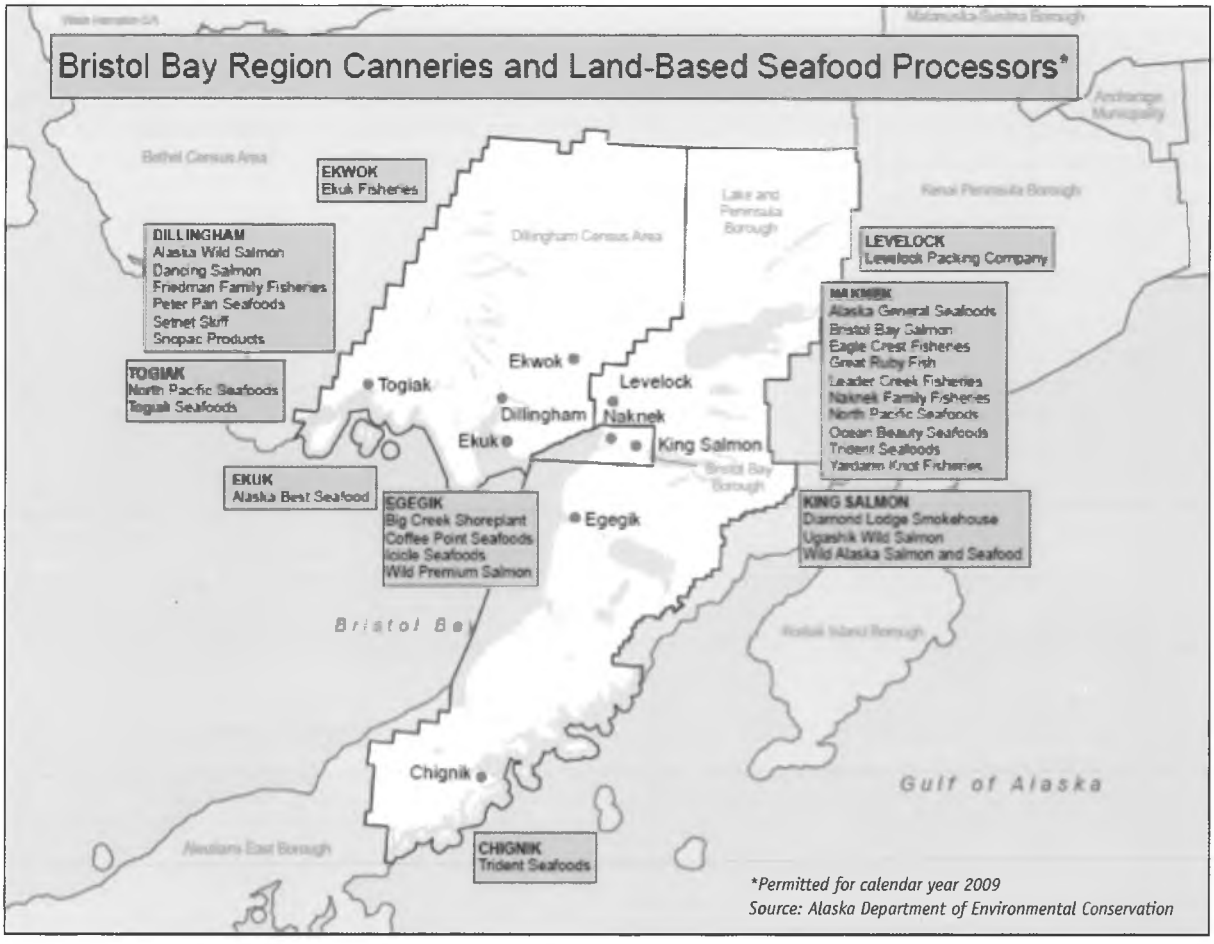
Commercial fisheries contribute economic value along the supply chain from harvest to consumption. After harvest, permit holders sell their catch to processors and wholesalers. Seafood processing is a major component of Alaska's seafood industry. Commercial processing of seafood harvested in the base study area may occur: 1) on-shore in terrestrial areas associated with Bristol Bay (i.e., Bristol Bay Borough, Lake and Peninsula Borough and Dillingham Census Area); 2) at-sea on processing ships; or 3) on-shore beyond the base study area (inside or outside of Alaska). The base study area contains off-shore processors that harvest their own catch directly. Since 1990, catcher/processors that fish exclusively off-shore and do not deliver to Alaska ports have not been required to fill out fish tickets. This makes it difficult to estimate the harvests by these vessels and the wholesale values associated with processing those harvests.

TABLE 5. NUMBER OF PERMIT HOLDERS FOR KEY BRISTOL BAY FISHERIES FROM THE REGION (2008)

		Bristol Bay		Dillingham		Total Permits		Region as a % of total	
Fishery	Area	Permits	Fished	Permits	Area	Permits	Fished	Permits	Fished
Salmon	S03T	57	50	270	227	1,863	1,469	18%	19%
	S04T	118	100	202	123	980	850	33%	26%
	TOTAL	**175**	**150**	**472**	**350**	**2,843**	**2,319**	**23%**	**22%**

Source: Authors' calculations based on permit data from Commercial Fisheries Entry Commission online database

FIGURE 2. BRISTOL BAY CANNERIES AND SEAFOOD PROCESSORS



**Permitted for calendar year 2009*
Source: Alaska Department of Environmental Conservation

Wholesale value (also commonly called 'first wholesale value') typically refers to the value of seafood products after processing. Following processing, seafood is then typically distributed to retailers or restaurants where it finally reaches consumers. This final level of distribution is referred to as 'retail' and it includes food stores, the food service industry, and non-edible industrial products resulting from secondary processing.[8]

Commercial fisheries' landings from the base study area are distributed worldwide. Figure B.5 in Appendix B details 24 recipient countries of salmon processed by one Bristol Bay salmon processor. This is but a small portion of total exported Alaskan salmon. An annual U.S. export list of salmon (excluding Atlantic salmon) in 2008 shows as many as 88 importing countries in one year (NMFS 2011a). It is clear that distribution and sales from base study area fisheries not only concern Alaska or even just the U.S., but impact international markets as well.[9]

2.4. Summary Characteristics of Base Study Area

The base study area for this analysis includes the marine waters of the North Aleutian Basin and adjacent waters that are at potential risk from oil, gas, and mineral development. The base study area, therefore, comprises a greater area than what often is referred to as "Bristol Bay". It encompasses commercial fishing activity that spans different management agencies, plans, and spatial scales. The base study area is incredibly productive, with 1.3 billion pounds of fish on average harvested annually. This is equivalent to almost one-third of total commercial landings in Alaska. Salmon is the largest fishery in the base study region, accounting for 33% of the landings value and the largest share of harvest related employment. Other major fisheries include pollock, King crab, Pacific cod, and halibut, which combined account for an additional 62% of landings value.

Commercial landings from the base study area are also distributed worldwide. Distribution and sales from base study area fisheries impact international markets as well. The economic impacts of commercial fisheries in the base study area, therefore, have broad geographic reach. This suggests that the health of Bristol Bay fisheries is economically significant not only to Alaska but to the nation as a whole.

3] METHODS AND ANALYSIS

The objective of this analysis is to demonstrate the economic contributions of commercial fisheries in the base study area, from harvest to consumption. To do this, we use a value chain analysis, supplemented by input-output modeling. This approach allows us to capture the value contributed along subsequent steps in the value-chain, from harvest through processing, wholesale, and retail; as well as the value of related economic activities.

The study focuses on three major stages in the chain; 1) harvest ⇨ 2) processing and wholesale ⇨ 3) retail and consumption. At each step along the value-chain, there is value added to the commercial fishery input. We estimate the value of the commercial fishery input upon the completion of each forward linked step in the value-chain. We refer to the value at each step along the value-chain as landings value, wholesale value, and retail value respectively.

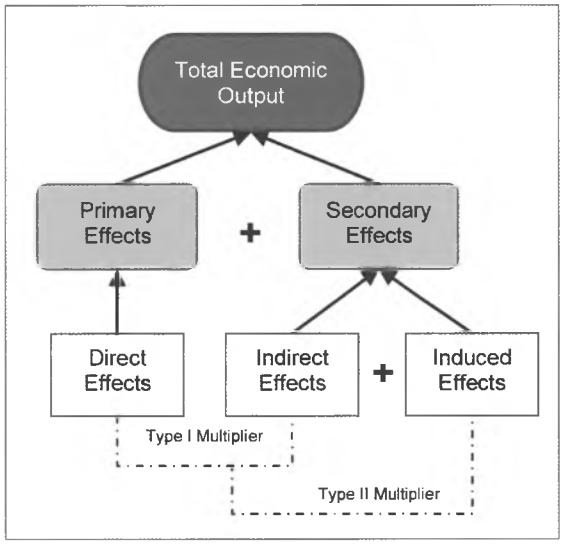
In a value-chain analysis, the value-added is cumulative across all steps; upstream steps capture the value of all previous steps and should not be treated additively. This process is best illustrated by way of example. Assume a commercial fisherman is paid $1.00 for one fish harvested from the base study area. The fish (fishery input), therefore, has a landings value of $1.00. The processor who purchased the fishery input will process it, adding value, and sell it to a retail outlet for $2.00; thus the wholesale value of the fishery input is $2.00. The retailer, the final step in the value chain, may add labeling or prepare the fishery input as part of a meal, adding further value, and sell it to the final consumer for $3.00, the final retail value. The entire process from harvest through to retail sale and consumption transforms $1.00 in landings into $3.00 in consumer product.

The value-chain analysis, however, captures only one dimension of the economic value of commercial fisheries. It does not measure economic activity linked to every step along the supply chain. There other businesses and sectors that support harvest, wholesale and processing, and retail activities. For example, to catch the fish initially, the fisherman purchased gear, bait, and other supplies and hired a crew. All of this activity was supported and paid for by sales made to processors. Processors also purchase supply inputs, employ workers, and maintain equipment. Those activities are supported by sales made to retailers. Commercial fishermen, processors, and retailers each have suppliers downstream which benefit indirectly from sales; these effects constitute the indirect economic impacts of commercial fishing.

The economic contributions of commercial fisheries, however, do not end there. Fishermen and their crew; bait and tackle shop owners and their employees; processors and their workers and suppliers; and retailers all have income to spend at other businesses due to commercial fishing. This induced economic activity is an important contribution of commercial fishing. In areas of the world where commercial fisheries have been closed due to historic overfishing, the ripple effects through the regional economy are generally very apparent. Businesses fail to thrive when a major industry that supports the local economy is in a state of decline.

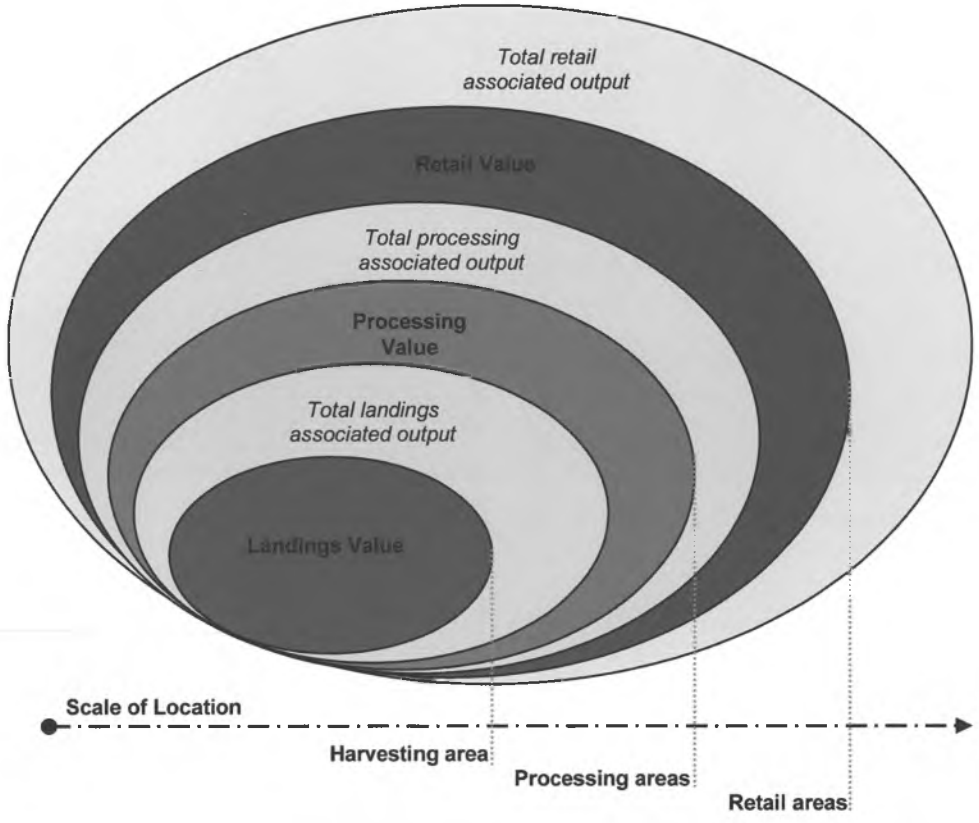
Induced effects and indirect effects are referred to in this analysis as the secondary economic impacts from commercial fishing. To calculate indirect and induced effects, an economic multiplier is used. For example, a multiplier of 1.5 implies that $1.00 of primary economic activity generates an additional $0.50 in indirect and/or induced economic activity, for a total economic output of $1.50. The total economic output, therefore, includes direct, indirect, and induced economic effects (Figure 3).[10] Multipliers are derived from input-output models that describe the industrial structure of an economy – the inputs to various sectors and the distribution of outputs – at a particular scale.[11] Typically, the larger the region impacted by the activity, the greater the multiplier effect. Moreover, the greater the multiplier effect is, the greater the impact on the region's economy.

FIGURE 3. MULTIPLIER EFFECTS



Our analysis of the total value of commercial fisheries in the base study area proceeds as follows. First, we estimate the economic value of commercial harvests using landings data. We then apply the appropriate multipliers to estimate the secondary impacts (indirect and induced economic activity) associated with that harvest. Second, we estimate the value added by processing and wholesale. We estimate wholesale value using two different approaches: 1) the application of related processing margins; and 2) the use of a seafood specific economic-value added model. We then apply the appropriate multipliers to estimate the secondary

FIGURE 4. ANALYSIS OF THE ECONOMIC VALUE OF COMMERCIAL FISHERIES



impacts of processing and wholesale. Lastly, we estimate value added by the retail sector using the same economic-value added model. Secondary impacts are again determined using appropriate economic multipliers. Throughout the analysis, we present a range of values to reflect the uncertainties in this analysis and to demonstrate the sensitivity of results to key modeling choices.[12] Unless otherwise noted, all estimates reported in this study are in real dollars ($2008).

Figure 4 depicts the forward and backward linkages captured by this multi-step value-chain and associated economic impact analysis. The three steps in the value chain (harvest, processing, and retail) are color coded to reflect the total economic output associated with each step; blue shades, for example, represent the total economic impacts from harvesting. The economic impacts are cumulative as we move from harvest to retail and cannot be summed. The scale of the geographic region impacted by the economic contributions of commercial fisheries expands outward as we move along the value chain.

3.1. Landings Value and Value of Associated Economic Output

Our analysis begins with average landings value in the base study region. Between 2005-2008, the landings value in the base study region averaged $463 million dollars annually (Table 1). This is the primary economic impact from commercial harvest. As discussed previously, the landings value supports additional economic activities, the magnitude and value of which can determined through the application of an economic multiplier.

We reviewed the literature that estimates multiplier effects from commercial fishing activities to identify a range of potential multiplier values to use in this analysis (Appendix A). Most studies employ state-level multipliers rather than national multipliers, on the assumption that most of the economic impacts from commercial fishing manifest on a regional scale. Given the wide geographic reach of Bristol Bay commercial fisheries, in terms of where permit holders reside, where labor is sourced from, and where retail products are sold, it may be that a national-level multiplier could be justified. To use state-level multipliers as we do in this analysis, therefore, ensures conservative estimates of the total economic output associated with commercial harvest. Multipliers derived for other states or regions, or for specific fisheries, do not necessarily reflect the specific input-output configurations of our base study region. At best, these multipliers indicate a likely range within which the total economic value of commercial fishing in the base study area may lie.[13]

The two studies most directly relevant to our analysis come from the McDowell Group (2010) and Hackett et al. (2009). McDowell Group (2010) developed a set of multipliers, "specifically tailored to handle the aspects of Alaska's commercial seafood industry" (p. 6). They estimated a multiplier of 1.60 for the Prince William Sound commercial salmon fishery.[14] While the salmon fishery is but one of many fisheries in the base study area, it is the largest and most valuable, accounting for 30% of the landings value ($154 million dollars) on average. Applying McDowell Group estimates we show that the Bristol Bay salmon fishery alone supports an estimated $246 million annually in total economic output for the state of Alaska (Table 7).

Hackett et al. (2009) created a modified input-output model for California commercial fisheries and calculated multipliers at the state and regional level by operational configuration. Their operational configuration for salmon can be applied to the salmon fishery in Bristol Bay. Table 8 presents estimated total annual output for the Bristol Bay commercial salmon fishery using Hackett et al. multiplier value.

Multipliers that can be applied to total fisheries activity in the base study region are taken from Hodges et al. (2000), TECHLAW (2001), and Crosson (2009) as summarized in (Table 6). Hodges et al. (2000) estimated an output multiplier of 1.58 for commercial fishing in Florida. A 2001 study entitled, "The Economic Contribution of the Sport Fishing, Commercial Fishing and Seafood Industries to New York State," estimated an output multiplier of 1.92 for New York commercial fisheries (TECHLAW 2001). Finally, Crosson (2009) conducted an analysis of ocean going commercial fisherman in North Carolina and estimated an output multiplier of 1.45 for these fisheries.

Despite differences between fisheries in these states and in the base study area, they can be used to estimate a range of values of potential economic output resulting from harvest. Table 9 provides estimates of average annual total economic output for all Bristol Bay fisheries based on these multipliers.

Summary

Average annual landings value from 2005–08 for Bristol Bay commercial fisheries was $463 million; $154 million for the salmon fishery alone. Landings value supports secondary economic activity in the base study area and beyond. The total economic value of commercial harvests, therefore, may range from a high of $889 million dollars annually to a low of $673 million dollars annually. The Bristol Bay salmon fishery alone may support total economic activity in the range of $246–$253 million per year.

TABLE 6. ECONOMIC MULTIPLIERS FOR COMMERCIAL FISHERIES

Study	Multiplier	Case study area
McDowell Group 2010	1.6	Prince William Sound
Hackett et al. 2009	1.65	California
Crosson 2009	1.45	North Carolina
TECHLAW 2001	1.92	New York State

TABLE 7. ESTIMATED TOTAL OUTPUT FOR BRISTOL BAY SALMON FISHERY, 1

Salmon	Estimated annual output (2005–08 average)		
	Primary effects	Secondary effects	Total effects
Multiplier	1	0.6	1.6
Value (millions $)	$153.8	$92.3	$246.1

Source: Authors' calculations based on McDowell Group 2010

TABLE 8. ESTIMATED TOTAL OUTPUT FOR BRISTOL BAY SALMON FISHERY, 2

Salmon	Estimated annual output (2005–08 average)		
	Primary effects	Secondary effects	Total effects
Multiplier	1	0.6474	1.6474
Value (millions $)	$153.8	$99.6	$253.4

Source: Authors' calculations based on Hackett et al. 2009



Scott Dickerson – WWF

TABLE 9. TOTAL OUTPUT OF BRISTOL BAY COMMERCIAL FISHERIES USING EXISTING MULTIPLIERS

		Estimated annual output (2005–08 average)		
	All fisheries	Direct effects	Indirect effects	Total effects
Crosson (2009)	Multiplier	1	0.453	1.453
	Value (millions $)	$463.00	$209.70	$672.70
Hodges et al. (2000)	Multiplier	1	0.578	1.578
	Value (millions $)	$463.00	$267.40	$730.40
TECHLAW (2001)	Multiplier	1	0.92	1.92
	Value (millions $)	$463.00	$426.10	$889.10

TABLE 10. SUMMARY OF REGIONAL PROCESSING MARGINS

	Landings value (2007)	Wholesale value (2007)	Processing margin
Northwest and AYK	$7,209,518	$13,999,731	94.2%
Bristol Bay	$82,618,059	$239,528,907	189.9%
Southcentral	$203,004,630	$362,484,552	78.6%
Aleutian & Pribilof Islands	$392,611,159	$821,911,580	109.3%
Kodiak	$129,918,267	$266,272,694	105.0%
Southeast	$213,448,259	$404,779,932	89.6%
At-sea	$523,390,109	$1,518,022,604	190.0%
Total	**$1,552,200,001**	**$3,627,000,000**	**133.70%**

Source: Schug et al. (2009) and Marine Conservation Alliance (2009)

3.2. Wholesale Value and Value of Associated Economic Output

Wholesale value typically refers to the value of seafood products after processing. Estimates of wholesale value for the base study area were not readily available. To determine the value added to commercial landings as they are processed for wholesale, we review existing studies that report both landings value and wholesale value estimates to identify a range of processing margins. We then apply those margins to the landings value for our base study area.

In a report for the Marine Conservation Alliance, Schug et al. (2009) estimated processing margins for Alaska's seafood industry by regions. They estimate total landings value of Alaska commercial fisheries to be near $1.6 billion (in 2007). They estimate the total wholesale value to be $3.6 billion; $2.1 billion for shore-based processing, and $1.5 billion for at-sea processing (Northern Economics 2009).[15] This implies a processing margin of 133.7% (Table 10).

The highest percentage of value added (189.9%) for shoreside processing is attributed to Bristol Bay, though this region is likely not coterminous with the base study region.[16] We use the estimated processing margins for Bristol Bay and for all of Alaska to estimate a range of wholesale values for the base study area (Table 11). We estimate wholesale value for the base study region to range from $1.1 to $1.3 billion dollars annually.

TABLE 11. ESTIMATED ANNUAL WHOLESALE VALUES FOR BRISTOL BAY COMMERCIAL FISHERIES

Landings value (millions $)	Processing margin	Wholesale value (billions $)
$463	189.92% (Bristol Bay)	$1.3
$463	133.67% (Total)	$1.1

Source: Authors' calculations

Estimating Wholesale Value Using NMFS Value-Added Model

The National Marine Fisheries Service (NMFS) has developed an economic value-added model for commercial fisheries. The model calculates the value added at each step in the value chain, beginning with fishermen's landings through the point of final sale to consumers (NMFS 2009). The model relies on primary and secondary data sources to calculate the margin of value added (mark-up) applied at each stage of the value chain (NMFS 2009). The model begins with total landings value from domestic harvest. The final retail value represents all consumer expenditures on seafood products sold through stores and food service outlets and purchases of non-edible industrial products (NMFS 2009). The value paid to fishermen, processors, and wholesalers is embodied in the final retail value. Figure 5 displays the model as adapted to our purposes.[17]

To apply the NMFS value-added model to base study area landings values, we assume basic similarities in how seafood is processed and eventually consumed from the base study area and from U.S. fisheries as a whole. Table 12 details the component of the NMFS model that allows us to estimate the value added to commercial landings values through primary and secondary processing. NMFS describes secondary processors/wholesalers as those who purchase from other wholesalers or processors and make final distributions to retailers or restaurants.

FIGURE 5. VISUAL REPRESENTATION OF NMFS VALUE-ADDED MODEL

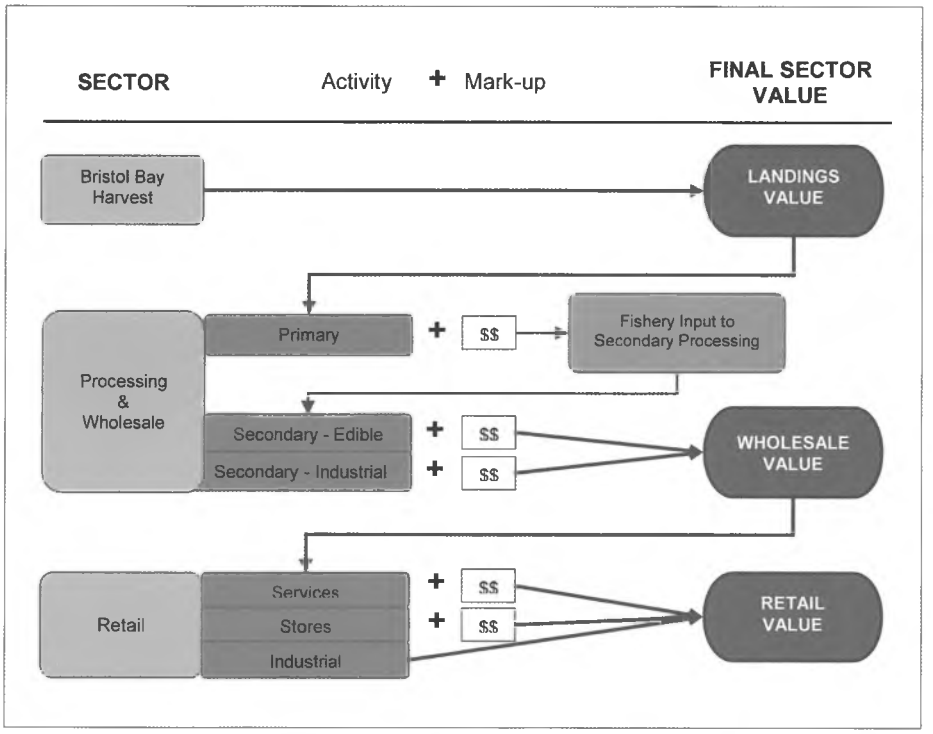


TABLE 12. ESTIMATED WHOLESALE VALUE USING ADAPTED NMFS MODEL

Sector	Activity	Allocation %	Indirect effects	Total effects	Indirect effects	Total effects
Processing & Wholesale	Primary	100%	$463.0	90.3%	$418.2	$881.1
			$463.0			**$881.1**
	Secondary - Edible	98.9%	$871.0	62.7%	$546.2	$1,417.2
	Secondary - Industrial	1.1%	$10.1	62.7%	$6.3	$16.4
			$881.1			**$1,433.7**

Source: Authors' calculations using the NMFS (2009) value-added model



Kevin Schafer / WWF-Canon



WWF-Canon / Elma Okic

To arrive at wholesale values, we input the average annual landings value of the base study area ($463 million) into the model. During primary processing, a mark-up of 90.3% is applied to this fishery input. The NMFS model then apportions 98.9% of the fishery input to secondary processing for edible uses and 1.1% for secondary processing for industrial uses, but applies the same mark-up (62.7%) to both. The model then calculates the final wholesale value of the fishery input after primary and secondary processing at $1.4 billion.

Multiplier Effect

Schug et al. (2009) estimated total economic output associated with seafood processing in Alaska using the IMPLAN input-output model. The multiplier they derive from IMPLAN is equal to 1.6. We apply this multiplier to our estimated wholesale values to generate a range of estimates of the total economic output associated with processing seafood harvested from our base study region (Table 13). The total estimated economic output from processing seafood harvested in Bristol Bay ranges from $1.7 to $2.3 billion dollars.

Summary

The estimated wholesale value of commercial harvests from the base study region ranges from $1.1-$1.4 billion dollars annually. This wholesale value as it is processed supports secondary economic activity in the base study area and beyond. The value of the total economic output associated with fisheries wholesale and processing, therefore, may be as high as $2.3 billion each year. These values include landings value and the value of economic activities associated with harvesting. It is a cumulative estimate of the value of the total economic activity created as fish are harvested, processed, and sold wholesale along the value chain.

3.3. Retail Value and Value of Associated Economic Output

After processing, seafood is typically distributed to retailers or restaurants where it finally reaches consumers. We refer to this final level of distribution as 'retail'. It includes food stores and the food service industry, as well as the non-edible industrial products resulting from secondary processing. We use the NMFS value-added model to produce three estimates of the value added at the retail level based on our three wholesale value estimates presented in section 3.2.

TABLE 13. AVERAGE ANNUAL OUTPUT FROM PROCESSING HARVESTS FROM BRISTOL BAY

		Estimated annual output (2005–08 average)		
		Direct effects	Indirect effects	Total effects
Approach 1: low bound	Multiplier	1	0.6	1.6
	Value (billions $)	$1.1	$0.6	$1.7
Approach 1: high bound	Multiplier	1	0.6	1.6
	Value (billions $)	$1.3	$0.8	$2.1
Approach 2	Multiplier	1	0.6	1.6
	Value (billions $)	$1.4	$0.9	$2.3

Source: Authors' calculations

TABLE 14. ESTIMATED RETAIL VALUE USING ADAPTED NMFS MODEL, LANDINGS VALUE INPUT $463 MILLION

Sector	Activity	Allocation %	Fishery input purchase (millions $)	Mark-up %	Total mark-up value (millions $)	Value of sales by sector (millions $)
Processing & Wholesale	Primary	100%	*$463.0*	90.3%	$418.2	$881.1
						$881.1
	Secondary - Edible	98.9%	$871.0	62.7%	$546.2	$1,417.2
	Secondary - Industrial	1.1%	$10.1	62.7%	$6.3	$16.4
			$881.1			**$1,433.7**
Retail	Services	48.8%	$699.3	182.4%	$1,275.5	$1,974.8
	Stores	50.1%	$718.0	33.4%	$240.0	$957.9
	Industrial	1.1%	$16.4	-	-	$16.4
			$1,433.7			**$2,949.2**

Source: Authors' calculations

TABLE 15. ESTIMATED RETAIL VALUE USING ADAPTED NMFS MODEL, WHOLESALE VALUE INPUT $1.1 BILLION

Sector	Activity	Allocation %	Fishery input purchase (millions $)	Mark-up %	Total mark-up value (millions $)	Value of sales by sector (millions $)
Retail	Services	48.8%	$527.7	182.4%	$962.5	$1,490.1
	Stores	50.1%	$541.7	33.4%	$181.1	$722.8
	Industrial	1.1%	$12.4	-	-	$12.4
			$1,081.8			**$2,225.3**

Source: Authors' calculations

TABLE 16. ESTIMATED RETAIL VALUE USING ADAPTED NMFS MODEL, WHOLESALE VALUE INPUT $1.3 BILLION

Sector	Activity	Allocation %	Fishery input purchase (millions $)	Mark-up %	Total mark-up value (millions $)	Value of sales by sector (millions $)
Retail	Services	48.8%	$654.7	182.4%	$1,194.2	$1,848.9
	Stores	50.1%	$672.2	33.4%	$224.7	$896.8
	Industrial	1.1%	$15.4	-	-	$15.4
			$1,342.2			**$2,761.1**

Source: Authors' calculations

Using the NMFS model with the base study area landings values, we have already determined that the value of Bristol Bay fisheries output after primary and secondary processing is $1.4 billion (Table 15). This wholesale value becomes the input purchase for the retail sector in the model. The NMFS model allocates 48.8% of the wholesale value of seafood to retail services (e.g. restaurants, caterers, schools, hospitals and other institutional food service providers), where the estimated retail mark-up is 182%. It apportions 50% of the wholesale value to retail stores (e.g. supermarkets, grocery stores, and seafood specialty shops), where the mark-up is 33.4%. The model assumes that there is no additional value added to the remaining 1.1% of wholesale value going to industrial products. Beginning with the landings value as the starting fishery input (italicized in Table 14), the total retail value of seafood harvested from Bristol Bay is estimated at $2.9 billion.

To provide a range of retail value estimates, we also run the NMFS value-added model inputting the alternative estimates of wholesale value ($1.1 and $1.3 billion, italicized below) we obtained above by applying processing margins found in the literature. We use these values in the NMFS model as the initial inputs for the retail sector. A wholesale value of $1.1 billion translates into retail value of $2.2 billion (Table 15). A wholesale value of $1.3 billion translates into retail value of $2.8 billion (Table 16).

Table 17 compares the values from each of the three model runs from lowest to highest. The annual value of fisheries in the base study area, from harvest through processing, retail and consumption is $2.2-$2.9 billion dollars. These estimates reflect the dollar amount final consumers are likely to spend on purchases of seafood (and seafood products) harvested in the base study region.

Multiplier Effect

Retail sales of seafood harvested from the base study area supports additional economic activity. Just as we apply economic multipliers to commercial harvest and processing, we use an appropriate multiplier to estimate the total economic output resulting from retail sales of seafood from the base study area. Multipliers for retail trade were obtained from the Bureau of Economic Analysis (BEA).[18] The multipliers are not seafood specific and represent the multiplier effect of all retail trade types. Multipliers specific to retail trade in seafood could not be obtained.

Since we do not know the exact geographic distribution of where seafood from the base study area is processed and sold, we average the BEA's state multipliers for the fifty U.S. states and District of Columbia to create national multipliers for our analysis. We then apply these multipliers to our retail value estimates of base study area seafood.

The total economic activity supported by retail sales of seafood harvested in the base study region ranges from $4.1–$5.4 billion dollars (Table 18). These estimates include the value of seafood landings, wholesale, and retail, as well as the additional economic activity supported by each of those steps along the value chain. This range is comprehensive of the total economic value of Bristol Bay commercial fisheries from harvest to final sale to consumers.

TABLE 17. SUMMARY AND COMPARISON OF WHOLESALE VALUE AND RETAIL VALUE ESTIMATES

	Wholesale value (billions $)	Retail value (billions $)
Retail value one	$1.1	$2.2
Retail value two	$1.3	$2.8
Retail value three	$1.4	$2.9

Source: Text

TABLE 18. ESTIMATED TOTAL ECONOMIC OUTPUT OF BRISTOL BAY RETAIL TRADE

	Estimated retail value (billions $)	Multiplier	Total economic output (billions $)
Retail value one	$2.2	1.83	$4.1
Retail value two	$2.8	1.83	$5.1
Retail value three	$2.9	1.83	$5.4

Source: Authors' calculations, multipliers adapted from the BEA, Benchmark Series 2002

4] CONCLUSION

This analysis demonstrates the economic value of commercial fisheries in the waters in and around Bristol Bay Alaska, from harvest to consumption. The economic value at each step of the value chain is comprised of the direct value added to the commercial fishery input plus the additional economic activity that it supports. We capture the first component – the direct value added – through a value-chain analysis. We estimate the indirect and induced economic activities using economic multipliers from input-out analyses found in the literature.

The value chain analysis estimates the direct values of the commercial fishery at three distinct steps along the value-chain: harvest, processing and wholesale, and retail. Table 19 summarizes those values.

The direct value of the fishery at every step along the value-chain supports secondary economic activities. For example, the fisherman sells his catch to processors/wholesalers to pay for his crew and supplies. The processor/wholesaler sells his product to retailers to cover the costs of supplies and employees. Retailers sell their seafood to consumers to pay for labor and other inputs. Commercial fishermen, processors, and retailers have downstream suppliers who benefit indirectly from sales; these backward linked economic activities constitute the indirect secondary impacts of commercial fishing. As the fishery input moves along the value-chain, fishermen and their crew; bait and tackle shop owners and their employees; processors and their workers and suppliers; and retailers earn income. To the extent that they spend that income on other consumer goods and services, they induce even more secondary economic activity. The multiplier effect captures the indirect and induced economic activity resulting from each step along the supply-chain. Table 20 summarizes the range of multiplier effects estimated by our analysis.

The value of the total economic activity supported by each stage in the supply chain is found by adding the values of direct and secondary economic activities. Each step along the supply chain is cumulative; the value of total economic activity at the retail level incorporates the direct and indirect values associated with harvest and wholesale.

Healthy and productive fisheries in the base study region generate economic activity equivalent to $4.1–$5.4 billion dollars annually. These estimates provide strong economic support for protecting Bristol Bay's unique and valuable ecosystem. The value of the economic activity we estimate in this report is only one component of the total economic value of Bristol Bay. It does not include other values that are more difficult (if not impossible) to monetize, including biodiversity and ecosystem services; recreation and scenic amenities; and cultural and social significance. These values, as well as the economic activities supported by Bristol Bay fisheries, are in danger of being lost to mounting development pressures in the Bristol Bay watershed.

The economic impacts of Bristol Bay fisheries extend widely; permit holders reside outside of the base study area and in other states; the catch is processed inside and outside of Alaska; and final products are sold to consumers across the U.S. and abroad. Development activities that compromise the productivity of Bristol Bay's fisheries will affect areas far beyond the base study region. The future of Bristol Bay's fisheries, therefore, is of significant national and global importance.

TABLE 19. SUMMARY OF ESTIMATED DIRECT VALUES

	Value (billions $)		
Commercial Harvest (landings value)	$0.463		
Processing & Wholesale (wholesale value)	$1.3	–	$1.3
Retail (retail value)	$2.2	–	$2.9

Source: Text

TABLE 20: SUMMARY OF ESTIMATED MULTIPLIER VALUES

	Direct value	Value of secondary economic activity	Value total economic activity
Commercial Harvest	$0.463	$0.21–$0.43	$0.67–$0.89
Processing & Wholesale	$1.1–$1.4	$0.6–$0.9	$1.7–$2.3
Retail	$2.2–$2.9	$1.9–$2.5	$4.1–5.4

Source: Text

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APPENDIX A – Review of Literature

Title	Authors	Year	Region	Type of fishery	Model used	Other important data sources
Economic Impact of Florida's Commercial Fisheries and Aquaculture Industries	Alan Hodges, David Mulkey, Effie Philippakos, and Chuck Adams	2001	FL	Commercial - Researchers assess three SIC industries (canned and cured seafood, commercial fishing, and prepared fresh/frozen seafood)	IMPLAN I-O Model	US Dept. of Agriculture, Marine Research Institute, FL Agricultural Statistics Service
The Seafood Industry in Alaska's Economy	Northern Economics of Anchorage	2009	AK	Commercial Seafood industry	IMPLAN I-O Model	AK Fisheries Science Center of the National Marine Fisheries Service; Research and Analysis Division of the AK Dept. of Labor and Workforce Development, Commercial Fisheries Entry Commission, AK Dept. of Fish and Game Commercial Operators Annual Report, seafood industry representatives
NOAA Technical Memorandum NMFS-NE-188, Northeast Region Commercial Fishing I-O Model	Scott R. Steinback and Eric M. Thunberg	2006	Coastal states from ME to NC	Commercial - Researchers delete IMPLAN's commercial fishing sector and seafood processing sector and add 18 harvesting sectors based on gear type and vessel size, a wholesale seafood dealer sector, a sub-regional processing sector, a medium bottom trawl bait supplying sector, a fish exchange sector, and a mid-water trawl bait supplying sector	Modified IMPLAN I-O Model based on Tanjuakio, Hastings, and Tytus (1996) that can accept gross output changes as entries	US Economic Census, County Business Patterns data, average Fulton Market margin, federal Northeast vessel trip reports, dealer weigh-out slips, permit applications
An I-O Analysis of Maine's Fisheries	Hugh Briggs, Ralph Townsend, and James Wilson	1982	ME	Commercial - Researchers remove fisheries harvesting from the forestry/fisheries sector (yielding a forestry sector), remove fisheries processing from the food processing sector (yielding a food except fish processing sector), and add 5 fisheries harvesting sectors, 4 fisheries processing sectors, and a household consumption sector	Modified 1963 U.S. Multiregional I-O Model	1963 U.S. Multiregional I-O Model, household consumption expenditures, fishery sales, interviews with industry and government personnel
Multiplier Values for the Fishing and Fish Processing Industries in the UK and in Scotland: An I-O Analysis	Gunilla Tegelskär Greig	1999	UK and Scotland	Commercial	Open I-O Model	Fishermen's Handbook, UK Survey of the Sea Fish Processing Industry, real cost and earnings figures, Office of National Statistics
1997 Hawaii Fishery Input-Output Model and Methodology	Aaron Peterson	2005	HI	Commercial, recreational, and charter - Researchers asses six sectors (tuna longline, swordfish longline, small boat, recreation boats, expense boats, and charter fishing) plus an out-of-state visitor charter fishing sector	Modified 1992 Hawaii Fisheries I-O Model	1992 HI Fisheries I-O Model, 1997 HI State I-O Model, 1993 survey of longline fisheries (Hamilton et al. 1996), 1995-6 cost-earnings survey (Hamilton and Huffman 1997), 2000 charter boat patron survey (O'Malley et al. 2001)
The role of the Alaska seafood industry: a social accounting matrix (SAM) model approach to economic base analysis	Chang K. Seung and Edward C. Waters	2006	AK	Commercial (including seafood processing industry)	Social accounting matrix (SAM) Model [19]	

Title	Authors	Year	Region	Type of fishery	Model used	Other important data sources
A Social and Economic Analysis of Commercial Fisheries in NC Atlantic Ocean	Scott Crosson	2009	NC	Commercial	IMPLAN I-O Model using Type I multipliers only (not Type II)	License and Statistics Section of the NC Division of Marine Fisheries
The Relative Economic Contributions of U.S. Recreational and Commercial Fisheries	Southwick Associates	2006	23 coastal states and the U.S.	Commercial and recreational	Modified Kirkley, Murray, and Duberg (2005) I-O Model	NOAA Fisheries' report on The Economic Importance of Marine Angler Expenditures in the U.S., NOAA Fisheries' Marine Recreational Fisheries Statistics Survey, National Fisheries Institute
Economic Contributions of Virginia's Commercial Seafood and Recreational Fishing Industries: A User's Manual for Assessing Economic Impacts	James E. Kirkley, Thomas J. Murray, and John Duberg3	2005	VA	Commercial, recreational, and CPFV - Researchers add commercial sectors based on 30 locations (plus statewide), 11 species, and 5 user groups (harvesters, processors, distributors, restaurants, and grocers) and add recreational sectors based on 20 locations (plus statewide), 14 species, and 3 fishing modes (charter/party boat, shore/pier/beach, and private/rental boat)	Modified IMPLAN I-O Model based on Tanjuakio, Hastings, and Tytus (1996) that can accept gross output changes as entries	US Economic Census, County Business Patterns data, average Fulton Market margin, federal Northeast vessel trip reports, dealer weigh-out slips, permit applications
An I-O Analysis of Maine's Fisheries	Hugh Briggs, Ralph Townsend, and James Wilson	1982	ME	Commercial - Researchers remove fisheries harvesting from the forestry/fisheries sector (yielding a forestry sector), remove fisheries processing from the food processing sector (yielding a food except fish processing sector), and add 5 fisheries harvesting sectors, 4 fisheries processing sectors, and a household consumption sector	Modified IMPLAN I-O Model	VA Marine Resources Commission, National Marine Fisheries Service
The Economic Contribution of the Sport Fishing, Commercial Fishing and Seafood Industries to New York State	TechLaw Inc. and Thomas J. Murray & Associates, Inc.	2001	NY	Commercial, recreational, and seafood industry - Researchers asses commercial sector by species or gear type (inshore lobster, offshore lobster, mollusks/shellfish, surf clam dredges, inshore fisheries, multi-species trawlers, longline, Great Lakes, and aquaculture), assess recreational sector by type of expenditure (head and charter boat fees, marina fees, fishing rods/reels/tackle, boats/motors/trailers, and bait) and location of fishing activity (marine and freshwater), and assess seafood sector by segment (Fulton Market wholesalers, wholesalers/distributors, processors, supermarkets/fish markets, and restaurants/food services)	Modified IMPLAN I-O Model	National Marine Fisheries Service, Port Import Export Reporting Service, U.S. Fish and Wildlife Service, U.S. Census, U.S. Bureau of Labor Statistics, NY State Dept. of Environmental Conservation

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FIGURE B.1. PROPOSED OIL AND GAS LEASE AREAS NEAR BRISTOL BAY

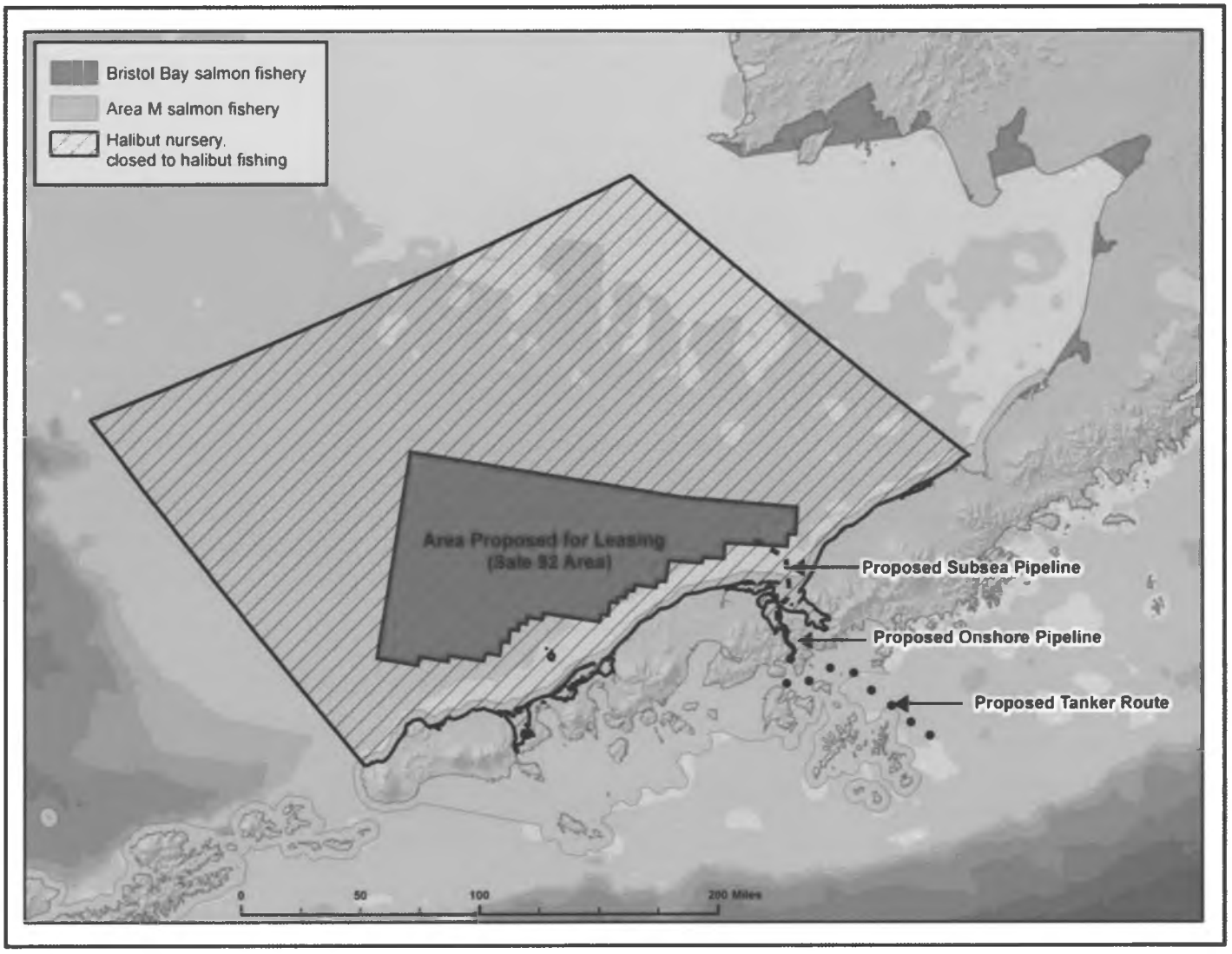


FIGURE B.2. RESIDENCY OF 2008 BRISTOL BAY SALMON PERMIT HOLDERS



FIGURE B.3. RESIDENCY OF 2008 BRISTOL BAY SALMON PERMIT HOLDERS (ALASKA ONLY)

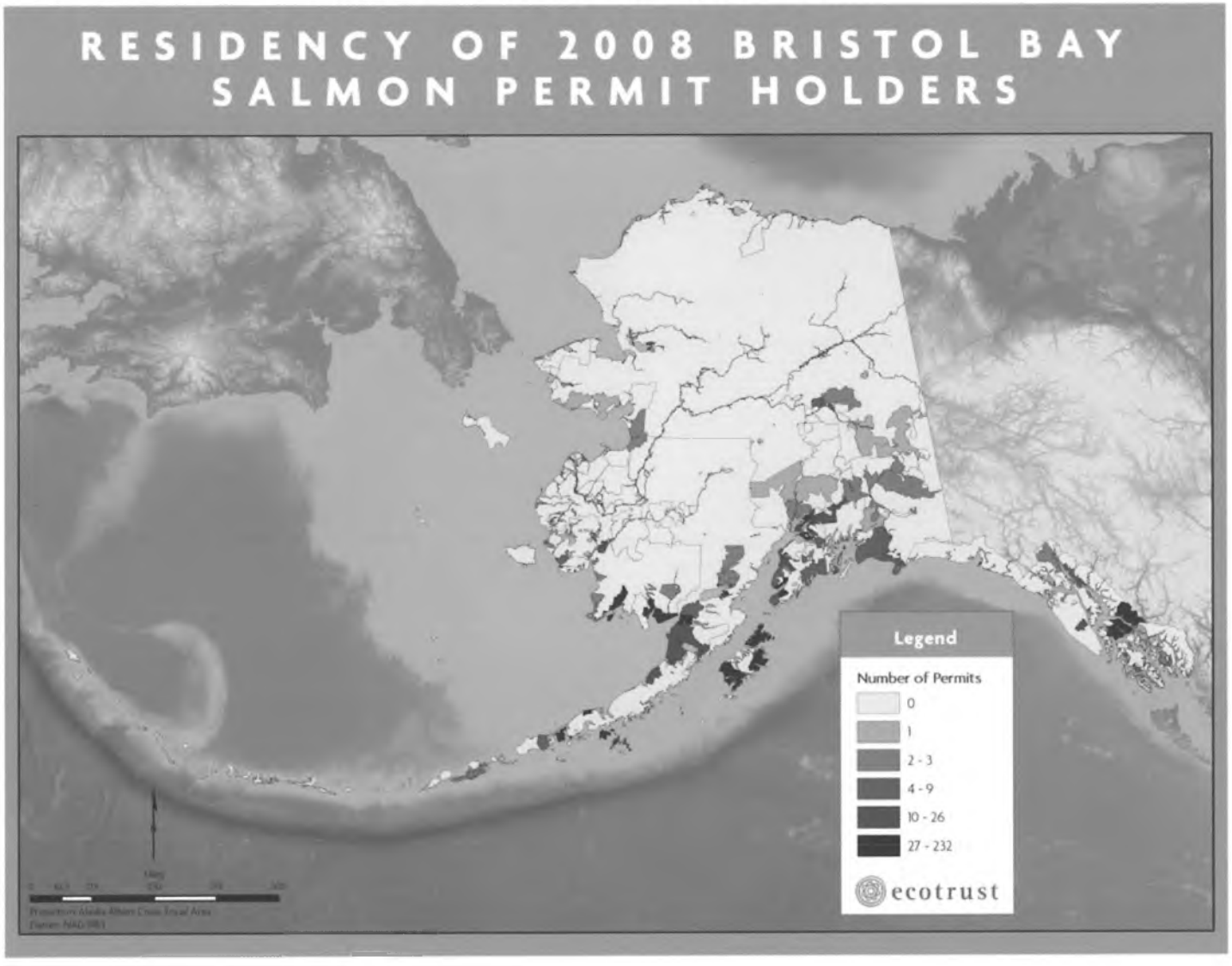


FIGURE B.4. ALASKAN 2008 BRISTOL BAY SALMON PERMIT HOLDERS PER CAPITA

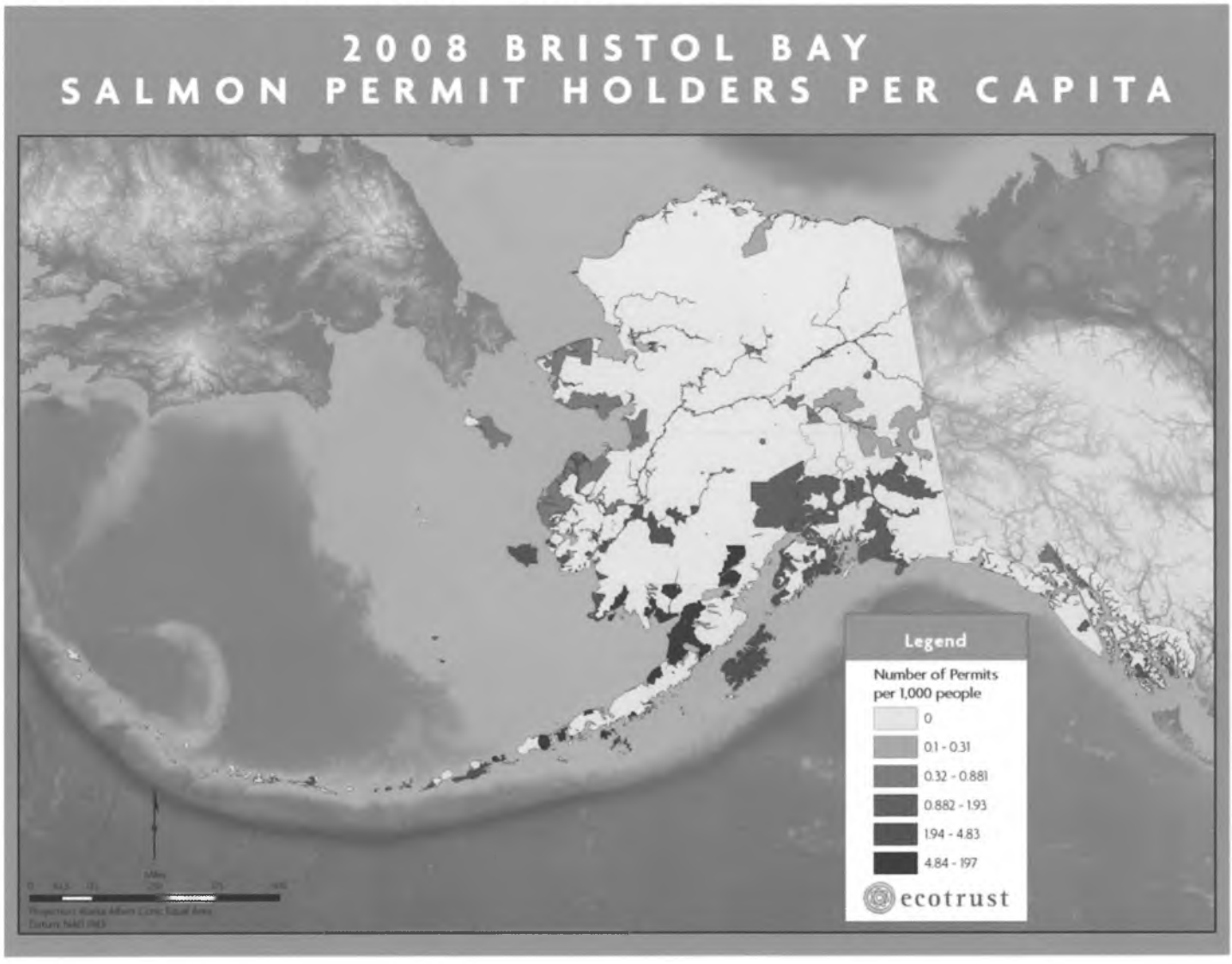
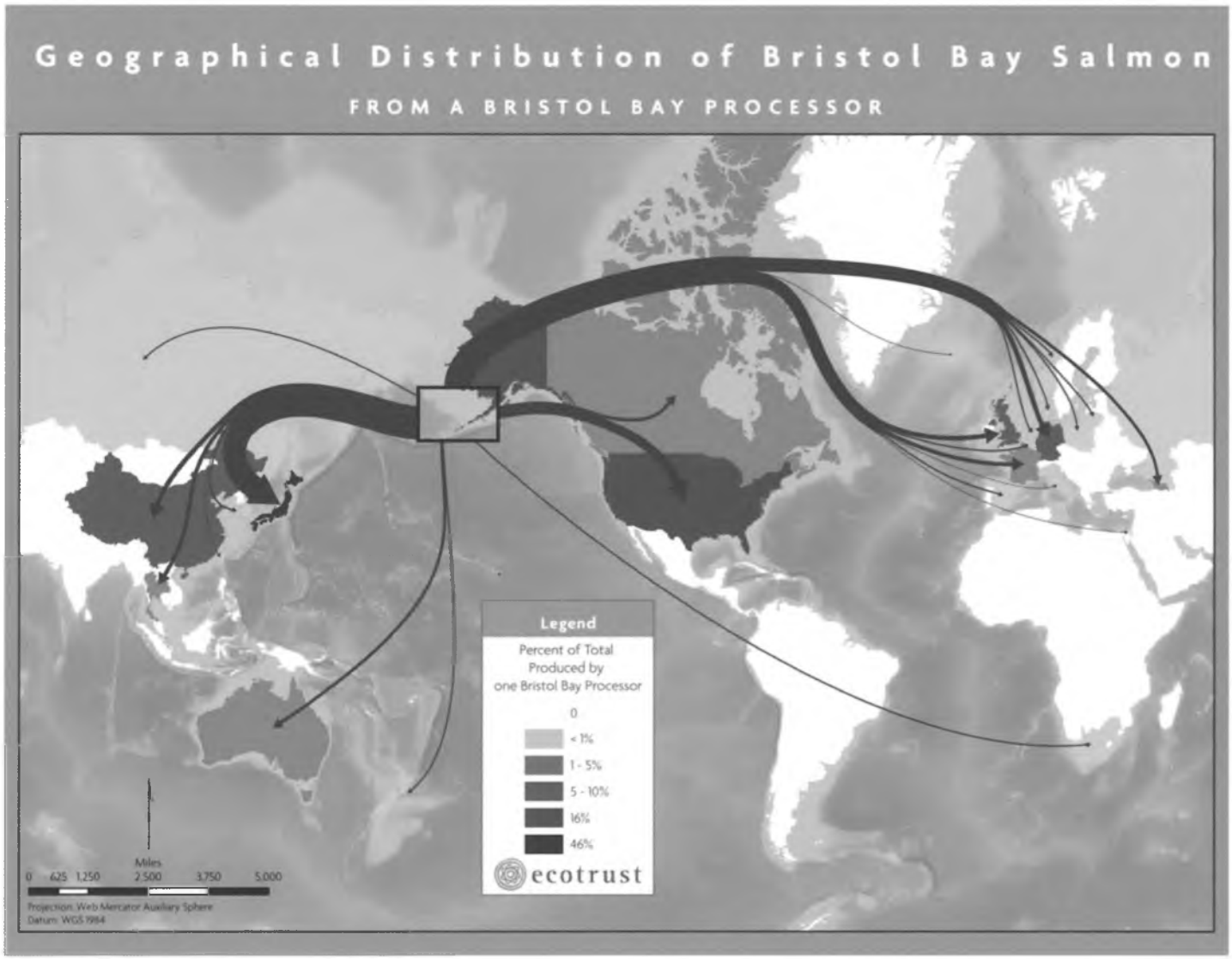


FIGURE B.5. SAMPLE GEOGRAPHICAL DISTRIBUTION OF BRISTOL BAY SALMON



APPENDIX C – Estimate Summary Table

Value Chain	Harvesting		Processing & Wholesale		Retail	
	Landings Value	*Multiplier effects*	Wholesale Value	*Multiplier effects*	Retail Value	*Multiplier effects*
Estimates	$463 million	*$673-$889 million*	$1.1 -$1.4 billion	*$1.7-$2.3 billion*	$2.2-$2.9 billion	*$4.1-$5.4 billion*
Methods	Actual landings value from base study area averaged over the four year period 2005-08.	*Using the averaged landings value and applying a range of multipliers adapted (Types I and II) from three separate studies on commercial fishing. The lowest estimate makes up the bottom value in the range, while the highest estimate represents the top. Because multipliers specific to the region were not available, a range of estimates is presented.*	Approach 1: Applying processing margins from the Bristol Bay region and from the state of Alaska between landings and wholesale values to the averaged landings value from the base study area gives a range of estimates from $1.1-$1.3 billion. Approach 2: Plugging the averaged landings value from the base study area into the NMFS economic value-added model gives and estimate of $1.4 for the wholesale value of the base study area.	*Applying a Type II multiplier used to calculate the economic output associated with seafood processing in Alaska to the base study area wholesale value.*	Plugging in all three estimates of the wholesale value into the NMFS economic value-added model for three separate runs. The lowest estimate makes up the bottom value in the range while the highest estimate represents the top.	*Applying national level broad retail multipliers to all three estimates of the retail value. Only Type II multipliers used, producing a range of estimates from $4.1-$5.4 billion.*
Data Sources	Alaska Commercial Fisheries Entry Commission	*Multipliers: Crosson (2009); Hodges et al. (2000); TECHLAW (2001) (ALL IMPLAN)*	Northern Economics (2009); Marine Conservation Alliance (2009); NMFS 2009	*Multiplier: Northern Economics (2009) (IMPLAN)*	NMFS 2009	*Multiplier: BEA 2010 (RIMS II)*
Geography covered included	Terrestrial areas where fish from the base study area are landed, primarily just surrounding the base study area.	• *Regional study area* • *Residency areas of harvesters and suppliers*	Wherever processors are located, largely within the Bristol Bay region surrounding the base study area, but also likely in neighboring states like WA, OR, etc.	• *Regional study area* • *States where main suppliers are located* • *Residency areas of those directly and indirectly employed*	All around the world, any area where seafood from the base study area is sold	*A global scale, wherever retail employees and suppliers (plus their employees) are located.*
Included	• Resident commercial fishermen • Non-resident commercial fishermen	• *Fishermen receiving wages in and out of Alaska* • *Fishery supply stores in Alaska* • *Coastal businesses supplying accommodation, food, recreational, and other needs of those employed by commercial fishing and those selling to commercial fishermen* • *Etc.*	• Processing companies • Wholesale companies • Distribution companies	• *Processing employees* • *Employees in wholesale warehouses* • *Seafood distributor truck drivers* • *Supplier stores* • *Manufacturers of processing equipment* • *Maintenance men servicing equipment* • *Areas where those directly and indirectly spend their incomes* • *Etc.*	• Fish and chips establishment • Catering companies • High-end seafood restaurants • Grocery stores (fish sticks, frozen salmon fillets, etc.) • Specialty food stores (smoked locks, caviar) • Sushi places • Companies preparing airline meals • Etc.	• *Store clerks* • *Servers* • *Caterers* • *Food packaging companies* • *Etc.*

APPENDIX D – Glossary

Backward linkages: Between the industry (i.e., a commercial fishery) and its suppliers (e.g., fuel, bait, ice, and so forth), or (for induced effects) between households and the producers of household goods and services.

Base study area: The marine area from which commercial landings assessed in this report are harvested from; the marine waters contained within specific Alaska Department of Fish and Game statistical areas, which were identified and selected as those areas potentially affected by activities within the North Aleutian Basin Outer Continental Shelf Planning Area; referenced specifically in section 2.1.

Benefit transfer: The method of transferring estimates or results from past valuation studies to the present study, in order to reduce costs, time, and or effort. The applicability of the approach depends on the degree of similarity between the various studies.

Consumer expenditures: Amounts paid for goods or services received or services rendered.

Direct effects: Economic activity occurring in industries directly associated with, in this study, the sale of landings to processors, the sale of wholesale value seafood to retail, and finally the retail sale to final consumers.

Economic activity: The exchange of goods and services.

Economic benefits: Benefits quantifiable in terms of money, such as revenue, net cash flow, net income.

Economic impact: A measure of any resulting increase or decrease in the productive potential of the economy, usually stated in monetary terms or changes in employment.

Economic multiplier: A calculated number used to multiply a dollar amount to get an estimate of economic impact. It is a way of identifying impacts beyond the original expenditure. It can also be used with respect to income and employment.

Economic output: The total value of all goods and services.

Economic value-added: The difference between the value of goods and the cost of materials or supplies that are used in producing them; a measure of which the value of a good has increased due to its processing.

Fishery input: The fish products purchased at one level in the value chain to be used as starting inputs in a higher level to undergo value added processing to be sold at a higher margin.

Forward linkages: Between the industry (i.e., a commercial fishery) and the entities that purchase its output (e.g., processors)

Gross: The total amount before any deductions have been made.

IMPLAN model: A micro-computer-based, input-output modeling system providing or generating economic multipliers to estimate potential economic impacts associated with an increase or decrease in spending in certain economic sectors.

Indirect effects: Sales, income, and employment resulting from various rounds of inter-industry economic activity generated by the initial direct sales.

Induced effects: The sales, income, and employment resulting from household spending of income earned as a result of the original direct sale either directly or indirectly.

Input-output analysis: A systematic method that both describes the financial linkages and network of input supplies and production which connect industries in a regional economy (however defined), and predicts the changes in regional output, income, and employment.

Landings value: The final amount paid to commercial harvesters upon sale of commercial landings to processors.

Long run: A period of time in which all prices, including wages, are flexible, and have achieved their equilibrium levels. This is one of two macroeconomic time designations; the other is the short run. Long-run wage and price flexibility means that all markets, including resources markets and labor markets, are in equilibrium, with neither surpluses nor shortages.

Mark-up: The difference between the sales value and the purchase value of a product, including the cost of materials or supplies purchased from other and the economic value-added.

Net: The total amount once all expenditures and revenues have been accounted for.

Primary effects: The direct effects of economic activity.

Processing margin: The difference between the sales value and the purchase value of a product due to processing, usually expressed as a percentage.

Retail value: The monetary value of seafood available for purchase at the retail level to final consumers.

Revenue: The entire, or gross, amount of income for goods or services before costs have been accounted for.

Secondary effects: The sum of indirect and induced effects.

Short run: A period of time in which some prices, including wages, are rigid, inflexible, or otherwise in the process of adjusting. This is one of two macroeconomic time designations; the other is the long run. Short-run wage and price rigidity prevents some markets, especially resources markets and most notably labor markets, from achieving equilibrium.

Total dollar value: As applied to commercial fisheries in this study, the total monetary value of commercially landed fish after undergoing value-added processing from harvest to the point of final sale at the retail level, including all associated multiplier effects.

Total economic value: The sum of all use and non-use values including both market and nonmarket attributable to that which is being valued.

Type I multiplier: Measures the economic activity due to direct and indirect effects only. Usually resulting estimates are more regionally applicable than those associated with Type II multipliers.

Type II multiplier: Measures the economic activity attributable to direct, indirect, and induced effects. Resulting estimates portray economic activity at a greater scale than Type I multipliers.

Wholesale value: The value of seafood products after undergoing primary and secondary processing, the price at which these products are then sold.

ENDNOTES

[1] See http://www.cf.adfg.state.ak.us/geninfo/statmaps/charts/chart03_bering_sea.pdf; and http://www.mms.gov/Alaska/cproject/NAB214/NAB214_map.pdf

[2] See http://www.cf.adfg.state.ak.us/geninfo/statmaps/charts/chart09_chignik.pdf

[3] See http://www.cf.adfg.state.ak.us/geninfo/statmaps/charts/chart10_aleutian.pdf

[4] Commercial landings data for the base study comes from the Alaska Commercial Fisheries Entry Commission (CFEC). Estimates include commercial harvests only: test fishing, discards, illegal harvests, hatchery, & personal use are excluded. Estimates represent harvests taken from select statistical areas and recorded on fish tickets. Significant harvests may have occurred in Federal waters that were not recorded on fish tickets.

[5] Herring bycatch is included in Other Species.

[6] Please see Appendix B, Figures B.2, B.3, and B.4 for visual representation of permit holders both nationally and for the state of Alaska.

[7] The estimates assume that all permits were active and that within each category of permit type, permit holders earned the same revenue, which is not necessarily the case.

[8] The NMFS value-added model defines consumer expenditures as retail trade from food service and stores as well as wholesale purchases of industrial products (NMFS 2009).

[9] Seafood landed and processed in Alaska makes up a large component of U.S. seafood exports, likely 20% or more (NMFS 2009). NMFS generally assumes that 100% of "non-bait species" harvested in the state of Alaska are domestically processed, after which 93% are exported (Kirkley 2009). After additional exports are made elsewhere in the value chain, approximately 2.5% of seafood commercially harvested from the state of Alaska generally remains domestic. This does not imply that 2.5% of base study area seafood remains in the U.S., as the composition of species commercially harvested in the base study region is not representative of the state as a whole.

[10] Type I multipliers measure only direct and indirect effects. Type II multipliers measure direct, indirect, and induced effects. Type I multipliers generate more conservative estimates while Type II multipliers capture more economic activity on a macro-scale. To provide a range of estimates in our analysis, different multipliers are used. We distinguish between Type I and II multipliers whenever possible. See Appendix A for more details.

[11] HEconomic multipliers are derived from input-output (I-O) models that describe the structure of an economy in terms of the inputs to its various industry sectors and the distribution of the outputs from those sectors. I-O models offer the most comprehensive economic accounting at an economy-wide level. In the United States, two standard I-O modeling systems are commonly used: IMPLAN (IMpact analysis for PLANning, a privately owned computer based I-O modeling system developed by the Minnesota IMPLAN Group, Inc.) and RIMS II (Regional Input-Output Modeling System, a similar I-O modeling system developed by the Bureau of Economic Analysis of the Department of Commerce). The multipliers used throughout this study are directly referenced in the text and are either: 1) taken from closely related studies that used the IMPLAN I-O model; or 2) directly obtained from RIMS II. For more information on I-O modeling in general, please see Miller and Blair (2009).

[12] A succinct estimate summary table including the final estimates, brief methods, data sources used, geography covered, and examples of those affected is included in Appendix C.

[13] Note that all of the multipliers reviewed in this study range from 1.4-1.9. With such a narrow range of estimates of multiplier effects, it is likely that any multiplier selected would result in estimates of total economic value that are very close to accurate.

[14] The study does not specify whether this is a Type I or Type II multiplier.

[15] According to Northern Economics (2009), these estimates "exclude wholesale value of catcher processors, motherships, and shore-based processing plants located outside of Alaska" (p. 50).

[16] Landings data for our base study area excludes harvests made directly by at-sea processors. The processing margin for at-sea processing, therefore, is not relevant to our analysis.

[17] Our adaptation of the NMFS model excludes the foreign trade component, because it is difficult to know exactly how much seafood harvested in the base study area is exported and at what stage in the value chain it is actually exported. NMFS traditionally assumes that only about 2.5% of seafood harvested from the state of Alaska remains within the country after undergoing processing and wholesale processes (Kirkley 2009). Once fishery products are exported, however, they may undergo similar mark-ups during processing at the primary, secondary, and/or retail levels elsewhere. Though our estimates of the final retail value of Bristol Bay fisheries for the U.S. may be high, because we exclude the foreign trade component, the estimates are globally relevant.

[18] The Type II multipliers used here are the Benchmark Series RIMS II (Regional Input-Output Modeling System) aggregated retail multipliers covering 50 states plus the District of Columbia. Benchmark Series multipliers are based on 2002 national benchmark input-output data and 2007 regional data.

[19] A Social Accounting Matrix (SAM) represents all the interactions among buyers and sellers that take place within an economy (national or regional) over a specified time period.



Scott Dickerson – WWF



Kevin Schafer / WWF-Canon

MIX
Paper from responsible sources
FSC® C004074

SB 157

<TARGET><BILL>SB 157</BILL><SUBJECT>SB 157</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

Senate Bill 157
Sponsor Statement

It is a generally accepted principle in the insurance business that insurers should be able to cancel policies where changing circumstances have increased the risk insured against. The abandonment of a home is surely one of those changed circumstances. Unfortunately, it is not among the limited and very specific conditions in Alaska law under which an insurer may cancel a policy. Rather, Alaska statute provides that a policy may be cancelled if there are "physical changes" to the property that render it uninsurable, an ambiguity when regarding abandoned property.

Almost every other state has a statute that allows for cancellation explicitly of abandoned property – the commonly use legal phrase is "unoccupancy or vacancy" – or generally whenever the hazard insured against increases. Senate Bill 157 would clarify Alaska statute by providing for cancellation where the unoccupancy or vacancy of property increases a hazard insured against.

The Division of Insurance does not object to adding this reason for cancellation and approves of the language that would be added to statute by this bill.

I welcome your support for this legislation.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 157**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB157-DCCED-INS-01-19-12
Title: Cancel Insur. On Certain Vacant Property
Sponsor: Senate Labor & Commerce
Requester: Senate Labor & Commerce

Dept. Affected: DCCED
Appropriation: Insurance
Allocation: Insurance
OMB Component Number: 354

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Initial Version

Prepared by: Linda S. Hail, Director — Phone: 907-465-2560
Division: Insurance — Date/Time: 1/19/12 12:00 AM
Approved by: Susan K, Bell, Commissioner — Date: 1/21/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 157

Analysis

SB 157 allows an insurer to cancel an insurance policy if the property becomes unoccupied or vacant which increases the hazard insured against.

No fiscal impact is anticipated as a result of this legislation.

LESSMEIER & WINTERS
LAWYERS - LLC
8390 AIRPORT BOULEVARD
SUITE 104
JUNEAU, ALASKA 99801

MICHAEL L. LESSMEIER
GREGORY W. LESSMEIER*
SHELDON E. WINTERS
*OF COUNSEL

TELEPHONE: (907) 796-4999
FACSIMILE: (907) 796-4998
E-MAIL: l-w@gci.net

January 25, 2012

Senate Committee on Labor & Commerce
Alaska State Senate
Room 105, Thomas Stewart Building
Juneau, Alaska 99801

Re: SB 157 — Cancellation of Insurance on Vacant or Unoccupied Property

Dear Senate Labor & Commerce Committee:

State Farm strongly supports SB 157. It is universally accepted that insurers must be able to cancel insurance where the risk has changed. In line with this, almost every other state has a statute that allows cancellation of insurance on property that has become vacant or unoccupied, or even more broadly allows cancellation whenever the risk increases. Unfortunately, it has come to our attention that Alaska's cancellation statute is less than clear. SB 157 would clarify that in Alaska, like the vast majority of other states, insurance may be cancelled when the insured property becomes vacant or unoccupied which increases a hazard insured against. This simple yet important bill is also supported by the National Association of Mutual Insurance Companies, who has 73 members writing insurance in Alaska representing 34% of the P & C market. Please consider moving this bill out of your committee.

Sincerely,

Sheldon E. Winters
Lobbyist for State Farm Insurance Companies

SEW/lg
Senate L & C letter in support.wpd

PCI Property Casualty Insurers Association of America
Shaping the Future of American Insurance

Kenton Brine
Assistant Vice President, NW Region

January 26, 2012

The Hon. Dennis Egan
Chairman, Senate Labor & Commerce Committee
510 State Capitol Building
Juneau, Alaska 99801-1182

CC: Members of the Senate Labor & Commerce Committee
RE: PCI supports SB 157

Dear Rep. Egan,

On behalf of the members of the Property Casualty Insurers Association of America, I write today in support of proposed SB 157, a measure which would allow insurers to cancel policies on a property if the property has been abandoned by the insured and the vacancy increases the hazard being insured.

Under AS 21.36.210, allowable reasons for cancellation of an insurance policy are specifically listed. They include non-payment of premiums, the commission of a crime that increases the hazard that the policy is written to pay against and fraud or misrepresentation committed by the insured. HB 157 is a straightforward effort to recognize and respond to the reality that the vacancy of a property that leaves the property at higher risk for damage due to fire, vandalism or illegal use changes the nature of the risk undertaken by an insurer.

SB 157 is responsible legislation that could help reduce insurance claims costs and help insurers manage the overall cost of insurance coverage for Alaska consumers. PCI, whose members write roughly 40 percent of the property & casualty insurance in force in the United States today, support passage of SB 157.

Please contact me or PCI's Alaska lobbyist, Kris Knauss (907.351.2524, knauss@gci.net), if we can provide additional information.

Thank you for your consideration.

Regards,

Kenton Brine

Kenton Brine
1500 Water Street SW, Ste 2
Olympia, WA 98501
Kenton.brine@pciaa.net
360.915.6268 office
360.481.6539 mobile
360.915.6278 fax

ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
Telephone (907) 563-7133 Fax (907) 561-1779
www.alaskarealtors.com

March 4, 2012

The Honorable Dennis Egan, Chair
Senate Labor & Commerce Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: Senate Bill 157

Dear Senator Egan

The Alaska Association of Realtors wishes to respectfully inform you of our opposition to SB 157 in both the original and amended form.

While the amended language may look reasonable on the surface, it still leaves too much open for interpretation by the insurance carrier. The new language allows the insurer to be the one to determine "vacancy", certainly with the ability to determine vacancy to its own advantage. We believe that, even with the new language, the determination can be quite subjective and can be used against many Alaskan property owners.

There is no protection for the homeowner who needs to relocate while their house is being marketed. There is no protection for the homeowner who moves out of the home because it is scheduled to close but the sale falls through. There is no protection for the members of our armed forces who are relocated and must leave their house vacant while trying to rent or sell. There is no protection for the owner who is renting their home out and is between tenants. There is no protection for the estate when the executor cleans out the family home and makes it ready to go on the market. In all these examples and all those that we can add to this list it is up to the insurance carrier to decide what the definition of "entire abandonment of the property" means.

If this law is allowed to pass, it is likely to greatly increase the probability that many Alaskans will face foreclosure. Many homeowners are barely able to maintain the current finances on their home while they are diligently trying to sell or rent the home out. If their insurance is canceled and they can't find another carrier or can't afford the bank mandated policy they will find themselves facing foreclosure.

SB 157 opens a dangerous door allowing insurance companies to use subjective measures to terminate coverage for their own self-interest. It does not provide for an insured to protect themselves from unfair practices of an insurance company. We urge defeat of this bill for the protection of home ownership for Alaskans.

Respectfully Submitted,

David Somers

Industry Issues Chair for the Alaska Association of Realtors

cc: Senate Community and Regional Affairs Committee

Sent: Friday, January 27, 2012 4:33 PM
To: Sen. Cathy Giessel
Subject: RE: your thoughts on SB 157 & 158

Bill 157-canceling an insurance policy for unoccupied property:
I think there should be a minimum time that the property is unoccupied before the insurance can be canceled. The way it's presently written, the insurance can be cancelled if the property is unoccupied for 5 minutes. This seems unfair to the property owner. Comment by Ron Aksamit

BILL 157
Think it sucks for an insurance co to be able to cancel the insurance if property goes vacant.
If I have paid my dues for 30 years in insurance with No claims and then due to illness or other "disaster" have to leave the property vacant for a week, they can cancel.. bad
Eva Loken

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

MEMORANDUM

DATE: February 29, 2012

TO: Senator Donny Olson
Chair, Community and Regional Affairs Committee

FROM: Senator Dennis Egan
Chair, Senate Labor & Commerce Committee

RE: request for hearing Senate Bill 157

It is a generally accepted principle in the insurance business that insurers should be able to cancel policies where changing circumstances have increased the risk insured against. The abandonment of a home is surely one of those changed circumstances. Unfortunately, it is not among the limited and very specific conditions in Alaska law under which an insurer may cancel a policy. Rather, Alaska statute provides that a policy may be cancelled if there are "physical changes" to the property that render it uninsurable, an ambiguity when regarding abandoned property.

Almost every other state has a statute that allows for cancellation of insurance when a property owner has abandoned the property. The Labor & Commerce version of Senate Bill 157 would clarify Alaska statute by providing for cancellation in such cases where the property has been left vacant and that vacancy increases a hazard insured against.

The Division of Insurance does not object to adding this reason for cancellation and approves of the language that would be added to statute by this bill.

I would appreciate your hearing this bill at your earliest convenience.

Please direct questions to committee staff, Dana Owen, 465-3881.

SB 183

<TARGET><BILL>SB 183</BILL><SUBJECT>SB 183</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

Senate
Health & Social
Committee
Chair
•
Senate
Education Committee
Vice-Chair

Legislative Council
Vice-Chair
•
Senate
Transportation
Committee
•
Senate
Labor & Commerce
Committee

Senator_Bettye_Davis@legis.state.ak.us
http://www.aksenate.org/

Senator Bettye Davis

Date: February 1, 2012

To: Senator Donny Olson
Chair, Community and Regional Affairs

From: Senator Bettye Davis

RE: **Request for SB 183 "Proposed Property Tax Exemption Military Widow(er)" to be heard in the Community and Regional Affairs Committee**

Senator Olson,

You currently have in your possession SB 183 – **"An Act authorizing municipalities to exempt from tax, by ordinance approved by the voters in the municipality, the real property that is the primary residence of a resident who is the widow or widower of a person who was killed while in the military service of the United States; and providing for an effective date."** I am requesting that SB 183 be heard in the Community and Regional Affairs Committee as soon as possible and have included the bill packet.

Currently, under Alaska state law, disabled veterans and the spouses of disabled veterans receive a property tax exemption. SB 183 would extend the exemption to a surviving spouse aged 60 or older of a military member or veteran who qualified for the senior property tax exemption and was killed in the line of duty. This legislation would exempt the widow or widower on the first $150,000 of the assessed value of the real property.

In order to take effect, this tax exemption would require approval by the voters in each Municipality or borough. The Municipality of Anchorage is already considering including the exemption on the ballot this April, 2012, depending on whether the Alaska Legislature adds the exemption to state law.

Thanks in advance for your consideration. If you have any questions, please contact Celeste Hodge at (907)-465-4906.

Session: (January – April)
State Capitol, Room #30, Juneau, AK 99801-1182 Phone: (907) 465-3822 · Fax: (907) 465-3756 · Toll Free: (800) 770-3822
Interim: (April – December)
716 West 4th Avenue, Anchorage, AK 99501-2133 · Phone: (907) 269-0144 · Fax: (907) 269-0148

Alaska State Legislature

Senate
Health & Social
Committee
Chair

Education Committee
Vice-Chair

Legislative Council
Vice-Chair

Senate
Military & Veterans Affairs

Senate
Labor & Commerce
Committee

Senator_Bettye_Davis@legis.state.ak.us
http://www.aksenate.org/

Senator Bettye Davis

SPONSOR STATEMENT

SENATE BILL 183-*"PROPOSED TAX EXEMPTION MILITARY WIDOW(ER)"*

SB183 authorizes Municipalities to exempt from tax, by ordinance approved by the voters in the Municipality, the real property that is the primary residence of a resident who is the widow or widower of a person killed while in the military service of the United States.

This legislation would extend the exemption to a surviving spouse aged 60 or older of a military member or veteran who qualified for the senior property tax exemption and was killed in the line of duty. SB183 would exempt the widow or widower on the first $150,000 of the assessed value of the real property.

This tax exemption would have to be approved by voters in each Municipality or borough to take effect. The Municipality of Anchorage is already considering putting the exemption on the ballot for voters to consider this April, 2012 depending on whether the Alaska Legislature passes, adds the exemption to state law. Currently, under Alaska state law, disabled veterans and the spouses of disabled veterans receive this benefit.

Session: (January – April)
State Capitol, Room #30, Juneau, AK 99801-1182 Phone: (907) 465-3822 · Fax: (907) 465-3756 · Toll Free: (800) 770-3822
Interim: (April – December)
716 West 4th Avenue, Anchorage, AK 99501-2133 · Phone: (907) 269-0144 · Fax: (907) 269-0148

29.45.030(e)

27-LS1277\A

SENATE BILL NO. 183

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY SENATOR DAVIS

Introduced: 1/30/12
Referred: Community and Regional Affairs, Finance

CAU STAFF
ASSESSOR'S

A BILL

FOR AN ACT ENTITLED

"An Act authorizing municipalities to exempt from tax, by ordinance approved by the voters in the municipality, the real property that is the primary residence of a resident who is the widow or widower of a person who was killed while in the military service of the United States; and providing for an effective date."

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

*** Section 1.** AS 29.45.030(e) is amended to read:

(e) The real property owned and occupied as the primary residence and permanent place of abode by a resident who is (1) 65 years of age or older; (2) a disabled veteran; or (3) at least 60 years of age and the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection is exempt from taxation on the first $150,000 of the assessed value of the real property. A municipality may by ordinance approved by the voters grant the exemption under this subsection to the widow or widower under 60 years of age of a person who qualified for an exemption under (2) of this subsection **or to a resident who is at least 60 years**

Line of Duty?

What about suicide?

of age and the widow or widower of a person who was killed while in the military service of the United States. A municipality may, in case of hardship, provide for exemption beyond the first $150,000 of assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property, and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 - 44.62.570.

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

RETROACTIVITY. Section 1 of this Act is retroactive to January 1, 2012.

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

Submitted by: ASSEMBLY MEMBER TRAINI
ASSEMBLY MEMBER TROMBLEY
Reviewed by: Property Appraisal
Prepared by: Assembly Counsel
For reading: January 17, 2012

ANCHORAGE, ALASKA
AO NO. 2012-1

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUBMITTING TO THE QUALIFIED VOTERS OF THE MUNICIPALITY OF ANCHORAGE AT THE REGULAR MUNICIPAL ELECTION ON APRIL 3, 2012, A BALLOT PROPOSITION AUTHORIZING THE MUNICIPALITY OF ANCHORAGE, TO GRANT A REAL PROPERTY TAX EXEMPTION TO THE ELIGIBLE WIDOW OR WIDOWER OF A PERSON KILLED IN MILITARY SERVICE OF THE UNITED STATES; AND AMENDING ANCHORAGE MUNICIPAL CODE SECTION 12.15.015 SUBJECT TO AUTHORIZATION BY THE ALASKA STATE LEGISLATURE AND VOTER APPROVAL OF THE BALLOT PROPOSITION.

WHEREAS, AS 29.45.030(e) mandates a municipal real property tax exemption on the first $150,000 of assessed value for the widow or widower aged 60 and over of a person qualified for the disabled veteran tax exemption; and

WHEREAS, 2010 amendments by the Alaska State Legislature to AS 29.45.030(e) and AO 2010-16, approved by the Anchorage Assembly, allowed Municipality of Anchorage voters to extend the exemption to the eligible widows and widowers of disabled veterans regardless of age, and Anchorage voters approved this extension of the disabled veteran widow and widower exemption on April 5, 2011; and

WHEREAS, a municipal real property tax exemption on the first $150,000 of assessed value for the widow or widower of a person killed during military service of the United States requires state law approval by the Alaska State Legislature; and

WHEREAS, in support and anticipation of potential authorization from the Alaska State Legislature for a municipal real property tax exemption for the widow or widower of a person killed in United States military service, approval of this ordinance by the Anchorage Assembly places the exemption on the April 3, 2012 ballot for voter approval; and if approved by the voters and authorized by the Alaska State Legislature, Anchorage Municipal Code section 12.15.015, Real Property Tax Exemptions, shall be amended to include a municipal real property tax exemption on the first $150,000 of assessed value for the widow or widower of a person killed during United States military service; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Pursuant to Alaska Statute 29.45.030(e), a ballot proposition in substantially the following form and substance shall be submitted to the qualified voters of the Municipality of Anchorage at the next regular Municipal election to be held on April 3, 2012:

PROPOSITION NO. ____

MAY THE MUNICIPALITY BY ORDINANCE GRANT A REAL PROPERTY TAX EXEMPTION ON THE FIRST $150,000 OF ASSESSED VALUE TO AN ELIGIBLE WIDOW OR WIDOWER OF A PERSON KILLED IN UNITED STATES MILITARY SERVICE?

YES [ ] NO [ ]

Section 2. If the ballot proposition in Section 1 is approved by the voters at the regular election on April 3, 2012, and subject to authorization by the Alaska State Legislature, Anchorage Municipal Code section 12.15.015, **Real property exemptions**, shall be amended by adding a new exemption to read as follows:

12.15.015 Real property exemptions.

*** *** ***

Military service widow and widower exemption. The first $150,000.00 of assessed value of real property is exempt from taxation if it has been owned and occupied as the primary residence and permanent place of abode of an eligible widow or widower prior to January 1 of the exemption year.

a. The applicant must be the surviving spouse of a person whose death occurred prior to January 1 of the exemption year, during United States military service, under conditions which are not dishonorable; and

b. Upon initial application the applicant must have been a resident of the State of Alaska for the entire year prior to the exemption year; and

c. In each subsequent year the property must be owned and occupied as the primary residence and permanent place of abode for at least 185 days prior to January 1 of the exemption year.

d. This exemption shall expire as of January 1 of the year following the date of subsequent marriage.

*** *** ***

AO No. 86-211(S-1); AO No. 88-158; AO No. 92-56; AO No. 94-228(S-2), § 1, 2-7-95; AO No. 95-199, § 1, 1-1-96; AO No. 97-146, § 1, 1-1-98; AO No. 2003-149, § 1, 11-4-03; AO No. 2008-18, § 1, 2-12-08; AO No. 2009-133(S-1), § 2, 1-12-10); AO 2010-16, § 2, 2-1-11; AO No. 2011-37(S), § 1, 4-12-11).

Section 3. Section 1 of this ordinance, to submit the ballot proposition to qualified voters of the Municipality of Anchorage at the regular election on April 3, 2012, shall become effective immediately upon passage and approval by the Assembly.

Section 4. With certification of voter approval in the regular election of April 3, 2012, the ballot proposition and Section 2 of this ordinance shall become effective as of January 1 of the next year immediately following authorization under state law, or January 1 of the first year the Municipality is authorized by the Alaska State Legislature to grant the exemption, whichever occurs later. Unless the language of the exemption as set out in Section 2 requires amendment to conform to state authorization, no further action by the Assembly is required to implement the exemption.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2012.

_____
Chair

ATTEST:

_____
Municipal Clerk

State / Territory Benefits - Maryland

State Taxes
Education Benefits
Employment Benefits
Health and Insurance Benefits
Special Vehicle License Plates
Hunting and Fishing Licenses
Miscellaneous Benefits
Military Installations: Active Duty
Military Installations: National Guard
Military Installations: Army Reserve
VA Medical Facilities
Resources

Summary: The State of Maryland offers special benefits for its military service members and veterans including retired military pay exemptions, education and tuition assistance, employment services, special military vehicle tags, as well as hunting and fishing license privileges. Eligibility for some benefits may depend on residency, military component and veteran disability status.

State Benefit Highlights and Eligibility

State Taxes:

State Tax Advantage: None

Retired Military Pay: Military retirees are exempt from Maryland income tax on the first $5000 of their retirement income. In addition, military retirees who are over the age of 65, totally disabled, or who have a spouse who is totally disabled receive an additional subtraction. (Effective July 31, 2006, for all taxable years after December 31, 2005)

Military Disability Retired Pay: Disability Portion - Length of Service Pay; Member on September 24, 1975 - No tax; Not Member on September 24, 1975 - Taxed, unless combat incurred. Retired Pay - Based solely on disability: Member on September 24, 1975 - No tax; Not Member on September 24, 1975 - Taxed, unless all pay based on disability and disability resulted from armed conflict, extra-hazardous service, simulated war, or an instrumentality of war.

VA Disability Dependency and Indemnity Compensation: Not subject to federal or state taxes.

Property Tax Exemption: A property tax exemption is available to veterans who are permanently and totally disabled from service-connected causes, for their primary residence located in the State of Maryland. The exemption passes to the veteran's spouse upon his or her death. The surviving spouse of active duty military personnel who died in the line of duty as well as the surviving spouse of a totally disabled veteran, or a spouse who receives the dependency and indemnity compensation (effective June 30, 2006) may also receive an exemption. Contact your county's tax assessor's office or 800-944-7403.

Vessel Excise Tax: Active duty military personnel are exempt from the 5% vessel excise tax levied on the sale, resale or transfer of a vessel. The exemption is for not more than one year to current owners of vessels who are members of the armed services and who are serving on active duty.

Vehicle Registration: Active duty military members establishing residency in Maryland are eligible for a tax credit for any titling tax paid in another state when titling and registering a vehicle within one year of moving to Maryland.

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EDUCATION BENEFITS:

MTA Veterans Workforce Training Program: Many MTA training classes are open to qualified U.S. military veterans who are Maryland residents. The primary goal of the program is to assist U.S. military veterans living in Maryland, regardless of age or length of service, with preparation for a meaningful career by providing the skills and training opportunities necessary to succeed in today's workforce. Once MTA employees have had the opportunity to register, eligible U.S. veterans will be able to apply for remaining open seats in many MTA training classes, with

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Wisconsin State Veteran's Benefits

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The state of Wisconsin provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Veteran Housing Benefits
- Veteran Financial Assistance Benefits
- Veteran Employment Benefits
- Veteran Education Benefits
- Other State Veteran Benefits

Wisconsin State Veteran Housing Programs

WDVA Home Loan
Wisconsin offers a state veterans home loan program, entitled the Primary Mortgage Loan (PML), that is different from the USDVA Home Loan Guaranty Program.

The state veterans home loan may be used for:

- Purchase or purchase and improvement of a single family home or condominium.
- Construction of a new single family home.

Purchase of certain existing 2 to 4-unit owner occupied residence. (Must be occupied as borrower's principal residence.)

Visit the Wisconsin Dept.of Veterans Affairs website for contact information and benefits assistance.

WDVA Home Improvement Loan
Veterans, you can borrow up to 90% of your home equity for home improvments. The $25,000 cap has been removed from the Home Improvement Loan Program.
The Home Improvement Loan Program (HILP) may be used for additions, garage construction, repairs, and remodeling (i.e., replace a roof, install new windows, a new furnace, or a central air conditioning system) of a veteran's residence.

Visit the Wisconsin Dept.of Veterans Affairs website for contact information and benefits assistance.

Wisconsin Financial Assistance Programs

Assistance to Needy Veterans and Family Members
The Assistance to Needy Veterans and Family Members grant program provides limited financial assistance to those in need and who have exhausted all other sources of aid. The grants may be used for specified health care and subsistence needs or economic emergency assistance for spouses and dependents of activated or deployed service members, up to maximum grant limits.

WDVA Personal Loan
The Personal Loan Program (PLP) can be used for any purpose. With optional repayment terms the PLP is flexible to better meet your needs.

Wisconsin Veterans and Surviving Spouses Property Tax Credit
The Wisconsin Veterans and Surviving Spouses Property Tax Credit program provides a refundable property tax credit for the primary residence (in-state) via the state income tax form for:

Proposed 2013 Defense Budget

Troop Reductions and TRICARE Fee Increases

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- Eligible veterans age 65 or older who entered service from Wisconsin and have a combined VA service-connected disability rating of 100%.
- The unremarried surviving spouse of an eligible veteran.
- The unremarried surviving spouse of a veteran who entered active duty as a Wisconsin resident, died in the line of duty, and was a Wisconsin resident at the time of death.

Visit the Wisconsin Dept.of Veterans Affairs website for contact information and benefits assistance.

Wisconsin Veteran Employment Programs

Transition Assistance for Veterans Leaving Active Duty
Veterans transitioning from active duty can contact the WDVA Transition & Employment Section for state-wide employment information. The office provides employment assistance and labor market information to veterans in transition from active duty to civilian life and the civilian job market in Wisconsin.

Local Veterans Employment Representatives
Employment assistance is available to all Wisconsin veterans in the local one-stop job centers. Veterans Employment Representatives complement the information provided at a Department of Defense Transition Assistance Program (TAP) Seminar.

Veterans as Apprentices
Veterans, their eligible dependents, eligible members of the National Guard, and the Reserves may benefit from Apprenticeship programs.

For more information on apprenticeship opportunities in Wisconsin, visit the Bureau of Apprenticeship Standards.

Hire Veterans First
The Hire Veterans First program is a National initiative established by the Veterans' Employment and Training Service (VETS) of the Department of Labor (DOL). Their objective is to show support for America's veterans to send the message out to employers "Hire a Veteran First -- American Excellence at Work".

Veterans Preference
Civil Service Preferences (State) — Eligible veterans are entitled to an extra 10 points added to a passing score on a state civil service examination. Veterans with a VA approved SCD of less than 30 percent are entitled to 15 points and those with a rating of 30 percent or more are entitled to 20 points added to their passing score. Spouses of certain disabled or deceased eligible veterans may also have points added to a passing score. (Preference points are available only when you initially apply for permanent state employment.)

Veterans with a 30 percent or greater SCD may be hired for a permanent, entry-level position with the State of Wisconsin on a noncompetitive basis. Check with the hiring agency for more information.

Visit the Wisconsin Dept.of Veterans Affairs website for contact information and benefits assistance.

Employment Assistance Opportunities

- **Entrepreneurial Training** --- a partnership between the Wisconsin Department of Veterans Affairs (WDVA) and the Veterans Corporation offers Wisconsin veterans starting a new business timely entrepreneurial training.
- **Troops to Teachers Program** — helps Wisconsin veterans obtain alternative teaching certification so they can obtain employment as teachers and teachers' aides. The Wisconsin Department of Veterans Affairs (WDVA) operates a placement office for the program, which is funded by the Department of Defense.
- **Unemployment Compensation for Ex-Servicemembers** (UCX) --- Application for Unemployment Insurance, including UCX, is made by telephone:
- **Veterans Business Training Center** --- A program of the Military Order of the Purple Heart Service Foundation helping disabled veterans find employment. A 15 week 600 hour training program pays while learning, is accredited, and allows graduates to work in their home.
- **Vocational Rehabilitation** --- This benefit may be available through either the VA or the Wisconsin Department of Workforce Development,

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Illinois State Veteran's Benefits

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The state of Illinois provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Housing Benefits
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- Education Benefits
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Illinois Veteran Housing Programs

GI Loan for Heroes
The G-I Loan for Heroes is the new Illinois Homeownership Program for Veterans and Active Service Personnel. The G-I Loan offers significantly below market homeownership financing and counseling. There are two program packages, one for Veterans and one for active duty personnel.

Veterans' Program: The Veterans' Program is designed for honorably discharged Veterans who qualify under the income and purchase price limits of the IHDA MRB Program. Participants will receive a substantially below market rate financing package, closing cost assistance and homeownership counseling. In addition, under federal legislation passed in December 2006, Veterans do not have to be first-time homebuyers to qualify.

Active Duty Program: The Active Duty program is designed for active duty service personnel in the Armed Services and Reserve Forces. Under this program, they will receive the same package as the Veterans, except they must qualify as a first time homebuyer under the IHDA MRB Program.

Learn more about the *GI Loan for Heroes*

Specially Adapted Housing
Assistance is provided for service-connected disabled veterans for the purpose of acquiring or remodeling suitable dwelling units with special fixtures or moveable facilities made necessary by the veteran's permanent and total service-connected disabilities.

Visit the Illinois Department of Veterans Affairs website for contact information and benefits assistance.

Illinois Financial Assistance Benefits

World War II Bonus Payment
A bonus of $10 per month for domestic service and $15 per month for foreign service is payable to a veteran who was a resident of Illinois at time of entering service, served at least 60 days on active duty between September 16, 1940 and September 3, 1945, and received an honorable discharge. Survivors are entitled to a benefit of $1,000, if the veteran's death was service-connected and within the period specified.

Korean, Vietnam and Persian Gulf Conflict Bonus
A $100 bonus is payable for service during one of the following periods:

Korea - June 27, 1950 - July 27, 1953
Vietnam - January 1, 1961 - March 28, 1973

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Vietnam Frequent Wind - April 29, 30, 1975
Persian Gulf - August 2, 1990 - November 30, 1995

The claimant must also be in receipt of one of the following medals: Korean Service Medal, Vietnam Service Medal, Armed Forces Expeditionary Medal Vietnam Era or the Southwest Asia Service Medal; and have been a resident of Illinois for 12 months immediately prior to entering service and have received an Honorable Discharge. (Individuals currently on active duty who served in the Persian Gulf may apply prior to discharge by also including the "Armed Forces Certificate".)

Vietnam Veteran Survivors Compensation
Survivors are entitled to a payment of $1,000 if veteran's death is service-connected or is the direct result of service-connected disabilities incurred in the period specified. A separate application is required.

POW Compensation
Persons on active duty with the Armed Forces of the United States or employed by the United States Government on, or after, January 1, 1961, who were residents of Illinois 12 months prior to entry, and who were taken and held prisoner by hostile forces in Southwest Asia, are entitled to $50 for each month or portion thereof while being held captive.

Global War on Terrorism Survivors' Compensation
A $3,000 bonus is payable to survivors of certain persons killed by terrorist acts or hostile activities during performance of military service in periods recognized as wartime by United States campaign or service medals. Residency of 1 year in Illinois prior to entering military service is required.

Tax Exemption
This exemption is allowed on the assessed value of real property for which federal funds have been used for the purchase or construction of specially adapted housing for as long as the veteran, or the spouse, or unmarried surviving spouse resides on the property. The 2007 homestead legislation created two new exemptions for Veterans that take effect for the 2007 tax year:

The **Returning Veterans' Homestead Exemption** provides qualifying Veterans a one-time $5,000 reduction to their home's equalized assessed value (EAV). Qualifying Veterans who return from active duty in an armed conflict involving the U.S. armed forces can file an application upon their return home to receive this exemption.

The new **Disabled Veterans' Standard Homestead Exemption** provides a reduction in a property's EAV to a qualifying property owned by a Veteran with a service-connected disability certified by the U. S. Department of Veterans' Affairs. A $2,500 homestead exemption is available to a Veteran with a service-connected disability of at least 50% but less than 75% or a $5,000 homestead exemption is available to a veteran with a service connected disability of at least 75%. A disabled Veteran must file an annual application by the county's due date to continue to receive this exemption.

Tax Exemption for Mobile Home
This exemption applies to the tax imposed by the Mobile Home Local Services Tax Act when that property is owned and used exclusively by a disabled veteran, spouse or unmarried surviving spouse as a home. The veteran must have received authorization of the Specially Adapted Housing Grant by the USDVA, whether benefit was used or not. Applicant must be a permanent resident of the State of Illinois on January 1 of the tax year for which the exemption is being claimed. Disabled veterans that now live in a mobile home and never received the Specially Adapted Housing Grant are not eligible. Please contact your local service office for more information.

Visit the Illinois Department of Veterans Affairs website for contact information and benefits assistance.

Illinois Employment Benefits

State Government/Employment Preference
Preference is given in Central Management Services entrance examinations to honorably discharged veterans who served in times of hostilities and peacetime. The Department of Central Management

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Arizona State Veteran's Benefits

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The state of Arizona provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Housing Benefits
- Financial Assistance Benefits
- Employment Benefits
- Education Benefits
- Other State Veteran Benefits

Arizona Veteran Housing Programs

Arizona State Veteran Home
The Arizona State Veteran Home is located in Phoenix at 4141 N. 3rd Street. It is a 200 bed, skilled care nursing facility operated and maintained by the Arizona Department of Veterans' Services. The Veteran Home offers different levels of nursing care and encourages residents to function at their highest level. The state Â of the - art facility has been designed to be both functional and provide a pleasing environment with a southwest atmosphere.

Visit the Arizona Department of Veterans Affairs website for contact information and benefits assistance.

Arizona Financial Assistance Benefits

Tax and License Fee Exemptions
1. To the extent not already excluded from Arizona gross income under set. 112 of the Internal Revenue Code, compensation received for active service as a member of the Armed Forces of the United States for any month during any part of which members served in a combat zone is exempt.

2. Federal (Civil Service or Military Retirement) payments up to $2,500.00 per year are exempt. NOTE: Contact the Arizona Department of Revenue (1-800-845-8192) for any veteran tax issues.

Property Tax: Exemption for property of widows, widowers, and disabled persons. A. The property of widows, widowers, and disabled persons who are residents of this state is exempt from taxation to the extent allowed by Article IX Â§ 2, 2.1, 2.2, and 2.3, Constitution of Arizona, and subject to the conditions and limitations prescribed by this section. NOTE: The exemption is applied to real estate first, then to a mobile home or an automobile. Contact your County Assessor office for eligibility.

Vehicle License Tax and Registration Fees
No license tax or registration fee shall be collected from any veteran for a personally owned vehicle if such veteran is certified by the U.S. Department of Veterans Affairs to be one hundred percent service-connected disabled and drawing compensation on that basis. A veteran residing in Arizona shall be exempt from a vehicle license tax on a vehicle acquired by the veteran through financial aid from the U.S. Department of Veterans Affairs.

Visit the Arizona Department of Veterans Affairs website for contact information and benefits assistance.

Arizona Employment Benefits

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The state of Arkansas provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Arkansas Veterans Home
- Financial Assistance Benefits
- Education Benefits
- Other State Veteran Benefits

Arkansas Veteran Housing Programs

Arkansas Veterans Home
Founded in Little Rock in 1980, as a domiciliary, the Arkansas Veterans Home now provides 55 domiciliary and 61 intermediate care nursing beds. The home provides a meaningful living environment for honorably discharged veterans. Residents also have full access to the U.S. Department of Veterans Affairs and Central Arkansas Veterans Healthcare System. With twenty-four hour nursing service and a staff physician, medical needs are fully met. With licensed social workers and an activities director, each resident has the support and encouragement he or she might need to promote a healthy active lifestyle.

Visit the Arkansas Department of Veterans Affairs website for contact information and benefits assistance.

Arkansas Financial Assistance Benefits

and Personal Property Tax Exemption
Arkansas Veterans who have been rated, by the VA, as 100% service connected (Permanent and Total) or awarded Special Monthly Compensation for loss or loss of use of one or more limbs total blindness in one or both eyes are entitled to exemption of Homestead and Personal Property Tax. Widows, so long as they do not remarry, dependent children, during their minority, continue this entitlement. Widows, so long as they do not remarry, dependent children, during their minority, are also eligible for this entitlement if the veteran was killed or died in the scope of his military duties, is missing in action, or died from service connected causes as certified by the Veterans Administration.

Gross Receipt of Tax Exemption
or gross proceeds derived from the sale of motor vehicles and adaptive equipment to disabled veterans who have purchased the vehicles or equipment with the financial assistance of the Veterans Administration as provided under 38 U.S.C. 1901-1905 (AR Code 26-52-401 (7) et. seq.) Gross receipts or proceeds derived from the sale of a new automobile to a veteran who is blind as a result of a service-connected injury. Registration will require an entitlement letter form the VA and will be limited to one new vehicle every two (2) years. This exemption defines automobile as a passenger vehicle or pick up truck but does not include trucks with a maximum goes load in excess of three-quarter (3/40 ton and does not include any trailer.

Income Tax Exemption
Provides an exemption of the first $6,000.00 of service pay or retired pay for members of the Armed Forces to include Reserve Components or for retired members who are residents of the State of Arkansas.

Homestead

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The state of South Dakota provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Veteran Housing Benefits:
- Veteran Financial Assistance Benefits
- Veteran Education Benefits
- Other State Sponsored Veteran Benefits

South Dakota Veteran Housing Programs

State Veterans Homes
To provide a quality living environment, along with adequate medical support, in an independent living and long-term care setting for eligible South Dakota veterans and their spouses, widows, or widowers; and, to provide administration, maintenance, management, medical care, and other services necessary to meet or exceed state and federal requirements.

Visit the South Dakota Dept. of Veterans Affairs website for contact information and benefits assistance.

South Dakota Financial Assistance Programs

Emergency Loan Fund for Veterans and Their Dependents
An interest free loan of up to $500 may be made, to veterans or a veteran's dependents, if financial relief is required for any emergency need.

The amount loaned must be repaid within two years. To qualify, the veteran must meet the definition of a veteran (SDCL 33-17-1 & 33-17-2) and must have been a legal resident of South Dakota at the time of entry into service or for at least one year immediately prior to application.

Visit the South Dakota Dept. of Veterans Affairs website for contact information and benefits assistance.

Property Tax Exemption for Veterans and Their Widow or Widower
Dwellings or parts of multiple family dwellings which are specifically designed for use by paraplegics as wheelchair homes and which are owned and occupied by veterans with the loss, or loss of use, of both lower extremities, or by the unremarried widow or widower of such veteran, are exempt from taxation.
The dwelling must be owned and occupied by the veteran for one full calendar year before the exemption becomes effective. For purposes of this statute, the term "dwelling" generally means real estate in an amount not to exceed one acre upon which the building is located.

In addition veterans that have been rated as permanently and totally disabled as the result of a service connected disability may be eligible for up to $100,000 of their property value to be exempt from property taxes. View program brochure. (pdf)

Learn more about Property Tax Exemption

Property Tax Refund for Aged and Disabled Persons
Certain low income property owners are eligible for a property tax refund and should check with their county treasurer for details and assistance in making application. To qualify the following conditions must be met:

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Military Personnel – Property Tax Exemption for Veterans 32 V.S.A. §3802(11)

Click here to read more about Vermont Exemptions for Military Pay, Earned Income Tax Credit, Combat Zone Duty, Filing Extensions, and IRS information

1. The first $10,000 (may be increased to up to $20,000 by a vote of the town) of appraisal value of the established residence of a qualifying veteran, his or her surviving spouse or child is exempt if:

    a. the residence is owned in fee simple by one or jointly by a combination of them, and,

    b. a written application for the exemption is filed before May 1 of each year, and

    c. a written statement has been sent by the Veteran's Administration showing that the required compensation or pension is being paid. 32 V.S.A. § 3802 (11).

    The Veteran's Administration will issue a letter to verify that a person's disabilities would qualify the family for the exemption, and the letter will generally mention either the property tax exemption, or include the words "this is for the use of your listers." If you have questions on a person's eligibility, call the Veteran's Administration at 802-295-9363.

    If the above letter is received, it can be assumed the individual qualifies, however, many listers want further clarification. Essentially, the exemption applies if a payment is received for:

    - death compensation, or
    - dependence and indemnity compensation, or
    - a disability pension is paid thru the veteran's administration or any military department, or
    - disability compensation (at least 50% disability).

    Also, the widow or widower of a veteran who was qualified for the exemption at the time of his or her death still qualifies for the exemption.

NOTE: Civil union partners shall be treated the same as married for Vermont purposes. Only one exemption may be allowed on a property.

elpasotimes.com

Tax relief: Includes certain vet widows

El Paso Times Editorial Board

Posted: 01/03/2012 12:00:00 AM MST

A new property-tax exemption for widows of totally disabled U.S. military veterans is well worth the financial loss to Texas municipal coffers.

Already, 100 percent disabled veterans -- from combat or other military-related causes -- are exempt from paying property taxes in Texas. This new law now protects a spouse after the veteran dies.

As Texans and Americans, we have a duty to provide as much help as possible to those who fought for our country, and especially those who are disabled while doing so. And, as Sen. Dan Patrick, R-Houston, pointed out, it's not like veterans and their spouses are financially cush. "They're not living in million-dollar houses," he said.

This new law went into effect Jan. 1 after winning approval by voters in November.

This area, with Fort Bliss as an anchor, has tens of thousands of U.S. military veterans as residents, so many that there's a continued push for a full-fledged veterans hospital in El Paso.

Texas has an estimated 25,000 vets who are declared 100-percent disabled, the vast majority between the ages of 55 and 75.

According to a Texas Senate analysis, this extended exemption to surviving spouses will cost state and local governments some $25 million by 2016. Spread over the entire state, that's not asking too much from other property owners.

"When they come back from war 100-percent disabled, that's a very special class of soldiers," Patrick said.

We should find ways to help all veterans who choose to reside in

this area. And we concur with voters who passed this property-tax relief that now extends to surviving spouses of 100-percent disabled veterans.

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The state of Florida provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Housing Benefits
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Florida Veteran Housing Programs

Florida State Veterans' Homes Program
The Robert Jenkins, Jr. Assisted Living/Domiciliary Home is a 150-bed Assisted Living Facility (ALF) that provides a special combination of housing, personalized supportive services, and incidental medical care to eligible veterans. Domiciliary care is provided to veterans discharged under honorable conditions. Veterans admitted must be residents of Florida for one year prior to admission and be in need of ALF care. Current admissions information is available through the office of the Home Administrator, County Veteran Service Office, or any of the FDVA offices listed in this brochure.

Veterans' Nursing Homes of Florida
The Emory L. Bennett Veterans' Nursing Home in Daytona Beach (Volusia County) is a modern and progressive 120-bed facility providing skilled nursing home care and the highest quality of life and medical care to its veteran residents. The Baldomero Lopez Veterans' Nursing Home in Land O' Lakes (Pasco County), provides skilled nursing home care. Sixty of its 120 beds are for residents with dementia/ Alzheimer's disease. A beautiful park setting within the facility grounds is available for residents to enjoy the outdoors. Local veterans and civic groups donate many hours of their time volunteering and interacting with the residents at the Home. The Sandy Nininger Veterans' Nursing Home, in Pembroke Pines (Broward County) opened its doors to its first residents in June 2001. This 120-bed facility accommodates 60 residents with dementia disease. Each dementia/Alzheimer's module has a dining area, a small nutrition area, a centrally located living area, and a screened porch with a gated garden. The Clifford Sims Veterans' Nursing Home, in Springfield (Bay County) accepted its first resident in October 2003. This 120-bed facility offers skilled nursing home and dementia care.

The Douglas Jacobson Veterans' Nursing Home, in Port Charlotte (Charlotte County), opened in January 2004. This 120-bed facility offers skilled nursing home and dementia care. Basic admission requirements for all veterans' nursing homes in Florida include an honorable discharge, Florida residency for one year prior to admission, and certification of need of nursing home care by a VA physician.

Homestead Exemption (Permanent &Totally Disabled)
Any real estate used and owned as a homestead by a veteran who was honorably discharged with a service-connected permanent and total disability and for whom a letter from the United States Government or VA or its predecessor has been issued certifying that the veteran is totally and permanently disabled is exempt from taxation, provided the veteran is a permanent resident of the state on January 1 of the tax year for which exemption is being claimed or on January 1 of the year the veteran died.

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The production by a veteran or the spouse or surviving spouse of a letter of total and permanent disability from the United States Government or VA or its predecessor before the property appraiser of the county in which property of the veteran lies shall be prima facie evidence of the fact that the veteran or the surviving spouse is entitled to such exemption.

In the event the totally and permanently disabled veteran pre-deceases his or her spouse and upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides thereon as specified in FS 196.031, the exemption from taxation shall carry over to the benefit of the veteran's spouse until such time as he or she remarries or sells or otherwise disposes of the property. If the spouse sells the property, an exemption not to exceed the amount granted from the most recent ad valorem tax roll may be transferred to his or her new residence as long as it is used as his or her primary residence and he or she does not remarry.

Veterans who are paraplegic, hemiplegic, are permanently and totally disabled, must use a wheelchair for mobility, or are legally blind are exempt from real estate taxation if gross annual household income does not exceed the adjusted maximum allowed. The veteran must be a resident of the State of Florida to qualify. Certificate of such disability from two licensed doctors of this state or from the VA or an award letter from the Social Security Administration to the property appraiser is prima facie evidence of entitlement to such exemption.

Homestead Exemption (10% to 100% BUT not Permanent in nature)
Eligible veterans with service-connected disabilities of 10% or more shall be entitled to a $5000 property tax exemption. To qualify for homestead exemption a veteran must be a bonafide resident of the state.

Every person who is entitled to homestead exemption in this state and who is serving in any branch of the Armed Forces of the United States may file a claim for homestead exemption. Servicemen unable to file in person may file through next of kin or duly authorized representatives.

Visit the Florida Department of Veterans Affairs website for contact information and benefits assistance.

Florida Employment Benefits

Veterans' Preference in Employment and Retention
The state and its political subdivisions shall give preference in employment and retention in government positions to veterans who served during a wartime period and separated under honorable conditions, or who are disabled veterans who have compensable service-connected disabilities as well as to a spouse or un-remarried veteran's widow or widower under certain circumstances.

For additional information concerning veterans' preference, visit the **Florida VA's online Vet Preference Overview**
or contact the Florida Department of Veterans' Affairs:
By phone at: (727) 319-7462, Facsimile (727) 319-7780 By email: **postd@fdva.state.fl.us**

Florida Military Family Employment Advocacy Program
The Military Family Employment Advocacy Program provides advocates located in Florida's One-Stop Career Centers for regions where military bases and communities are located. Persons eligible for assistance through this program include spouses and dependents of active-duty military personnel, activated Florida National Guard members, and activated military reservists. Approximately 37,000 military spouses, not including military spouses of mobilized National Guard Members/Reservists, currently live in Florida. An increase is projected in the military spouse population due to returning and reassigned military members and their families.

Visit the Florida Department of Veterans Affairs website for contact information and benefits assistance.

Florida Education Benefits

High School Diploma - Korean War Veterans
Effective July 1, 2002, Florida veterans who served during the Korean

For a complete list of Veterans Benefits by state.
Click Here >>STATES VETERAN BENEFITS

Utah State Benefits

The benefits listed on this page are specific to the State of Utah, except where noted, and are generally administered though this agency. They are state funded and as such will vary from State to State.

Disabled Veteran Property Tax Abatement

A Utah permanent place-of-residence property tax exemption equivalent to the military service-connected disability rating percentage is provided for disabled veterans or for their unremarried widows or minor orphans. Veteran's disability rating must be at least 10%. The maximum property tax exemption, rated at 100% military service-connected disability, is $232,312. To figure out how much your tax abatement will be multiply your percentage of disability by $232,312. Example: 10% disability X 232,312 = $23,231.20 tax abatement. This amount is then subtracted from the **taxable value** of the property and taxes are paid on the remaining amount. To apply for Utah Disabled Veterans Property Tax Exemption, request Your Veterans Disability Rating Letter for Property Tax Exemption from the U.S. Dept. of Veterans Affairs (VA) at 1-800-827-1000, then file Your Veterans Disability Rating Letter for Property Tax Exemption, along with a copy of the veteran's U.S. Military active duty release/discharge certificate or other satisfactory evidence of eligible military service, and the tax exemption application, **on or before September 1st,** to the applicable county treasurer, tax assessor or clerk/recorder located in the county courthouse or county government building of each county seat. All property must be on record as of January 1st of the year you wish to file. However, a recent change allows qualified widows and orphans an exemption to that rule. NOTE: Effective January 1, 2008 disabled veterans will only be required to file for property tax abatement one time. After the initial filing it will automatically renew each year although the counties may require recertification of home address. However, veterans will have to re-file if all or a portion of their abatement is used towards tangible personal property (i.e. vehicles), if their service-connected disability percentage changes, the veteran dies, sales the property or no longer claims that property as their primary place of residence. (Utah Code 59-2-1104 & 1105)

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Purple Heart Tuition Waiver:

Utah public institutions of higher learning are required to waive the tuition of a Utah resident admitted to an undergraduate program of study leading to a degree or certificate, if the student is a recipient of a Purple Heart. Recent changes have expanded this benefit to include a Masters Degree.

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Purple Heart Fee Exemption:

Effective 4/30/07, a recipient of a Purple Heart is exempt from paying the following motor vehicle license and registration fees: automobile driver education fee; motor vehicle registration fee; license plate issuance fees; uninsured motorist identification fee;

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Stay up-to-date on all the latest in military pay, TRICARE updates, saving and discounts information and more with the weekly Benefits Updates.

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Nevada State Veteran's Benefits

Military.com

The state of Nevada provides several veteran benefits. This section offers a brief description of each of the following benefits.

- Housing Benefits
- Financial Assistance Benefits
- Employment Benefits
- Other State Veteran Benefits

Nevada Veteran Housing Programs

Nevada Veterans' Home
A State-owned and operated veterans' home is located in Boulder City. The home consists of an extended care facility for veterans in need of skilled nursing home care. Future plans call for a Veterans Home in Northern Nevada.

Visit the Nevada Office of Veterans Services website for contact information and benefits assistance.

Nevada Financial Assistance Benefits

Veterans Tax Exemption
An annual tax exemption is available to any veteran with wartime service (including in-theater service during the Persian Gulf War, Afghanistan and Iraqi Wars). To obtain this exemption, take a copy of your DD214 or discharge papers to your local County Assessor.

The exemption can be applied to a veteran's vehicle privilege tax or real property tax. The exemption cannot be split between the two. To obtain the exact amount of this benefit, contact your County Assessor. Veterans may also "donate" their exempted tax directly to the Nevada Veterans' Home Account, which will contribute the amount toward the operation of a Veterans' Home in Nevada.

Disabled Veteran Tax Exemption
Nevada offers a property tax exemption to any veteran with a service-connected disability of 60% or more.

The amounts of exemption that are or will be available to disabled veterans varies from $6,250 to $20,000 of assessed valuation, depending on the percentage of disability and the year filed. To qualify, the veteran must have an honorable separation from the service and be a resident of Nevada.

The widow or widower of a disabled veteran, who was eligible for this exemption at the time of his or her death, may also be eligible to receive this exemption.

This exemption can be applied to a veteran's vehicle tax or personal property tax. To determine the actual value of this benefit or to obtain further information, contact your local county assessor's office.

Visit the Nevada Office of Veterans Services website for contact information and benefits assistance.

Nevada Employment Benefits

Civil Service Preference
Civil service preference is given to veterans applying for State

Action Needed to Fix TRICARE

Read More "Action Needed to Fix TRICARE"

Popular Articles in Veteran State Benefits

- State Veteran's Benefits Directory
- Texas State Veteran's Benefits
- Florida State Veteran's Benefits
- California State Veteran's Benefits
- Georgia State Veteran's Benefits

More State Benefits Content

State Benefits

The following are provided by the Commonwealth of Pennsylvania Department of Military and Veterans Affairs. The Allegheny County Department of Veterans Services renders assistance in applying for the benefits. More information and detailed explanation on the benefits can be obtained from the Adjutant General for the Pennsylvania Bureau for Veterans Affairs.

Emergency Assistance
The spouse of a recently deceased wartime veteran may be eligible for Emergency Assistance, due to the loss of any income, pension or Social Security the veteran may have been receiving, provided the claim is applied for within 180 days from the date of death of the veteran. Copies of Marriage License and Death Certificate must accompany the application.

Veterans Emergency Assistance
Provides aid for food, clothing, shelter on a temporary basis (not to exceed three months). Based on household income. Must be Honorably Discharged Wartime Veteran not in receipt of Public Assistance (Welfare).

Real Property Tax Exemption
Honorably Discharged Wartime Veterans having a 100 Service-Connected Disability can be exempt from payment of Real Property Taxes on their principle residence. Based on financial need.

Widow's Real Property Tax Exemption
Widows of Honorably Discharged Wartime Veterans who died of a Service-Connected Disability (if the veteran would have been eligible for the exemption) may also be eligible for Real Property Tax Exemption on their principle residence. Based on financial need.

Educational Gratuity
Children of Honorably Discharged Wartime Veterans who are totally disabled from a Service-Connected Disability, may receive an Educational Gratuity while attending any state or state-aided college or other secondary institution. Financial need must be shown and the student must be between the ages of 16 and 21.

Blind Veterans Pension
$150.00 per month for any Service-Connected Disease or Injury incurred while on active duty, which resulted in blindness or visual impairment of 3/60, 10/200 or less normal vision. Veterans must have given Pennsylvania as the place of residence at the time entering service.

Paralyzed Veterans Pension
$150.00 per month for any veteran Service-Connected Disease or Injury resulting in the loss or loss of the use of two or more extremities during wartime or as a result of hostilities during Combat-Related Action peace time. Must have given Pennsylvania as the place of residence at the time entering service and currently reside in Pennsylvania.

State Veterans Homes
The Commonwealth maintains veterans homes in the following areas:

MyArmyBenefits
Your one stop for up-to-date benefits information
SEARCH

Federal Benefits
State / Territory Benefits
Resource Locator

Home › Benefit Library › State / Territory Benefits › New Jersey

State / Territory Benefits - New Jersey

Summary: The State of New Jersey offers special benefits for its military service members and Veterans including Income Tax Exemptions on retired military pay and property tax, State Employment Preferences, Education and Tuition Assistance, Vehicle Tags, New Jersey Distinguished Military Medals, Burial benefits, Free State Park Admission, Free Private Beach Facilities, as well as Hunting and Fishing License privileges. Eligibility for some benefits may depend on residency, military component and Veteran disability status.

State Benefit Highlights and Eligibility

State Taxes:

Retired Military Pay:

Military retirement pay is exempt from New Jersey income taxes.

Military Disability Retired Pay: Disability Portion - Length of Service Pay; Member on September 24, 1975 - No tax; Not Member on September 24, 1975 - Taxed, unless combat incurred. Retired Pay - Based solely on disability: Member on September 24, 1975 - No tax; Not Member on September 24, 1975 - Taxed, unless all pay based on disability and disability resulted from armed conflict, extra-hazardous service, simulated war, or an instrumentality of war.

VA Disability Dependency and Indemnity Compensation: Not subject to federal or state taxes.

Property Tax Exemption: Eligible veterans and their spouses are exempt from paying New Jersey Property Tax. The exemption unlike the deduction is prorated from the date the veteran or spouse filed the application with all required documentation. Example: A veteran completes the application on April 7, but does not submit all the documentation until May 3. The veteran's property tax exemption is effective May 3. Many tax assessors exempt the property tax January 1 of the next year. The same prorated process applies to the surviving spouse. Retroactive payment may be granted from effective date for a veteran with a 100 percent permanent VA service-connected disability rating and is determined by each city council by resolution. The governing body has the discretion to grant a retroactive payment. They are only mandated to exempt property tax from the date the application is filed with all required documentation.
Eligibility: Veterans who meet all of the following criteria:
--Served during a specified wartime period.
--Received an honorable discharge or under honorable conditions.
--Rated 100 percent permanent service-connected by the VA. The 100 percent rating cannot be temporary or as a result of hospitalization, surgery or recuperation.
Eligibility: Spouses who meet the following criteria:
--Not remarried. Even if the marriage is terminated by death/divorce, the spouse is no longer entitled. However, if the marriage is annulled, the surviving spouse regains eligibility.
--Veteran previously received exemption prior to death.
--Veteran would have been found eligible if an application had been filed prior to death.
--The veteran had to be rated 100 percent permanent VA service-connected prior to death. A spouse is not eligible if the veteran was rated less than 100 percent permanent service-connected, but died of that service- connected disability.
--Or the veteran died in active service during wartime in any branch of the United States Armed Forces. Application Process The application at the municipal property tax assessor's office is signed and filed with the following documentation:
--Property deed
--Discharge (DD214)
--VA Property Tax Exemption Letter: The letter must be requested by contacting the VA at 1-800-827- 1000. Do not submit the VA Award Letter indicating the monetary award. That may delay the effective date of the exemption. Do not submit any medical documentation except for the VA property tax exemption letter even if the tax assessor demands it. The VA deems a veteran 100 percent permanent service-connected disabled, not the tax assessor. The spouse may need to submit the property deed, a marriage certificate, death certificate, and discharge (DD-214) to the tax assessor especially if the veteran did not claim the exemption but would have been eligible. If the veteran or surviving spouse moves to another residence (dwelling house) in the same municipality, a new application must

be filed to continue the exemption.
http://www.state.nj.us/military/veterans/njguide/index.html

New Jersey Property Tax Deduction: There is an annual property tax deduction of two hundred and fifty dollars ($250.00).
Application must be filed with all required documentation prior to December 31 of the pre-tax year. Documentation includes the property deed and discharge (DD-214) for the veteran. The widow may need to submit the property deed, marriage certificate, death certificate and discharge (DD-214). Continuance of Deduction The tax assessor may at any time require the filing of a new application or request documentation to determine continuance of the deduction. However, the tax assessor cannot require a new application from every Veteran or spouse every year. Deduction for Cooperatives: For cooperatives, the procedure is different. The manager or superintendent must complete forms indicating the names and locations of the veterans or spouses within the co-op to the tax assessor. The deduction is then granted to the co-op, the co-op is responsible to either reduce the rent by deduction amount or present a check to the Veterans or spouses. Refunds for Deductions: No Retroactive payment for the deduction for any previous year(s) when an application was not filed with all supporting documentation.
Eligibility:
--Citizen of the United States
--Resident of New Jersey
--Honorably discharged or released under honorable conditions from active service in a war-time period, in any branch of the U.S. Armed Services.Surviving spouse's eligibility
--The surviving wife or husband of a veteran who was a citizen of the United States and resident of New Jersey and one of the following:
--Was receiving the deduction prior to the veteran's death.
--Would have been eligible for the deduction had the veteran filedan application prior to death.
--Has died on active duty in a wartime period.
http://www.state.nj.us/military/veterans/njguide/index.html

Business and Occupational License Exemptions:

License to Vend: Honorably discharged veterans may obtain a no-fee license to vend any goods, wares or merchandise, or solicit trade within the state (NJSA 45:24-9). Licenses are procured from the county clerks office (NJSA 45:24-10) and regulated by municipalities. Call your County Clerk to obtain additional information.
Food vendors must also comply with state and local health licensing requirements.
All vendors must register with the N.J. Division of Revenue, and collect and remit collected sales tax on required items. To receive a tax registration application call 609-292-1730 or start the registration process on-line at **www.state.nj.us/njbgs**
For additional information or questions concerning License to Vend please contact the NJ Department of Military and Veterans Affairs at (609)530-6823.

Licenses for Real Estate Brokers, Agents and Solicitors: Licenses for real estate brokers, agents and solicitors are also available at no charge to a veteran who has war time experience and a service-connected disability certified by VA . The veteran is required to take any prescribed qualifying courses and necessary state examinations.

The 1947 statute providing honorably discharged wounded or disabled war veterans with a free license to operate as an insurance broker, agent or solicitor (NJSA 17:22-6) was partially repealed in 1972. In 1987, NJSA 17:22A- 21 FEES; Section d provided " The commissioner may, by rule or regulation, provide for the waiving of fees for disabled war Veterans of the U.S. Military Service."

Education Benefits:

Operation Recognition: High School Diplomas for Veterans: This program awards a state-endorsed New Jersey high school diploma to any New Jersey veteran who left a New Jersey high school to enter military service during World War II, the Korean and Vietnam conflicts.
Eligibility: New Jersey veterans who are:
-- Current New Jersey residents
-- Left a New Jersey high school directly to join the military between:
September 16, 1940 - December 31, 1946
June 23, 1950 - January 31, 1955
December 31, 1960 - May 7m 1975
-- Discharged honorably or under honorable conditions
-- Veterans who were a member of any branch of service including Merchant Marine and coast Guard or those who have since earned a GED are eligible.
-- Diplomas may be issued posthumously. Surviving family members of eligible veterans are encouraged to apply.
For more information, go to, VetsGuide2006.pdf at following website:
http://www.state.nj.us/milltary/veterans/njguide/index.html

Tuition Assistance: Pays up to 75% of tuition costs at accredited schools only with a maximum of $100.00 per undergraduate credit and a maximum of $170.00 per graduate credit. Tuition Assistance may not be used together with any other federal program (i.e. the GI Bill) Applications available at: **Youcanretain.net**
Eligibility: New Jersey National Guardsman (Army or Air) who must:
--Have completed Initial Active Duty Training.

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State / Territory Benefits - New Hampshire

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Special Vehicle License Plates
Health and Insurance Benefits
Hunting and Fishing Licenses
Miscellaneous Benefits
Military Installations: Active Duty
Military Installations: National Guard
Military Installations: Army Reserve
VA Medical Facilities
Resources

Summary: The State of New Hampshire offers special benefits for its military service members and veterans including Property Tax Exemptions, War Bonuses, State Employment Preferences, Education and Tuition Assistance, Special Vehicle Tags and Parking privileges, State Park Admission benefits, as well as Hunting And Fishing License privileges. Eligibility for some benefits may depend on residency, military component and veteran disability status.

State Benefit Highlights and Eligibility

State Taxes:

New Hampshire Department of Revenue Administration: http://www.nh.gov/revenue/

State Tax Advantage: No state income tax
Eligibility: All New Hampshire residents.

Property Tax Exemption: Property owned and operated by certain veterans' organizations or departments, local chapters or posts shall be exempt from taxation. (See RSAs 72:23-a, 72:23-c). Certain wartime veterans, their wives or widows may be eligible for a property tax credit of $50 ($100 if both are eligible veterans). Cities/towns may vote to adopt a higher tax credit of up to $500. (See RSA 72:28). The widow of a veteran who was killed while on active duty in the military may be eligible for a tax credit of between $700 and $2000 on real estate or personal property. (See RSA 72:29-a). There is a $700 tax credit on real estate occupied as principal place of abode by a permanently and totally disabled service-connected veteran, double amputee or paraplegic or unremarried surviving spouse. Cities and towns may vote to adopt a higher tax credit of up to $2000. (See RSA 72:35). A permanently and totally disabled veteran who is blind, paraplegic or a double amputee as a result of service connection and who owns a specially adapted homestead acquired with the assistance of the U.S. Department of Veterans Affairs, or with proceeds from the sale of any previous homestead acquired with the assistance of the U.S. Department of Veterans Affairs, shall be exempt from all taxation on the homestead. The veteran's surviving spouse shall also be exempt from all taxation on the homestead. (See RSA 72:36-a).

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Education Benefits:

Free Tuition for Children of Missing-in-Action: The child of a missing person who was domiciled in this State serving in or with the U.S. armed forces after February 28, 1961, is entitled to free tuition at vocational-technical college so long as said missing person is so reported/listed as missing, captured, etc. (See RSA 188-F:16).

Free Tuition for Children of Killed-in-Action: The children of military members who die in service during wartime, and children of certain wartime veterans who die from a service-connected disability, may qualify for free tuition at New Hampshire public institutions of higher learning. A scholarship for board, room, rent, books and supplies up to $2500 per year for a period of no more than 4 years at such educational institutions may be furnished to these children if they are in need of financial assistance. (See RSA 193:19)., 193:20, 193:22.).

Tuition Assistance: Tuition costs waived up to 100% after applying other federal benefits at state supported post-secondary institution on space-available basis. NH National Guard Scholarships are also available up to $500 annually.
Eligibility: New Hampshire Air and Army National Guard members.

Property Valuation and Review

Read more about Income Tax Exemptions

Military Personnel – Property Tax Exemption for Disabled Veterans

32 V.S.A. §3802(11)

The first $10,000 of appraisal value (up to $40,000 by a vote of the town for the municipal portion) of the established residence of a *qualifying veteran*, his or her surviving spouse or child is exempt if:

a. the residence is owned in fee simple by one or jointly and;
b. a written application for the exemption is filed with the Vermont Office of Veterans Affairs (VOVA) before May 1.

VOVA provides veterans with an application for the exemption and notifies towns on a monthly basis from mid-February to mid-May of eligible applicants. The Listers will verify ownership of property for eligibility as a qualifying veteran. Veterans must have served during wartime or have received an American Expeditionary Medal, and be receiving one of the following:

- Death compensation, or
- dependence and indemnity compensation, or
- a disability pension paid thru the veteran's administration or
  any military department, or
- disability compensation (at least 50% disability).

The widow or widower of a veteran who was qualified for the exemption at the time of his or her death still qualifies for the exemption.

Address questions regarding the application process and eligibility to:

More Information:
- Annual Reports
- Appeal Handbook - Property
- Appraisal Firms/Lister Info
- Current Use
- Equalization Study Intro.
- Land Gains Allocations
- Military Exemption
- Property Tax Adjustments
- Property Transfer Data
- Property Transfer Tax
- School District Codes
- Treasurer/Collector Info

LAWS OF ALASKA

2008

Source
SCS CSHB 61(FIN)

Chapter No.
_____

AN ACT

Relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level and to tax credits for cash contributions by tax payers that are accepted by a state-operated vocational technical education and training school; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level and to tax credits for cash contributions by tax payers that are accepted by a state-operated vocational technical education and training school; and providing for an effective date.

*** Section 1.** AS 21.89.070 is repealed and reenacted to read:

Sec. 21.89.070. Insurance tax education credit. (a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or

four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is the lesser of

(1) an amount equal to

(A) 50 percent of contributions of not more than $100,000; and

(B) 100 percent of the next $100,000 of contributions; or

(2) 50 percent of the taxpayer's tax liability under this title.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under more than one provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

*** Sec. 2.** AS 43.20.014 is repealed and reenacted to read:

Sec. 43.20.014. Income tax education credit. (a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training

school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" means organized educational activities that offer a sequence of courses that provides individuals with the academic and technical knowledge and skills the individuals need to prepare for further education and for careers other than careers requiring a baccalaureate, master's, or doctoral degree.

* **Sec. 3.** AS 43.55.019 is repealed and reenacted to read:

Sec. 43.55.019. Oil or gas producer education credit. (a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed $150,000.

(e) The department may, by regulation, establish procedures by which a taxpayer may allocate a pro rata share of a credit claimed under this section against monthly tax payments made during the tax year.

(f) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

* **Sec. 4.** AS 43.56.018 is repealed and reenacted to read:

Sec. 43.56.018. Property tax education credit. (a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

* **Sec. 5.** AS 43.65.018 is repealed and reenacted to read:

Sec. 43.65.018. Mining business education credit. (a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018,

AS 43.75.018, or AS 43.77.045, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

* **Sec. 6.** AS 43.75.018 is repealed and reenacted to read:

Sec. 43.75.018. Fisheries business education credit. (a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.77.045, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

* **Sec. 7.** AS 43.77.045 is repealed and reenacted to read:

Sec. 43.77.045. Floating fisheries business education credit. (a) In addition

to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; and

(3) by a state-operated vocational technical education and training school.

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; and

(2) 100 percent of the next $100,000 of contributions.

(c) Each public college and university shall include in its annual operating budget request contributions received and how the contributions were used.

(d) A contribution claimed as a credit under this section may not

(1) be claimed as a credit under another provision of this title; and

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.75.018, exceed $150,000.

(e) In this section,

(1) "school district" has the meaning given in AS 14.03.126;

(2) "vocational education" has the meaning given in AS 43.20.014.

* **Sec. 8.** This Act takes effect January 1, 2009.

LAWS OF ALASKA

2010

Source
HCS CSSB 236(FIN)

Chapter No.
_____

AN ACT

Relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes and facilities; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes and facilities; and providing for an effective date.

*** Section 1.** AS 21.06.110 is amended to read:

Sec. 21.06.110. Director's annual report. As early in each calendar year as is reasonably possible, the director shall prepare and deliver an annual report to the commissioner, who shall notify the legislature that the report is available, showing, with respect to the preceding calendar year,

(1) a list of the authorized insurers transacting insurance in this state, with a summary of their financial statement as the director considers appropriate;

(2) the name of each insurer whose certificate of authority was surrendered, suspended, or revoked during the year and the cause of surrender, suspension, or revocation;

(3) the name of each insurer authorized to do business in this state

against which delinquency or similar proceedings were instituted and, if against an insurer domiciled in this state, a concise statement of the facts with respect to each proceeding and its present status;

(4) a statement in regard to examination of rating organizations, advisory organizations, joint underwriters, and joint reinsurers as required by AS 21.39.120;

(5) the receipt and expenses of the division for the year;

(6) recommendations of the director as to amendments or supplementation of laws affecting insurance or the office of director;

(7) statistical information regarding health insurance, including the number of individual and group policies sold or terminated in the state; this paragraph does not authorize the director to require an insurer to release proprietary information;

(8) the annual percentage of health claims paid in the state that meets the requirements of AS 21.36.128(a) and (d); [AND]

(9) **the total amount of contributions reported and the total amount of credit claimed under AS 21.89.070 and 21.89.075; and**

(10) other pertinent information and matters the director considers proper.

* **Sec. 2.** AS 21.89.070(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

* **Sec. 3.** AS 21.89.070(a), as amended by sec. 2 of this Act, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

* **Sec. 4.** AS 21.89.070(b) is amended to read:

(b) The amount of the credit is [THE LESSER OF

(1)] an amount equal to

(1) [(A)] 50 percent of contributions of not more than $100,000;

(2) [AND (B)] 100 percent of the next **$200,000** [$100,000] of contributions; **and**

(3) 50 percent of the amount of contributions that exceed $300,000

[OR

(2) 50 PERCENT OF THE TAXPAYER'S TAX LIABILITY UNDER THIS TITLE].

* **Sec. 5.** AS 21.89.070(b), as amended by sec. 4 of this Act, is amended to read:

(b) The amount of the credit is **the lesser of**

(1) an amount equal to

(A) [(1)] 50 percent of contributions of not more than $100,000; **and**

(B) [(2)] 100 percent of the next **$100,000** [$200,000] of

contributions; **or**

(2) 50 percent of the taxpayer's tax liability under this title [AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

* **Sec. 6.** AS 21.89.070(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under more than one provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

* **Sec. 7.** AS 21.89.070(d), as amended by sec. 6 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under more than one provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

* **Sec. 8.** AS 21.89.070 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under AS 21.09.210 or AS 21.66.110 to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded,

transferred, or applied in a subsequent tax year.

*** Sec. 9.** AS 21.89.075(c) is amended to read:

(c) A contribution claimed by a taxpayer as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under more than one provision of this title;

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000]; or

(3) be claimed as a credit unless the contribution qualifies for the credit under (d) of this section.

*** Sec. 10.** AS 21.89.075(c), as amended by sec. 9 of this Act, is amended to read:

(c) A contribution claimed by a taxpayer as a credit under this section may not

(1) be the basis for a credit claimed under more than one provision of this title;

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073]; or

(3) be claimed as a credit unless the contribution qualifies for the credit under (d) of this section.

*** Sec. 11.** AS 21.89.075 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under AS 21.09.210 to below zero for any tax year. An unused credit or portion of a credit

not used under this section for a calendar year may not be sold, traded, transferred, or applied in a subsequent calendar year.

* **Sec. 12.** AS 43.05.010 is amended to read:

Sec. 43.05.010. Duties of commissioner. The commissioner of revenue shall

(1) exercise general supervision and direct the activities of the Department of Revenue;

(2) supervise the fiscal affairs and responsibilities of the department;

(3) prescribe uniform rules for investigations and hearings;

(4) keep a record of all departmental proceedings, record and file all bonds, and assume custody of returns, reports, papers, and documents of the department;

(5) adopt a seal and affix it to each order, process, or certificate issued by the commissioner;

(6) keep a record of each order, process, and certificate issued by the commissioner, and keep the record open to public inspection at all reasonable times;

(7) hold hearings and investigations necessary for the administration of state tax and revenue laws;

(8) except as provided in AS 43.05.405 - 43.05.499 and in AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the Department of Revenue and enter orders on the appeals that are final unless reversed or modified by the courts;

(9) issue subpoenas to require the attendance of witnesses and the production of necessary books, papers, documents, correspondence, and other things;

(10) order the taking of depositions before a person competent to administer oaths;

(11) administer oaths and take acknowledgments;

(12) request the attorney general for rulings on the interpretation of the tax and revenue laws administered by the department;

(13) call upon the attorney general to institute actions for recovery of unpaid taxes, fees, excises, additions to tax, penalties, and interest;

(14) issue warrants for the collection of unpaid tax penalties and

interest and take all steps necessary and proper to enforce full and complete compliance with the tax, license, excise, and other revenue laws of the state;

(15) **report to the legislature before February 15 of each year the total amount of contributions reported and the total amount of credit claimed during the previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, and AS 43.77.045** [REPEALED].

*** Sec. 13.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

*** Sec. 14.** AS 43.20.014(a), as amended by sec. 13 of this Act, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

* **Sec. 15.** AS 43.20.014(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

* **Sec. 16.** AS 43.20.014(b), as amended by sec. 15 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

* **Sec. 17.** AS 43.20.014(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

* **Sec. 18.** AS 43.20.014(d), as amended by sec. 17 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this

title;

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

(3) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

*** Sec. 19.** AS 43.20.014 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

*** Sec. 20.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

*** Sec. 21.** AS 43.55.019(a), as amended by sec. 20 of this Act, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this

chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

*** Sec. 22.** AS 43.55.019(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

*** Sec. 23.** AS 43.55.019(b), as amended by sec. 22 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

*** Sec. 24.** AS 43.55.019(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014,

AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

*** Sec. 25.** AS 43.55.019(d), as amended by sec. 24 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.56.018, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

*** Sec. 26.** AS 43.55.019 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

*** Sec. 27.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

* **Sec. 28.** AS 43.56.018(a), as amended by sec. 27 of this Act, is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

* **Sec. 29.** AS 43.56.018(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

* **Sec. 30.** AS 43.56.018(b), as amended by sec. 29 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

* **Sec. 31.** AS 43.56.018(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

* **Sec. 32.** AS 43.56.018(d), as amended by sec. 31 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.65.018, AS 43.75.018, or AS 43.77.045, result in the total amount of credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

* **Sec. 33.** AS 43.56.018 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

* **Sec. 34.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

*** Sec. 35.** AS 43.65.018(a), as amended by sec. 34 of this Act, is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

*** Sec. 36.** AS 43.65.018(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

*** Sec. 37.** AS 43.65.018(b), as amended by sec. 36 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

*** Sec. 38.** AS 43.65.018(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.75.018, or AS 43.77.045, **result in the total amount of the credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

*** Sec. 39.** AS 43.65.018(d), as amended by sec. 38 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.75.018, or AS 43.77.045, result in the total amount of the credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

*** Sec. 40.** AS 43.65.018 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under

this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

*** Sec. 41.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

*** Sec. 42.** AS 43.75.018(a), as amended by sec. 41 of this Act, is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

* **Sec. 43.** AS 43.75.018(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

* **Sec. 44.** AS 43.75.018(b), as amended by sec. 43 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

* **Sec. 45.** AS 43.75.018(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.77.045, **result in the total amount of the credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

* **Sec. 46.** AS 43.75.018(d), as amended by sec. 45 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.77.045, result in the total amount of the credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A

MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

* **Sec. 47.** AS 43.75.018 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

* **Sec. 48.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses**,** [AND] programs**, and facilities** by a school district in the state; [AND]

(3) **for vocational education courses, programs, and facilities** by a state-operated vocational technical education and training school**; and**

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association.

* **Sec. 49.** AS 43.77.045(a), as amended by sec. 48 of this Act, is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses **and** [,] programs [, AND FACILITIES] by a school district in the state; **and**

(3) [FOR VOCATIONAL EDUCATION COURSES, PROGRAMS, AND FACILITIES] by a state-operated vocational technical education and training school [; AND

(4) FOR A FACILITY BY A NONPROFIT, PUBLIC OR PRIVATE, ALASKA TWO-YEAR OR FOUR-YEAR COLLEGE ACCREDITED BY A REGIONAL ACCREDITATION ASSOCIATION].

*** Sec. 50.** AS 43.77.045(b) is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; [AND]

(2) 100 percent of the next **$200,000** [$100,000] of contributions**; and**

(3) 50 percent of the amount of contributions that exceed $300,000.

*** Sec. 51.** AS 43.77.045(b), as amended by sec. 50 of this Act, is amended to read:

(b) The amount of the credit is

(1) 50 percent of contributions of not more than $100,000; **and**

(2) 100 percent of the next **$100,000** [$200,000] of contributions [; AND

(3) 50 PERCENT OF THE AMOUNT OF CONTRIBUTIONS THAT EXCEED $300,000].

*** Sec. 52.** AS 43.77.045(d) is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be **the basis for a credit** claimed [AS A CREDIT] under another provision of this title; and

(2) when combined with **contributions that are the basis for** credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.75.018, **result in the total amount of the credits exceeding $5,000,000; if the taxpayer is a member of an affiliated group, then the total amount of credits may not exceed $5,000,000 for the affiliated group; in this paragraph, "affiliated group" has the meaning given in AS 43.20.073** [EXCEED $150,000].

* **Sec. 53.** AS 43.77.045(d), as amended by sec. 52 of this Act, is amended to read:

(d) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; and

(2) when combined with contributions that are the basis for credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.75.018, result in the total amount of the credits exceeding **$150,000** [$5,000,000; IF THE TAXPAYER IS A MEMBER OF AN AFFILIATED GROUP, THEN THE TOTAL AMOUNT OF CREDITS MAY NOT EXCEED $5,000,000 FOR THE AFFILIATED GROUP; IN THIS PARAGRAPH, "AFFILIATED GROUP" HAS THE MEANING GIVEN IN AS 43.20.073].

* **Sec. 54.** AS 43.77.045 is amended by adding a new subsection to read:

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

* **Sec. 55.** AS 21.06.110(9); AS 21.89.070(f), 21.89.075(f); AS 43.05.010(15); AS 43.20.014(f); AS 43.55.019(f); AS 43.56.018(f); AS 43.65.018(f); AS 43.75.018(f); and AS 43.77.045(f) are repealed.

* **Sec. 56.** Sections 1, 2, 4, 6, 8, 9, 11 - 13, 15, 17, 19, 20, 22, 24, 26, 27, 29, 31, 33, 34, 36, 38, 40, 41, 43, 45, 47, 48, 50, 52, and 54 of this Act take effect January 1, 2011.

* **Sec. 57.** Except as provided in sec. 56 of this Act, this Act takes effect January 1, 2014.

2011 Legislation

SB 84 (Ch 7 FSSLA 11) – Education Tax Credit.

This legislation extended the expiration date of the $5 million annual credit limit from January 1, 2014 to January 1, 2021, and expanded the type of contributions eligible for the credit.

Cash contributions to the following now qualify for the Education Tax Credit:

- For an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association
- For Alaska Native cultural or heritage programs provided by a nonprofit agency for educational support, including mentoring and tutoring, to in-state grades K – 12 public school staff and students
- For education, research, rehabilitation, and facilities by an in-state institution that qualifies as a coastal ecosystem learning center under the Coastal American Partnership that provides education, research and rehabilitation

This legislation became effective on July 1, 2011.

SB 204

<TARGET><BILL>SB 204</BILL><SUBJECT>SB 204</SUBJECT><COMM>SCRA27</COMM></TARGET>

Community Quota Entity Program (CQE)



Community Quota Entities (CQEs) are non-profit entities incorporated under the laws of the State, or tribal regulations in the case of one of the communities, to represent eligible communities. The CQEs obtain Quota Shares (QS) by transfer and hold the QS and lease the resulting annual IFQ to individual community residents. Unless otherwise specified, the restrictions that apply to any current QS holder apply to a CQE. CQEs, however, are subject to additional regulatory requirements beyond those applying to existing QS holders. A CQE could represent more than one eligible community. However, no community can be represented by more than one CQE.

This provision minimizes confusion and ensures effective and efficient administration of the program. To be considered eligible to hold QS on behalf of a community, a CQE must have been incorporated after April 10, 2002, the date of final Council action. The Council stated that the purpose of designating a new non-profit entity to hold QS is that existing administrative structures such as municipal governments, tribal councils, or other community organizations may be focused on other priorities. The Council also recommended that a non-profit organization provide proof of support from the community that it is seeking to represent. This support must be demonstrated in the application by a non-profit organization to become eligible as a CQE. The specific mechanism for the community to demonstrate its support for a CQE is described in the Administrative Oversight section of this preamble. Once an application to become a CQE has been approved, then that CQE is eligible to hold and receive QS, and lease IFQ to eligible community residents under the mechanisms established by this rule. If a CQE does not remain in compliance with the regulations applying to CQEs or IFQ holders generally, then NMFS can initiate administrative proceedings to deny the transfer of QS or IFQ to or from the CQE. As with other administrative determinations under the IFQ Program, any such determination could be appealed under the procedures set forth in regulations (50 CFR 679.43). The Council recommended regulatory measures, described below, as a means to monitor the ability of the non-profit entities to meet the goals of distributing IFQ among residents in these GOA communities.

Eligible Communities

Gulf of Alaska communities eligible to participate in this program must meet all the following criteria:

- have a population of less than 1,500 persons based on the 2000 United States Census;
- have direct saltwater access;
- lack direct road access to communities with a population greater than 1,500 persons;
- have historic participation in the halibut and sablefish fisheries; and
- be specifically designated on a list adopted by the Council and included in this rule (see Table 21 to part 679).

If a community appears to meet the eligibility criteria but is not specifically designated on the list of communities adopted by the Council, then that community must apply directly to the Council

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to be included. In this event, the Council may modify the list of eligible communities adopted by the Council through a regulatory amendment. Under this action, a total of 42 communities in the GOA qualify as eligible to purchase QS. These eligible communities may designate a new nonprofit entity to hold QS on behalf of that community.

Related Links

Community Profiles

Frequently Asked Questions

Commercial Fishing Loan Fund

CQE Program Final Rule for Amendment 66

North Pacific Fishery Management Council (NPFMC)

SB387

Amending the IFQ Program for Gulf of Alaska Coastal Communities

National Marine Fisheries Service

Community Quota Entity Program (CQE)

Program Requirements Summary

- Eligibility for leasing of IFQ resulting from community owned QS shall be limited to residents of the eligible community.
- Communities must submit an application to NMFS and describe how their use of quota share will comply with program guidelines. The applications must maximize benefit from use of community IFQ for crew members that are community residents, insure that benefits are equitably distributed throughout the community, and insure that quota share allocated to an eligible community entity will not be held and unfished.
- A detailed statement of eligibility must be submitted to NMFS including a certificate of incorporation, verification as a qualified entity, documentation demonstrating accountability to the community, and an explanation of how community entity intends to implement performance criteria.
- A detailed Annual Report must be submitted to NMFS including a summary of business, employment, and fishing activities under the program, a discussion of corporate structure of entity, specific step taken to meet the performance standards, and a discussion of known impact to resources in the area.
- Communities represented by CQE's cumulatively would be limited to holding a maximum of 3% of the total halibut and sablefish QS in each area in area for the first seven years of program, with a 21% total by area.
- Restrictions would apply to QS transfer by CQE outside the program to ensure the goals of program are met.
- Communities participating in this program must adhere to performance standards established by NMFS in regulation.

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Community Quota Entity Program (CQE)

Eligible Communities

- Eligible Gulf of Alaska Communities include rural communities with a population of less than 1,500 people, lack of direct road access, direct access to saltwater, and have historic participation in the halibut and sablefish fisheries.

- There are 42 eligible communities with13,030 residents in the Gulf of Alaska. The eligible communities are listed below by region.

21 communities in Southeast Alaska: Angoon, Coffman Cove, Craig, Edna Bay, Elfin Cove, Gustavus, Hollis, Hoonah, Hydaburg, Kake, Kassan, Klawock, Metlakatla, Meyers Chuck, Pelican, Point Baker, Port Alexander, Port Protection, Tenakee Springs, Thorne Bay, and Whale Pass. Total population is 8,119 residents.

14 communities in Southcentral Alaska: Akhiok, Chenega Bay, Halibut Cove, Karluk, Larsen Bay, Nanwalek, Old Harbor, Ouzinkie, Port Graham, Port Lions, Seldovia, Tatitlek, Tyonek, and Yakutat. Total population is 2,711 residents.

7 communities in Southwest Alaska: Chignik, Chignik Lagoon, Chignik Lake, Ivanof Bay, King Cove, Perryville, and Sand Point. Total population is 2,200 residents.

- Implementing this proposal will require NMFS review of CQE applications for eligibility and an Annual Report by January 31 detailing the use of Quota Share (QS) by the CQE and community residents to insure compliance with purpose of program. DCED will have 30 days to provide comments to NMFS.

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Services Webmaster

Community Quota Entity Program (CQE)

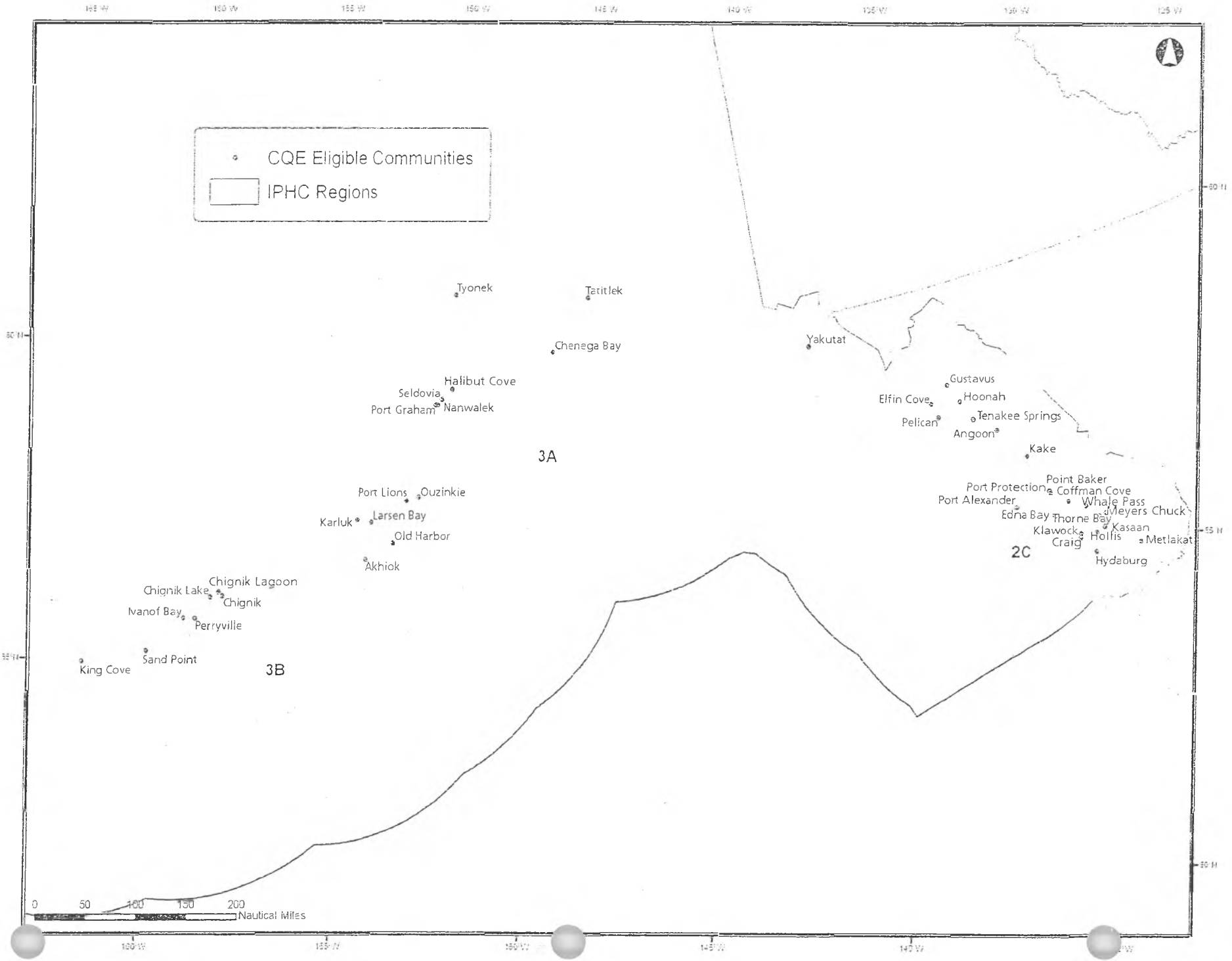
State Involvement

- DCED fully supported SB 387 which passed the House and Senate this legislative session pending signature from the governor. The bill allows the Alaska Department of Economic Development, Financing Section to provide a loan program for CQE's to purchase halibut and sablefish IFQ's.
- The CQE Program is a federal program administered by NMFS, but the state will provide assistance to elibilble communities from three divisions within the Department of Commerce, Community, and Economic Development.
  - The Division of Banking, Securities, and Corporations will be able to answer questions regarding how to setup a non-profit corporation. The Division of Banking, Securities, and Corporations home page is: http://www.commerce.state.ak.us/bsc/home.htm
  - The Division of Community Advocacy will be able to answer questions regarding sample by-laws and provide a non-profit corporation handbook with ideas regarding how to setup a non-profit corporation. The Division of Community Advocacy home page is: http://www.commerce.state.ak.us/dca/
  - The Department of Economic Development, Financing Section will be able to provide loan applications and explain the application requirements to obtain financing for halibut and sablefish IFQ's. The Financing Section home page is: http://www.commerce.state.ak.us/investments/index.cfml
- Eligible communities can contact DCED to schedule workshops regarding the CQE program.

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CQE Eligible Communities
IPHC Regions
Tyonek
Tatitlek
Chenega Bay
Halibut Cove
Seldovia
Port Graham
Nanwalek
Yakutat
Gustavus
Elfin Cove
Hoonah
Pelican
Tenakee Springs
Angoon
Kake
3A
Point Baker
Port Protection
Coffman Cove
Port Alexander
Whale Pass
Meyers Chuck
Edna Bay
Thorne Bay
Kasaan
Klawock
Craig
Hollis
Metlakat
Hydaburg
2C
Port Lions
Ouzinkie
Karluk
Larsen Bay
Old Harbor
Akhiok
Chignik Lagoon
Chignik Lake
Chignik
Ivanof Bay
Perryville
Sand Point
King Cove
3B
0
50
100
150
200
Nautical Miles

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

Session
Alaska State Capitol, Rm. 508
Juneau, AK 99801
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Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

	Current Law	SB 204
Down Payment	20%	5%
Interest Rate	Fixed at 2% above prime; not to exceed 10.5%	Fixed at 2% above prime; not to exceed 10.5%
Loan Term	15 years max	25 years max
Loan Limit	$2 million max	$1 million max
Payment Deference	None	Up to 10 years

ALASKA STATE LEGISLATURE

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Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

SPONSOR STATEMENT
SB 204 - LOANS TO CQE / PERMITS

The Community Quota Entity (CQE) program was developed in 2004 by the federal North Pacific Fishery Management Council to help communities maintain and build involvement in the halibut and black cod longline fisheries. The CQE program provided the legal opportunity for communities to form non-profit organizations to purchase individual fishing quota (IFQ), anchoring fishery participation in these coastal communities. In response, the 23rd Legislature modified the Commercial Fishing Revolving Loan Fund to provide authorization to finance fishing quota for CQEs.

Despite the Alaska Legislature's initial efforts to provide financing to the communities, only one of 42 eligible communities have procured quota share to date. In fact, small coastal communities continue to see a significant out-migration of fisherman and quota shares, leaving them with limited or no access to fisheries occurring just off their shores.

Senate Bill 204 will modify the financial instruments the state has previously provided, to assist communities to participate in the program and bolster their economies. By establishing an independent revolving loan fund modeled upon the existing Commercial Fishing Revolving Loan Fund, SB 204 will enable the state to structure a successful loan program that supports rural community development and strengthens Alaska's coastal regions.

An active commercial fishing fleet in a rural community employs residents, provides tax revenues, and spends income locally, which has a substantial multiplier effect in small communities. This piece of legislation is an important tool to support rural coastal communities and develop sustainable economies throughout the state.

SB 204 – Sectional

AS 16.10 is Fisheries & Fishing regulations
AS 16.10.300 thru 16.10.370 is Commercial fishing Loan Act

SECTION 1 16.10.320(a) LIMITATIONS ON LOANS

is amended to reflect the new subsection created in Section 3.

SECTION 2 16.10.320(j) LIMITATIONS ON LOANS

is amended to reflect the creation of the CQE Revolving Loan Fund created in Section 6.

SECTION 3 16.10.320 LIMITATIONS ON LOANS

ok #

adds a new section to set specific terms of any loan to a CQE.

SECTION 4 16.10.340 CREATION OF FUND

is amended to add conforming language that severs the Commercial Fishing Revolving Loan Fund from the new CQE Revolving Loan Fund created in Section 6.

SECTION 5 16.10.342(c) SPECIAL ACCOUNT ESTABLISHED

is amended to add conforming language that further severs the Commercial Fishing Revolving Loan Fund from the new CQE Revolving Loan Fund created in Section 6.

SECTION 6 16.10.345 CQE REVOLVING LOAN FUND

adds a new section to create the CQE Revolving Loan Fund.

SECTION 7 16.10.350(a) ADMINISTRATION OF FUND

is amended to delineate that the Commissioner will also administer the CQE fund.

SECTION 8 EFFECTIVE DATE

Commerce Com

7/1/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 204**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB204-DCCED-DED-02-25-12
Title: LOANS TO COMMUNITY QUOTA ENTITIES/PERMITS
Sponsor: Senate Community and Regional Affairs
Requester: Senate Community and Regional Affairs

Dept. Affected: DCCED
Appropriation: Investments
Allocation: Investments
OMB Component Number: 383

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	83.7		93.8	93.8	93.8	93.8	93.8
Travel	7.0		7.0	7.0	7.0	7.0	7.0
Services	10.0		10.0	10.0	10.0	10.0	10.0
Commodities	5.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**105.7**	**0.0**	**111.8**	**111.8**	**111.8**	**111.8**	**111.8**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	105.7						
1005	GF/Prgm (DGF)							
[illegible]7	GF/MH (UGF)							
[illegible]78	temp code (UGF)			111.8	111.8	111.8	111.8	111.8
TOTAL		**105.7**	**0.0**	**111.8**	**111.8**	**111.8**	**111.8**	**111.8**

POSITIONS							
Full-time	**1**		1	1	1	1	1
Part-time							
Temporary							

CHANGE IN REVENUES							

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

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

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

This is the initial fiscal note for SB204

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 2/25/12 4:30 PM
[illegible]proved by: JoEllen Hanrahan, Director Administrative Services — Date: 2/26/2012
Commerce, Community and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 204
12 LEGISLATIVE SESSION

Analysis

Community Quota Entity Revolving Loan Fund – This fiscal note funds the Division of Economic Development (DED) operating costs associated with the Community Quota Entities (CQE) loan program. This program will provide long term, low interest loans to promote the development of CQE in small coastal communities in an effort to improve their economies by increasing fishing opportunities for residents through leased fishing rights.

The fund will be set up as a revolving loan fund with all principal and interest loan repayments, fees, and investment earnings returned and retained by the fund to ensure growth that would provide for future lending and administrative expenses. Based on capitalization, CQE Revolving Loan Fund (RFL) is anticipated to be the third largest fund in the DED portfolio. The fund will serve a borrower population of 42 eligible CQE organizations.

CQE RLF will most closely parallel the Fisheries Enhancement fund. Based on many years of experience in this lending area, the Division bases its projections on each loan taking a full month to process. A substantial level of advance work and due diligence will be required for each loan, and the ongoing servicing, given the specialized features of the fund. These loans will be to newly formed non-profits rather than to individuals. In addition, the halibut and sablefish fisheries are federal fisheries managed through an international treaty. And, although the Division finances quota for the open access fishery under the Commercial Fisheries program, the CQE program is managed under the Restricted Access Management program and this structure is likely to introduce additional complexity to the lending and servicing process.

Operating expenses will be paid from earnings of the fund. The cost projections provided include personal services for a Loan/Collection Officer I for one year training then flexed to a II in succeeding years, and initial program expenses for supplies, equipment, community outreach travel, and annual contractual core services cost. The new position is needed due to the complexity of the proposed loans and the anticipated interaction required with the Community Quota Entities to service the loans.

We are estimating ten loans each year for the first four years and then five loans each year thereafter with repayments, fees, and earnings providing the necessary cash flow to maintain future lending.

Memorandum

To: Curtis Thayer, Deputy Commissioner

Wynetta Ayers , Director Division of Economic Development

From : Duncan Fields

Shoreside Consulting

Date: March 1, 2012

RE: HB 141 **Energizing the Community Quota Entity (CQE) Program**

In 2003 the North Pacific Fisheries Management Council recognized the need to increase fisheries access in smaller Gulf of Alaska fishery dependent communities -- those under 1,500 people and without road access. The Council understood that halibut and sablefish quota shares held in trust for community residents would have significant long term benefits. Consequently, the Council qualified 42 Gulf of Alaska communities to purchase and retain IFQ quota shares. Each qualified community needed to form a non-profit Community Quota Entity (CQE) for the acquisition and management of their quota.

About 22 communities have formed CQEs. However, the expected rural development benefits from the program have not been realized. The market costs of acquiring quota shares has increased significantly to about $34.00 per pound for area 3A quota or a ratio of between 5 & 6 times the exvessel value. With the current State loan program, expected annual CQE returns from fishing quota does not cover debt service and does not provide reserves for quota fluctuation. More importantly, current programs require 20% down or an 80% loan to value ratio and are limited to a 20 year term. This type of down payment and term is simply beyond the capabilities of these smaller, economically depressed, Alaska communities. Competing purchasers are able to use income from other fisheries to finance their down payment and, if needed, meet debt service. However, community CQEs don't have "other" income.

The CQE community halibut and sablefish purchase program would "cash flow" if these communities could obtain loans with a 5% down payment, 25 year term and unique interest rates that could be waived for a period of time to build up CQE reserves. (see examples) Remember, the purchased quota would remain in the community in perpetuity. Consequently, the term of the loan should be viewed differently for the CQE than for the individual. If a revised state loan program for CQE that has a low down payment, extended term, and lower interest were approved, it is likely to have significant long term economic benefits, especially jobs creation, in many of the 42 qualifying CQE communities

CQE
Background and Fact Sheet

(1) Gulf of Alaska fishing communities have a long history, in some cases hundreds of years, of economic sustainability utilizing their access to multi-species marine resources.
Many of these communities have no other economic engine than productivity from the sea.

(2) Catch share allocations or "rationalization" of fisheries within the last 15 years have resulted in significant economic loss to small fisheries dependent communities of the Gulf of Alaska to the point that economic survival is threatened.

(3) As the CDQ (Community Development Quota of Western Alaska) has illustrated, the only way to have stability for community fisheries economics is to have fishing effort anchored within the community in perpetuity through a community allocation. The Gulf of Alaska does not have a corresponding community allocation program to the highly successful CDQs who have received much of their quota as a direct allocation of annual Catch limits or of quota.

(4) Individuals in a community normally must consider family and personal needs before community needs in their decision making. Communities dependent on those decisions are much more vulnerable under a rationalized rather than an open access fishery.

(5) Years of research indicated that the 1995 Halibut and Sablefish IFQ program had resulted in a dramatic out-migration of fishing effort within isolated Gulf of Alaska fisheries-dependent communities that were under 1500 in population, at tidewater and not connected to a hub by a road system.

(6) Because the Halibut and Sablefish IFQ program was already fully allocated, it was necessary to find an alternative way for communities to hold quota. Based on the requirements of National Standard #8 of the Magnuson-Stevens Fishery Conservation and Management Act (MSA) to provide for consideration of community impacts, the Gulf of Alaska Coastal Communities Coalition (GOAC3) began petitioning the North Pacific Fishery Management Council (NPFMC) in 1999 to consider alternatives.

(7) The NPFMC passed Amendment #66 in April of 2002 that was approved by the U.S.Department of Commerce in June of 2004, creating the CQE - Community Quota Entity program - to allow 42 fishing communities in the Gulf of Alaska to form non-profit organizations eligible to purchase halibut and sablefish quota in IPHC (International Pacific Halibut Commission) Areas 3A, 3B and 2C of the Gulf of Alaska.

8) GOAC3 worked with many financing groups around Alaska and the country to help identify favorable loan options. Despite some heroic efforts, including private sector, none of the existing options worked with a CQE

economic model. The previous CQE loan program the Alaska Legislature passed in 2004 required a 35% equity match which immediately proved to be too onerous to unfunded non-profits with no collateral. Many people outside the CQE communities thought that local and regional corporations would be able to assist but there were a number of legal and economic reasons why this could not happen.

(9) Because of the lack of funding and viable loan options, the CQE program, since being implemented in 2004, has resulted in only a single purchase of a small amount of halibut quota by one CQE group.

FREQUENTLY ASKED QUESTIONS

1. WHAT IS "RATIONALIZATION" AND WHY IS IT A PROBLEM?
Rationalization is a term that describes a change from an open access fishery to a closed access system where fishermen rights to fish a specific amount of fish and no more. Rationalization provides a management system that enables those with "capital" to increase market share by acquiring IFQs. With halibut IFQs, many fishermen were able to bring "capital" from other investments and fisheries to purchase quota. However, most rural residents did not have this type of "capital" to invest. Consequently, IFQ's moved from Alaska's smaller coastal communities. Now rural residents are separated from the marine resources in proximity to their communities.

2. WHAT IS A FISHERIES-DEPENDENT COMMUNITY?
A "fishery-dependent community" is a community that is predominantly dependent on fishing - commercial, charter or other - as the primary source of income for community residents. This also tends to mean that there are few, if no, other resource options for community sustainability.

3. WHAT IS A CQE?
A CQE is a community non-profit in the Gulf of Alaska, formed after 2004 and subject to the rules and regulations of the CQE program as defined by 50 CFR Part 679, published in the Federal Register/Vol. 69, No. 84/Friday, April 30, 2004/Rules and Regulations. CQEs are authorized to be buyers of halibut and sablefish quota for lease to local community residents. There are a multitude of rules that further define the limits of purchase, how they are to be used and what is required of the CQEs for performance.

Eligible CQE Communities:

Southeastern Alaska

Angoon, Coffman Cove, Craig, Edna Bay, Elfin Cove, Gustavus, Hollis, Hoonah, Hydaburg,Kake, Kasaan, Klawock, Metlakatla, Meyers Chuck, Pelican, Point Baker,Port Alexander, Port Protection, Tenakee, Thorne Bay Southcentral and Aleutians East Alaska Akhiok, Chenega Bay, Chignik, Chignik Lagoon, Chignik Lake, Halibut Cove, Ivanof Bay,Karluk, King Cove, Larsen Bay, Nanwalek, Old Harbor, Ouzinkie Perryville, Port Graham, Port Lions, Sand Point, Seldovia, Tatitlek, Tyonek, Whale Pass, Yakutat

4. WHY IS A CQE DIFFERENT THAN AN INDIVIDUAL BUYER?
CQEs have no initial assets to use as collateral for loans and no revenue or income streams from other investments that can be used to purchase quota. The CQE is a buyer of quota but cannot fish the quota themselves. Consequently, at least 50% of the quota revenue must be paid to the "lessee".

5. HOW IS THE CDQ PROGRAM COMPARED TO THE CQE PROGRAM?
The CDQ (Community Development Quota program of Western Alaska) was actually "granted" quota without cost. The CQE must purchase quota. CDQs have been able to leverage that "gifted" allocation into additional quota and capital investments. The CQEs have nothing to leverage.

6. WHY HAVEN'T CQES BOUGHT QUOTA?
CQE groups have worked individually with their accountants and economic advisors trying to identify a loan program and/or grants that would make quota purchase viable. To date, nothing has been found and it unlikely that any traditional commercial lending institution will finance CQE quota purchases.

8. WHY CAN'T NATIVE CORPORATIONS OR TRIBAL GOVERNMENTS GUARANTEE CQE LOANS?
(a) Native corporations have a fiduciary responsibility to all their shareholders and only a fractional percentage of shareholders live in the traditional/historical community. Consequently, native corporations must be careful regarding "disproportionate distribution" of Corporate Benefits.
(b) CQEs are "community" organizations, not exclusively Native and Native Corporations have been hesitate to finance quota that may be "leased" to both non-natives and/or non-sharholders
(c) Tribal governments have further legal and financial constraints because the benefits from tribal funding are primarily limited to tribal members.

9. WHY CAN'T COMMUNITY ORGANIZATIONS FUND CQE QUOTA PURCHASE?
(a) Cities and Borough governments are not generally in the lending business and do not operate with capital reserves that can be used for CQE purchases.

10. WHAT IT THE "RIGHT" ECONOMIC MODEL AND FINANCING FOR A CQE?

Basic components of a supportive CQE loan program would be low down payment, long term and, if possible, "prime" interest rate. Our models show that this will ensure adequate cash flow to address the annual quota variables.

11.WHY ARE SOME PEOPLE OPPOSED TO THE CQE PROGRAM?

There is always a considerable amount of tension among existing or potential participants in catch share programs. The CQE program was established by federal regulation and was intended to be not only just another potential buyer but a way to bring back fishing quota to communities that were disenfranchised by the creation of a quota share program. The CQE program has had opposition from several user groups who apparently feel that additional market buyers create too much competition and therefore raise the market prices of quota even higher as well as create competition for the availability of quota. It is hoped that, over time, these objections will be laid
to rest as people realize that the social and economic health of our small communities is good for our hub communities and, in turn, good for the state of Alaska. The program, if fully funded by the legislature and quota was purchased would account for about 5% of the total quota.

12.WHY IS SUCCESSFUL DEVELOPMENT OF A CQE PROGRAM SO IMPORTANT TO PARTICIPATING COMMUNITIES AND THE STATE OF ALASKA?

(a) Most, if not all, of the CQE communities are experiencing an unprecedented loss of fishing effort that, in turn, puts their local economies at extreme risk
(b) The CQE program can potentially allow CQE communities to rebuild their fishing economies, expend their economic options and stabilize their communities long into the
future.

13.WHERE CAN I FIND MORE INFORMATION ABOUT THE CQE PROGRAM?

(a) Federal Register Final Rule for Amendment #66 to the Halibut and Sablefish IFQ program, creating the CQE program:
Federal Register/Vol. 69, No. 84/Friday, April 30, 2004/Rules and Regulation

(b) National Marine Fisheries Service / Restricted Access Management (RAM) for rules and regulations relative to the CQE program, as well as CQE applications
http://www.fakr.noaa.gov/ram/cqp.htm

(c) State of Alaska / CQE
http://www.commerce.state.ak.us/bsc/CDQ/cqe/cqe.htm

(d) North Pacific Fishery Management Council/ Review of CQE program 2010http://alaskafisheries.noaa.gov/npfmc/current_issues/halibut_issues/CQ Ereport210.pdf

HB 141
Duncan Fields' Testimony
January 17, 2011

Mr. Chairman, Fishery Committee Members

My name is Duncan Fields. I'm a consultant to several CQE communities on Kodiak Island and have worked on the structure and development of the Community Quota Entity program for almost 15 years. I've been involved in fisheries all my life. I currently serve as one of the State of Alaska's representatives on the North Pacific Fisheries Management Council. I was chairman of the Alaska Fisheries Marketing Board and a former Alaska Seafood Marketing Institute board member. Serve on the executive committee of United Fishermen of Alaska and manage a family salmon fishing operation. In other words, I'm both an active fisherman and a fisheries advocate.

I would like to first thank Representative Austerman for introducing HB 141. Discussions regarding funding for CQE's have been ongoing since the program was created in 2004 and many communities talked with Alan in his capacity as Governor's fisheries advisor as well as legislator regarding their concerns. Alan is experientially aware of the limited funding options available to CQE communities and has submitted HB 141 as the best solution to meet significant funding limitations. I trust the committee will appreciate that this bill represents several years of work regarding alternative funding for CQE purchases and the realization that a dedicated State loan program may be our only hope.

Why Community Quota Entities (CQEs)?

Limitation of State fishing licenses starting in 1973 combined with the Halibut and Sablefish IFQ program implemented in 1995 resulted in significant and accelerated loss of fishing licenses and quota shares for smaller Gulf of Alaska fishery dependent communities. For many of these communities fishing is their only economic activity. With the loss of community based permits and quota shares, families, especially young families, started leaving. Population losses initiated a downward spiral of revenue loss, essential services limitation, school teacher and school activity reductions, increased costs, expanding social issues and yet further population declines. Many of these communities have inherent social and cultural

value and are important to Alaska's overall economic health. These communities need revitalization and one approach to stabilizing the communities' economic base was to allow the community to purchase fishing quota and licenses that would then be held in trust for the community residents in perpetuity. Many community residents believe that if fishing opportunities are available, young families are more likely to remain in the community. This is the fundamental concept behind the Community Quota Entity program; the community is given the opportunity to enter the market place and purchase and hold quota shares that are then fished annually by community residents.

What is a Community Quota Entity?

It's best to understand the Community Quota Entity program by contrasting it with the Community Quota Development Program. These two acronyms sound the same but represent very different programs. First, there is no allocation of fishing quota to CQE communities. In contrast, the CDQ program enjoys an annual allocation of quota that generates substantial revenue each year. Secondly, there are no requirements that CDQ quota be fished by community residents. The basic purpose of the CQE program is to have quota fished by resident community members. CDQs are not limited in the amount of quota they can purchase and can expand freely both in and out of the fishing industry. CQEs are significantly limited both in the type of quota that can be acquired and the amount of quota that each community can purchase. In addition community residents are limited in the amount of CQE quota each individual can fish as well as the amount of quota fished on an individual vessel. In summary, and in contrast to the CDQ program, there is no annual revenue source for the CQEs and they are significantly limited in how much quota they can purchase.

When Will the CQE Program Be Successful?

Currently about half of the CQE eligible communities have formed CQEs. To form a CQE the community must come together and create a new entity. The CQE is not tribal, it is not part of the village or regional ANLCSA entity and it is not formed by the city or borough, should one exist. In short, the CQE represents all the residents of smaller fishing communities, both native and non-native. The CQEs are structured so that any resident may participate in the program. Once the community entity is formed, the CQE must adopt guidelines for distribution of quota. These guidelines might include criteria such as how many resident crewmen will be employed, how much existing quota do you have, what is your

fishing plan, experience age etc. Many CQE's favor younger community members who will be fishing in skiffs or smaller vessels. Once the distribution plan is adopted the CQE is ready to enter the IFQ market and acquire quota. When the regulatory process to form CQEs was started, halibut IFQs in Area 3-A were around $7.00 per pound. Now the same IFQs sell for about $30.00 per pound. CQEs quickly realized that they had funding issues. CQE's didn't have assets or income from other sources to put toward the down payment and with the ratio between exvessel value and quota purchase costs so high, the CQE would need a much longer time period to repay loans. In short, the reason that only one of 42, soon to be 45, CQEs has purchased quota is that they have not had to access capital for quota purchases.

Where can the CQEs go for funding?

The Gulf of Alaska Coastal Communities Coalition, Sea Grant and other entities initiated two conferences to help CQEs organize and find funding. Traditional lenders, NGOs, corporate representatives and the State attended these events. Conventional lenders were not interested in CQE loans. As one banker said, a borrower needs the 4 C's: Collateral, Capacity, Credit and Capital. CQE's lacked all four. NGO's had some funding available but it still required startup capital and the funding was limited to a 5 year term. The State quickly qualified CQEs for their existing loan programs but the terms of the program, at that time 40% down and 15 years, didn't work for the CQE's. Recently, as you may know, the State has modified its permit loan program to 20% down and 20 years. Although comes closer to what is needed for quota share purchases, it still doesn't pencil for the CQE communities (examples provided). Remember, other borrowers can bring fishing revenue or income from other assets to pay the down payment or meet debt service. However, the CQE does not have other revenue streams. Tribal funding sources are limited to programs that are tribe specific and the CQE is community based --- native and non-native alike. Finally, the ANCSA corporations were quickly advised that funding CQE could be viewed as a disproportionate distribution of dividends. Over the past 6 years CQE representatives have had numerous meetings trying to obtain funding and have not been successful to date. It appears that a State loan program may be the only answer.

How will a State Loan program like HB 141 help fund CQE quota share Purchases?

CQE's are not like individuals and consequently State of Alaska loans need to be structured to recognize the CQEs uniqueness. CQEs view quota shares differently from individuals. When the quota is purchased, it is likely to remain in the community and be fished by community members for the foreseeable future. Consequently, conventional loan terms of 15 or 20 years don't make sense for the CQE. HB 141 extends the loan term to 25 years. I would like to committee to also consider a 30 year term to further smooth debt repayment. Remember, we're not talking about the career or earning curve of an individual but the long term use of quota in the community. As mentioned previously, CQEs don't have start up capital for down payments and don't have alternative revenue sources to "bring to the table". Consequently, a CQE loan program must have low initial capital requirements. HB 141 provides for a 5% initial down payment with a 95% debt to equity ratio. Although this may still be a barrier for some CQE's, the 5% down provision makes program participation much more likely.

HB 141 provides the conventional "prime plus 2%" interest rate used in existing State quota share loan programs. The committee may want to consider the "prime" or a "prime plus 1%" interest rate used by the State in other loan programs that encourage economic development. A slightly lower interest rate would further incentivize CQE participation. Finally, CQEs borrowing money from the State must have the opportunity to build up some reserves so that annual quota fluctuations (recently a reduction of 28% in area 3A) don't interrupt revenue flow to the extent that the CQE can't make its payments. HB 141's suspension of interest payments for up to 10 years provides the time needed for the CQE to build reserves. In summary, HB 141 is carefully crafted to meet the specific and unique financing needs of the CQEs.

Who will oppose a State of Alaska loan program specific to CQEs?

Opposition to the CQE program has always come from individuals or fishing organizations that don't want competition for the purchase of fishing quota shares. They believe that CQE's will "drive the price of quota shares up" and their personal economic interests will be harmed. Those fears have not been realized and it is unlikely that the loan program proposed in HB 141 will substantially impact the quota share market. Let me give some perspective. If each CQE community qualified for the maximum loan amount under HB 141 of $1,000,000, they could each buy approximately 30,000# of quota or

cumulatively about 1.3 million pounds of quota. This is less than 5% of the quota held by individual in areas 2C, 3A and 3B and far less than the 21% authorized by the NPFMC when creating the CQE program. In addition, 30,000# of quota is only about 20% of what the CQE's individual community limit of approximately 150,000#. In other words, the CQE loan program may have some impact in the market place but it is highly, unlikely because of substantial regulatory limitations, that the impact would be significant.

Other fishermen may argue that it is inequitable for communities to have loan opportunities that individuals don't have. The CQE program was created to address economic development and revitalization needs in communities and to mitigate adverse economic community impacts from regulatory fishery management changes. The CQEs are purchasing quota for use by a defined set of individuals residing in rural Alaska communities. Any suggested inequities created by the loan program need to be seen in light of the historical inequities experienced by Alaska communities when the IFQ halibut and Sablefish management program was put in place.

In closing let me say that HB 141 is a carefully crafted piece of legislation to meet a significant and real need by 45 smaller, isolated, fishery dependant, Alaska communities. It will not solve all community issues nor will it solve all the challenges the CQEs face. Nevertheless, it will go a long way toward creating a positive partnership between the State of Alaska and fishery dependent communities to provide jobs and economic opportunity. The State's investment is the CQE program is likely to pay significant dividends over time --- both in loan repayment and community health.

HALIBUT "CQE-Model" - *Community Based Quota Entity Model* - ***WITH HB 141***

Calculations are based on % of ex-vessel sales prices

Quota Shares to Pounds Conversion

Quota Shares Purchased	272,000
QS:IFQ Ratio	9.2502
Pound Equivalent	29,405
IPHC Region to be analyzed	
Landed Price / Ex-vessel Sales Price $$ per pound	$ 6.00
NMFS Management Fee %	3%
Net Revenue per Quota Pounds Fished	$ 5.82

Community Quota Entity Input Field

Purchase cost of Quota per harvestable pound	$ 34.00
Total Quota Purchase Price	$ 999,762.17
Deferred Interest and payments for # years	0
Down Payment on Quota Shares as X%	5.00%
Down Payment Amount	$ 49,988.11
Debt Svc / Financing Cost (Percentage/rate)	5.50%
Loan Amortization period (# years)	25
Total Annual Quota Debt Service / Financing Cost	$70,805.04
Accumulated Deferred Interest	$0.00
Total Accumulated Deferred Pmts	$0.00
Administration costs (enter as % Revenue or $#,### Amt)	0.10
Projected Quota Harvest Decline (from Harvestdata worksheet)	
Deferred Interest Compounds Y for yes, N for No	N

Leasee (Fisherman) Quota revenue share

IFQ Holder Gross (all pounds fished)		$ 97,035.74
Fuel		$ 10,793.61
Provisions		$ 1,126.41
Bait		$ 19,352.75
Crew Share (each gets 9% of net:revenue - expenses)	27%	$ 17,756.00
Net to Leasee / Fisherman w/boat		**$ 48,006.97**

Community Quota Entity Share Returns

	%	
Community Quota Share (As a percent of landed/ex-vessel $)	45%	$ 79,392.88
Quota Leasee (Fisherman) Share	55%	$ 97,035.74
CQE Gross Quota Receipts		$ 79,392.88
Less:		
Community Quota Entity Admin/Overhead Cost		$ 7,939.29
Total Annual Quota Debt Service / Financing Cost		$ 70,805.04
Community Quota Entity Net Profits		$ 648.55

HALIBUT "CQE-Model" - *Community Based Quota Entity Model* - *Current State Loan Program*

Calculations are based on % of ex-vessel sales prices

Quota Shares to Pounds Conversion

Quota Shares Purchased	272,000
QS:IFQ Ratio	9.2502
Pound Equivalent	29,405
IPHC Region to be analyzed	
Landed Price / Ex-vessel Sales Price $$ per pound	$ 6.00
NMFS Management Fee %	3%
Net Revenue per Quota Pounds Fished	$ 5.82

Community Quota Entity Input Field

Purchase cost of Quota per harvestable pound	$ 34.00
Total Quota Purchase Price	$ 999,762.17
Deferred Interest and payments for # years	0
Down Payment on Quota Shares as X%	20.00%
Down Payment Amount	$ 199,952.43
Debt Svc / Financing Cost (Percentage/rate)	5.50%
Loan Amortization period (# years)	20
Total Annual Quota Debt Service / Financing Cost	$66,927.54
Accumulated Deferred Interest	$0.00
Total Accumulated Deferred Pmts	$0.00
Administration costs (enter as % Revenue or $#,### Amt)	0.10
Projected Quota Harvest Decline (from Harvestdata worksheet)	
Deferred Interest Compounds Y for yes, N for No	N

Leasee (Fisherman) Quota revenue share

IFQ Holder Gross (all pounds fished)		$ 97,035.74
Fuel		$ 10,793.61
Provisions		$ 1,126.41
Bait		$ 19,352.75
Crew Share (each gets 9% of net:revenue - expenses)	27%	$ 17,756.00
Net to Leasee / Fisherman w/boat		**$ 48,006.97**

Community Quota Entity Share Returns

	%	
Community Quota Share (As a percent of landed/ex-vessel $)	45%	$ 79,392.88
Quota Leasee (Fisherman) Share	55%	$ 97,035.74
CQE Gross Quota Receipts		$ 79,392.88
Less:		
Community Quota Entity Admin/Overhead Cost		$ 7,939.29
Total Annual Quota Debt Service / Financing Cost		$ 66,927.54
Community Quota Entity Net Profits		$ 4,526.05

SB 225

<TARGET><BILL>SB 225</BILL><SUBJECT>SB 225</SUBJECT><COMM>SCRA27</COMM></TARGET>

Senator Donald C. Olson

Alaska State Legislature

Sponsor Statement for Senate Bill 225: Endow Alaska Grant Fund

The purpose of the Endow Alaska program is to provide dollar for dollar challenge funds to support growth of community foundations around Alaska. Community foundations, through endowed funds, can support a breadth of social and cultural objectives in any community, and provide perpetual revenue streams one-time gifts. Research and practice show that matching funds—also known as challenge grants—make a meaningful difference in motivating donors. They have long been a cornerstone of fundraising strategies to enhance community giving.

SB 225 envisions an annual grant to a "lead philanthropic organization," defined as a statewide organization that adheres to nationally recognized standards for charitable foundations. Under the program the lead philanthropic organization would, in turn, offer challenge grants to community foundations to help spur local philanthropy with a 1-to-1 match for every dollar raised. The result is that state dollars would leverage local giving, for a triple benefit: growing a culture of philanthropy in Alaska communities; improving communities' self-reliance as a result; and creating a mechanism whereby single-year state appropriations can create perpetual financial tools to benefit to Alaskans.

Through SB 225, existing community foundations will have the opportunity to build their asset base and local support, and communities without existing foundations will have a valuable tool for getting endowed funds in place to support local priorities. Existing Alaska community foundations are numerous and spread throughout the state

.

- Chilkat Valley Community Foundation (Haines/Klukwan)
- Jessica Stevens Community Foundation (Talkeetna and Upper Susitna Region)
- Kenai Peninsula Foundation
- Petersburg Community Foundation
- Seward Community Foundation
- The Homer Foundation
- The Juneau Community Foundation
- Arctic Slope Community Foundation (there are separate funds for each Arctic Slope community, as well)
- Chugiak/Eagle River Foundation
- Bethel Community Services Foundation
- North Star Community Foundation (Fairbanks area)

There are also another half-dozen communities in Alaska that are currently, actively exploring the establishment of local community foundations.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB 225**
Fiscal Note Number
() Publish Date

Identifier (file name) SB225-DCCED-DCRA-03-16-12
Title ESTABLISH ENDOW ALASKA GRANT PROGRAM
Sponsor Senate Community & Regional Affairs
Requester Senate Community & Regional Affairs

Dept. Affected DCCED
Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
OMB Component Number 2879

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Initial version

Prepared by Scott Ruby, Director — Phone (907) 269-4569
Division Community and Regional Affairs — Date/Time 3/18/12 11:15am
Approved by JoEllen Hanrahan, Director Administrative Services — Date 3/18/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 225

Analysis

Bill Summary: This bill would establish a new program, the Endow Alaska program. The program would identify a private non-profit as a Lead Philanthropic Organization. The state would provide funding to this entity which in turn would offer challenge grants to community foundations to help spur local philanthropy with a one-to-one match for every dollar raised.

The department would need to enact regulations to implement this program, and solicit, select, and award a grant to a Lead Philanthropic Organization on a yearly or periodic basis.

It is anticipated that the department can do this with existing staff resources.

A capital appropriation is necessary to provide funding for the department to make grants under this program. The capital appropriation amount is unknown at this time.

Senator Donald C. Olson

Alaska State Legislature

Bill Analysis

Sec 44.33.150, page 1 lines 6 through 13 of the bill establishes the Endow Alaska Grant Program in the Department of Commerce, Community and Economic Development. It gives the department the power to grant state funds to a "lead philanthropic entity" in Alaska, to be further granted to community foundations and community affiliate organizations to build their permanent endowed funds.

Section 44.33.160, page 1 line 14 through page 2 line 9 describes the requirements for an organization to be qualified as a "lead philanthropic entity" or a "community foundation" under this program.

Section 44.33.170, page 2 lines 10 through page 2 line 29 describes factors that the lead philanthropic entity should consider when considering applications for funding; and describes the community foundations and community affiliate organizations that are eligible to receive funding.

Section 44.33.180, page 2 lines 30 through page 3 line 6 sets limits on the size and distribution of Endow Alaska grants, and describes the allowable administrative fees for the program.

Section 44.33.190, page 3 lines 7 through 20 provides statutory definitions.

Alaska's Community Foundation Structure

Independent Community Foundations

These foundations hold their own funds and bear fiduciary responsibility for them, and handle local grantmaking and fundraising.

- Alaska Community Foundation
- The Homer Foundation
- The Juneau Community Foundation
- Arctic Slope Community Foundation
- Chugiak/Eagle River Foundation
- Bethel Community Services Foundation
- North Star Community Foundation

Alaska Community Foundation (ACF) is the largest, holding funds from around the state

- Funds include **community foundation affiliates**
    - Affiliates have local boards that control grantmaking and identify local priorities, as well as lead local fundraising efforts.
        - Chilkat Valley Community Foundation (Haines/Klukwan)
        - Jessica Stevens Community Foundation (Talkeetna and Upper Susitna Region)
        - Kenai Peninsula Foundation
        - Petersburg Community Foundation
        - Seward Community Foundation
    - ACF has the fiduciary responsibility and handles the grants administration.
    - ACF also has **community foundation partners**
        - These are independent foundations (Homer Community Foundation and Juneau Community Foundation) that have deposited a portion of their endowments with the ACF.

Information on Endow Iowa and Endow Kentucky.

Endow Iowa operated a grant program such as is envisioned in Alaska, as well as a tax credit program. The grant program was defunded after 5 years, once community foundation infrastructure was strengthened and contributions started to take off. The tax credit remains in place.

Grant Program Results:

	Challenge Amount	Number of Grants
2005	$50,000	6
2006	$50,000	3
2007	$50,000	3
2008*	$50,000	4
** After 2008, the program transitioned to tax credit only*		

Program Successes (Grant plus Tax Credit)

- From program inception, grew from 20 community foundations to more than 130 today
- From June 2010 through 2011 endowed funds grew by $100 million

Note: In a Transfer of Wealth Study, it was estimated that through probate estates alone, from 2020-2049, $531 billion will transfer hands in Iowa.

Endow Kentucky is a tax-credit only program. It was enacted a year ago, and this is the first fiscal year in which it has operated. As of year-end 2011 (six months in to program operation) the amount allocated to match tax credit contributions to community foundations was $261,010, meaning community foundation endowments had grown by more than $520,000.

SJR

6

<TARGET><BILL>SJR 6</BILL><SUBJECT>SJR
6</SUBJECT><COMM>SCRA27</COMM></TARGET>

David Scott

From: Sen. Donny Olson
Sent: Friday, February 25, 2011 2:34 PM
To: David Scott
Subject: FW: Our concerns over JPARC expansions

From: Mary Odden [mailto:mail@copperriverrecord.com]
Sent: Friday, February 25, 2011 12:15 PM
To: Sen. John Coghill; Sen. Albert Kookesh; Sen. Donny Olson; Rep. Alan Dick; Rep. Eric Feige
Cc: Mary Odden; Bruce & Druce Dickerson
Subject: Our concerns over JPARC expansions

February 25, 2011

Dear Senator John Coghill, Senator Al Kookesh, Representative Alan Dick, Representative Eric Feige, and Senator Donny Olson:

We are very concerned about the Joint Pacific Range Complex (JPARC) military operations area proposed geographic and operational expansions.

We have written to our U.S. Senators, receiving no response from Senator Murkowski, and receiving an indirect response from Senator Begich which says he believes the changes in Alaskan communities that would come from the JPARC expansions are justified in the interest of national defense.

We believe that there are overriding human and wildlife concerns not visible to Sen. Begich or the proposers, and these are easily brushed off when politicians contemplate our "empty spaces" in rural Alaska.

Please help us by turning your attention to these concerns and helping them to be evaluated fairly through the NEPA process or in any other way they can be heard.

There are numerous statewide operational and geographic expansions in this proposal. We are especially concerned with the Proposed Fox 3 MOA Expansion and the new Paxon [sic] MOA that would be established, changing the flight operations area from 5000' Above Ground Level in the current MOA (often violated) down to a permitted 500' AGL for supersonic flight.

Please look at the JPARC expansion website at www.jparceis.com

The two MOAs as proposed would cover the entire Copper River Basin from about the latitude of Old Man Lake north.

Thanks to the concern of Senator Olson and others, the scoping period has been extended until March 4, 2011, but we still believe the EIS contractors are not adequately collecting expert testimony about wildlife issues. Govt. biologists are commenting as private citizens, perhaps have not been allowed to comment as agency representatives. So the wildlife concerns are not being documented as well as the other concerns, in our opinion.

The following is our basic letter of concern about the JPARC proposed expansions in this area. We apologize for its length – this is a huge matter for Alaskans.

To Whom it May Concern:

We ask you turn your attention to the proposal of the Alaskan Command (ALCOM) to expand the Joint Pacitic Alaska Range Complex, which is now in scoping comment process for its Modernization and Enhancement Environmental Impact Statement.

The extension of the Fox-3 MOA and the creation of the Paxon MOA will be dangerous to residents and visitors in our Copper Basin area, and destructive to wildlife values we have sought for many years to protect through the public processes of state and federal management plans. Wildlife managers oppose the expansions here on the basis of caribou and moose calving areas, Trumpeter Swan nesting and migration concerns, other wildlife disruptions, and the disruption of necessary aerial wildlife management activities.

There are many residents and part-time residents in the proposed MOA extension and creation areas of which the proposers are unaware. The extension of the operations area, the lowering of the active airspace to 500' AGL, and the planned supersonic activity will greatly impact those residents and landowners, many of whom travel to their homes and cabins via air. It will also of course directly impact air taxi services who must by law maintain above 500' AGL.

We have lived here for 30 years and have joined with other Alaskans to limit human activity and impacts in areas critical for caribou, moose, waterfowl, and furbearers. The planned airspace activities-- the ceilings and the noise -- will undo decades of maintaining the integrity of this habitat. When ALCOM calls our area "undeveloped" and therefore appropriate for these proposed expansions and changes in activity, they are undoing our efforts to maintain this habitat for all Alaskans and all Americans.

We know that the proposed changes will save gas for the military. We are taxpayers and we are buying the gas. The cost of the gas is worth not destroying the wildlife habitat and endangering the lives of the people who live here. Many extensive MOAs exist already throughout Alaska, and although some are more remote and less convenient to "midway" operations between the bases at Elmendorf and Eielson, they are also further from an already heavily used recreation and subsistence area, and the wildlife populations impacted are not already so compromised and over-claimed as the Nelchina Caribou herd.

We are not just saying "Not in Our Backyard," but asking the military to use already established areas and activity levels in Alaska. We have some knowledge of these operations and reason to believe that existing areas are adequate even for the advanced technologies military trainers wish to test and practice.

Slightly below the belt are suggestions by ALCOM officers that any who object to the MOA expansions and lowered AGL flight areas are not patriotic citizens. Army Colonel Greg Bell of ALCOM who spoke at the scoping meeting held in Glennallen on January 18, said that "China and North Korea" do not have to ask citizen-permission to acquire training space or conduct military activities. The implied threat in this statement, made by Colonel Bell two or three times in various constructions at the meeting, was noted by several of those present.

Subsequent public communications from ALCOM, such as the January 25 statewide-distributed Letter to the Editor from Lieutenant General Dana T. Atkins, USAF, have also framed the acceptance of these expansions in terms of patriotism.

While encouraging comments during the scoping period, the Atkins letter also appealed directly to Alaskan citizens to accept the preferred alternatives in the EIS:

> "To clarify some important points, the proposed enhancements are designed to modernize and improve Alaska's land, sea and air training spaces. If the JPARC enhancements take place, the Army, Air Force, Navy, Marine Corps, and Coast Guard will be able to practice the way we jointly fight together, ultimately contributing to saving lives during real-world conflicts like the War on Terrorism. Alaska will be unique in the United States for offering state-of-the-art joint training space large enough to replicate realistic large-scale engagements and leverage the fifth generation capabilities of all of our Services."

And he also praised Alaskans for their support of the military in a rather question-begging compliment to our compliance:

> "I would like you to know how much pride we have being able to serve in the great state of Alaska. The unparalleled support of the community is what helps make this a truly unique and positive experience for our uniformed service members. We honor and appreciate this support and you have our promise that we will do everything we can to maintain it."

What is being maintained here is our support, as the letter suggests. I appeal to you to examine whether these public appeals, made from a bully-pulpit position of power able to create and distribute such communications, suggest that those who resist or object to the disruptions and major reassigning of established land values are people who disrespect the soldiers and airmen who fight for our freedoms.

Some people have accordingly risen in this area to urge compliance with the expansion proposals on the basis of its benefit to our defense. This is without consideration that fighting for our freedoms is an enterprise also shared by other Americans who understand lessons from our history, value our civil culture, and strive to protect our resources from undue militarism.

Of great concern to us is the fact that Native Corporations, and in particular the Ahtna Regional Corporation, were sent early notification packages of the JPARC expansion proposals, "as Sovereign Nations," as EIS contractor John Mathers of SEIC told several of us at the scoping meeting. Ahtna, which has definite conflict of interest in its subsidiary contracts for maintenance and repair at the firing ranges of Elmendorf and Eielson AFBs, accordingly sent out packages to its member villages with communication that the JPARC expansions would not unduly affect them, thus quieting objection from Native Elders and others that might have arisen on the basis of wildlife values or subsistence.

This, if not illegal in some way, is certainly unethical and abrogates the rights of some people who might have been given the chance to weigh the economic well-being of Ahtna shareholders against their hopes for continued traditional activities, access to public lands, and conservation of valuable habitat.

The scoping period for the JPARC EIS ends on March 4, 2011. It is our fear that the combination of strong-arm patriotism and behind the scenes notifications will prevail in silencing some of the voices that might have been able to bring real concerns about these expansions to the NEPA EIS process.

Sincerely,

Jim and Mary Odden
Nelchina, Alaska
(HC 01 Box 2520 Glennallen, AK 99588 907-822-3727)

DEPARTMENT OF DEFENSE
REGIONAL ENVIRONMENTAL COORDINATOR, REGION 10
50 Fremont Street, Suite 2450
San Francisco, California 94105-2196

Senator Donald Olson
State Capitol
Room 508
Juneau, AK 99801-1182

Dear Senator Olson

I am the Department of Defense (DoD) Regional Environmental Coordinator for the states within EPA Region 10 (AK, WA, OR and ID) and represent the military interests for the Services with installations in those states. On behalf of the military services within Alaska, I would like to express our interest in working together on environmental and encroachment matters affecting the military services in Alaska.

DoD and Alaska have a long and proud history of cooperation. The military installations and training range areas within the state are crucial to DoD's worldwide mission. Alaska offers vital capabilities for sustainable military readiness training for our outstanding service members. The military continues to be one of the largest sectors of the state's diverse economy. In FY 2009, military presence in Alaska included over 33,000 active duty military, Reserve, National Guard, and civilian employees, with expenditures of over $4.9 billion. The military is Alaska's largest employer.

Alaska's military installations are confronted with numerous challenges. Our installations, inland and offshore training areas, airspace, and frequency spectrum requirements--essential components to our missions-- face compatible-use and other environmental challenges. We welcome the opportunity to provide you with information as you consider legislation this year that has the potential to impact DoD installations.

I look forward to working with you to continue the mutually beneficial relationship between DoD and Alaska. I can be reached at (415) 977-8849.

Sincerely

CLARE R. MENDELSOHN
DoD Regional Environmental Coordinator
Region 10

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

Governor Sean Parnell
STATE OF ALASKA

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

February 17, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

I have read the following resolution passed by the First Session of the Twenty-Seventh Alaska State Legislature, and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CSSJR 6(TRA) AM H

"Urging the United States Army and United States Air Force to extend the public comment period for the scoping phase of the Joint Pacific Alaska Range Complex Modernization and Enhancement Environmental Impact Statement, which is set to end February 18, 2011, for a minimum of 30 days to allow for effective communication and full state and user involvement during the comment period."

Legislative Resolve No. 2

Sincerely,

Sean Parnell
Governor

STATE OF ALASKA
THE LEGISLATURE

2011

Source
CSSJR 6(TRA) am H

Legislative Resolve No.
2

Urging the United States Army and United States Air Force to extend the public comment period for the scoping phase of the Joint Pacific Alaska Range Complex Modernization and Enhancement Environmental Impact Statement, which is set to end February 18, 2011, for a minimum of 30 days to allow for effective communication and full state and user involvement during the comment period.

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

WHEREAS Alaska's Military Operations Areas, including in the air and on the land and sea, are necessary to replicate realistic conditions for training and testing of combat systems; and

WHEREAS expanded weapons and sensor capabilities, extended mobility, and improved communications have driven the need for larger training areas; and

WHEREAS the federal Environmental Impact Statement for the actions and projects identified by the United States Army and the United States Air Force in a proposal known as Joint Pacific Alaska Range Complex Modernization and Enhancement was released for public scoping comment on December 10, 2010, preceding the holiday season; and

WHEREAS the proposals involve expanding and establishing new Military Operations Areas, restricted airspace, and airspace corridors, expanding access to training areas, and developing new ranges and facilities to provide adequate resources to conduct training and testing under realistic and varied conditions; and

WHEREAS the proposed significant expansion of those Military Operations Areas will have far-reaching effects across multiple segments of the state's communities, industries, and activities, including hunting, tourism, commerce, and aviation; and

WHEREAS aviation represents approximately $3,500,000,000 in economic activity in the state and supports an estimated 47,000 jobs, constituting a significant component of the state's economy; and

WHEREAS proposals for Joint Pacific Alaska Range Complex Modernization and Expansion may greatly affect aviation in the state; and

WHEREAS the aerospace needs of the civil aviation community have evolved significantly since the last major expansion of Military Operations Areas in the mid-1990s, and the emergence of new technologies has changed how aviation uses airspace; and

WHEREAS a complete review of existing and proposed airspace uses is needed to consider which alternatives may best suit the overall aviation needs of all users now and in the future; and

WHEREAS it is vital to ensure that citizens are allowed access to their villages at all times and for all reasons; and

WHEREAS four villages in the state currently cannot be accessed by air during military operations; and

WHEREAS proposed military expansion into air corridors will significantly interfere with air traffic into and out of Fairbanks and will affect training operations conducted in the area by general aviation and commercial operators; and

WHEREAS all divisions and departments of state government must be given adequate time to evaluate thoroughly the effects from the proposed changes in military airspace; and

WHEREAS it is paramount that, for all potential contact between civilian and military operations involving both United States and foreign military aircraft, safety prevails;

BE IT RESOLVED that the Alaska State Legislature urges the United States Army

and United States Air Force to extend the public comment period for the scoping phase of the Joint Pacific Alaska Range Complex Modernization and Enhancement Environmental Impact Statement, which is currently scheduled to close on February 18, 2011, for a minimum of 30 days past that date to allow for effective communication and full state and user involvement during the comment period.

COPIES of this resolution shall be sent to the Honorable Robert M. Gates, United States Secretary of Defense; the Honorable John M. McHugh, United States Secretary of the Army; the Honorable Michael B. Donley, United States Secretary of the Air Force; and the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

AUTHENTICATION

The following officers of the Legislature certify that the attached enrolled resolution, CSSJR 6(TRA) am H, consisting of 3 pages, was passed in conformity with the requirements of the constitution and laws of the State of Alaska and the Uniform Rules of the Legislature.

Passed by the Senate February 16, 2011

Johnny Ellis, President pro tempore of the Senate

ATTEST:

Kirsten Waid, Secretary of the Senate

Passed by the House February 16, 2011

Alan Austerman, Speaker pro tempore of the House

ATTEST:

Suzi Lowell, Chief Clerk of the House

Read by the Governor February 17 20 11

Sean Parnell, Governor of Alaska

ALASKA STATE LEGISLATURE
SENATE JOINT RESOLUTION NO. 6

HISTORY IN THE SENATE

2011

Read first time and referred to:

2/4 TRA

TRA RPT CS(TRA) ✓ New Title
3 DP ____ DNP ____ NR ____ AM
____ FN 1 0FN / Prev: ____ FN ____ 0FN
To: RLS/CAL

2/9

____ RPT CS( ) ____ New Title
____ DP ____ DNP ____ NR ____ AM
____ FN ____ 0FN / Prev: ____ FN ____ 0FN
To: ____

____ RPT CS( ) ____ New Title
____ DP ____ DNP ____ NR ____ AM
____ FN ____ 0FN / Prev: ____ FN ____ 0FN
To: ____

2/9 **Read second time**

[✓] CS(TRA) Adopted [✓] New Title

[ ] Amended ____

[✓] UC Advanced / 3rd Rdg. ____

2/9 **Read third time**

[ ] Title Amendment
[ ] Return to 2nd & amended ____

[✓] Passed Y 19 N Ø E Ø A 1
[ ] EFD same or Y____ N____ E____ A____

[ ] ____

Reconsideration

Reconsideration not taken up

[ ] Title Amendment
[ ] Return to 2nd & amended ____

[ ] Passed/Rec Y____ N____ E____ A____
[ ] EFD same or Y____ N____ E____ A____

[ ] ____

2/9 **Engrossed, signed by the President**
Transmitted to the House

Kristen Ward
Secretary of the Senate

HISTORY IN THE HOUSE

2011

Read first time and referred to:

2/11 TRA

2/16 TRA RPT HCS( ) ____ NT: HCR____
7 DP Ø DNP Ø NR Ø AM
____ FN ____ 0FN / Prev: ____ FN 1 0FN

____ RPT HCS( ) ____ NT: HCR____
____ DP ____ DNP ____ NR ____ AM
____ FN ____ 0FN / Prev: ____ FN ____ 0FN

____ RPT HCS( ) ____ NT: HCR____
____ DP ____ DNP ____ NR ____ AM
____ FN ____ 0FN / Prev: ____ FN ____ 0FN

____ RPT HCS( ) ____ NT: HCR____
____ DP ____ DNP ____ NR ____ AM
____ FN ____ 0FN / Prev: ____ FN ____ 0FN

2/16 **Read second time**

[ ] HCS( ) Adopted [ ] New Title
HCR No.____

[✓] Amended changes title

[✓] ____ Advanced / 3rd Rdg. UC

2/16 **Read third time**

[ ] Title Amendment
[ ] Return to 2nd & amended ____

[✓] Passed Y 36 N Ø E 3 A 1
[ ] EFD same or Y____ N____ E____ A____

[ ] ____

2/16 **Reconsideration** – Johnson

Reconsideration ~~not~~ taken up

[ ] Title Amendment
[ ] Return to 2nd & amended ____

[✓] Passed/Rec Y 36 N Ø E 3 A 1
[ ] EFD same or Y____ N____ E____ A____

[ ] ____

2/16 **Engrossed, signed by the Speaker**
Returned to the Senate

Suzi Lowell
Chief Clerk of the House

SJR

SENATE-HOUSE HISTORY (continued)

2011	
2/16	Version Received from the House: CSSJR 6(TRA) am H Concur in House Amendment Y 18 N Ø E 2 A Ø [ ] EFD same or Y____ N____ E____ A____ Failed concur in House amd., ask House recede Y____ N____ E____ A____ House failed to recede from amendment Y____ N____ E____ A____ CC appointed by Senate_____ Chair _____ CC appointed by House_____ Chair _____ (S)Granted Limited Powers of Free Conference (H) Granted Limited Powers of Free Conference

2011	
	(S) Adopted CC Rpt_____ Y____ N____ E____ A____ [ ] EFD same or Y____ N____ E____ A____ (H) Adopted CC Rpt_____ Y____ N____ E____ A____ [ ] EFD same or Y____ N____ E____ A____
2/16	**Sent to enrolling**
2/16	Received from Enrolling ____ Manifest Error Legislative Resolve Number 2
2/16	**Sent to Governor** read. 2/17 By Governor Filed with Lieutenant Governor

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: **CSSJR 6(TRA)**
(S) Publish Date: 2/9/11

Identifier (file name)
Title: SJR 6-MILITARY OPERATIONS AREAS EXPANSION
Sponsor: Senator Olson
Requester: (S) Transportation

Dept. Affected
Appropriation
Allocation
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

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

Prepared by: Senate Transportation Committee
Division:
Approved by: /s/ Senator Kookesh, Chair

Phone:
Date/Time: 2/8/11 12:00 AM
Date:

(Revised 1/27/2011 OMB)

ORIGINAL

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSJR 6(TRA)

Analysis

No Fiscal Impact

CS FOR SENATE JOINT RESOLUTION NO. 6(TRA) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Amended: 2/16/11
Offered: 2/9/11

Sponsor(s): SENATOR OLSON

A RESOLUTION

Urging the United States Army and United States Air Force to extend the public comment period for the scoping phase of the Joint Pacific Alaska Range Complex Modernization and Enhancement Environmental Impact Statement, which is set to end February 18, 2011, for a minimum of 30 days to allow for effective communication and full state and user involvement during the comment period.

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

WHEREAS Alaska's Military Operations Areas, including in the air and on the land and sea, are necessary to replicate realistic conditions for training and testing of combat systems; and

WHEREAS expanded weapons and sensor capabilities, extended mobility, and improved communications have driven the need for larger training areas; and

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PASSED BY THE SENATE February 16, 2011

Johnny Ellis
President Pro Tempore of the Senate

ATTEST:

Kirsten Waid
Secretary of the Senate

PASSED BY THE HOUSE February 16, 2011

Alan Austerman
Speaker Pro Tempore of the House

ATTEST:

Suzi Lowell
Chief Clerk of the House

CSSSR 6 (CTRA) am H

ENGROSSED

421 Aviation Way
Frederick, Maryland 21701

T. 301-695-2000
F. 301-695-2375

www.aopa.org

January 25, 2011

ALCOM Public Affairs
9480 Pease Avenue
Suite 120
JBER, AK 99506

Re: Notice of Intent to prepare and Environmental Impact Statement for the modernization and enhancement of ranges, airspace and training areas in the Joint Pacific Alaska Range Complex

Dear Sir or Madam:

The Aircraft Owners and Pilots Association (AOPA), representing more than 400,000 members nationwide, submits the following comments in response to the Notice of Intent to prepare an Environmental Impact Statement (EIS) for the modernization and enhancement of ranges, airspace and training areas in the Joint Pacific Alaska Range Complex (JPARC). The large scale of this initiative will result in substantial impacts on general aviation operations in the affected area. AOPA supports the United States (US) military and their need to train realistically and submits the following comments in an effort to offer alternatives that will meet the need of the US military while reducing the impact on general aviation.

Opportunity for ad hoc user group

As the largest Special Use Airspace (SUA) area in the United States, the JPARC initiative is unique and necessitates an original, out-of-the-box approach to mitigating the impacts on general aviation and other national airspace users. The US military must consider all possible solutions to minimizing the aeronautical impacts of this proposal. The JPARC initiative represents an opportunity for early engagement with the user community and AOPA would like to see an ad-hoc group established consisting of airspace stakeholders, the Department of Defense (DoD), and Federal Aviation Administration (FAA). This group would meet informally to discuss the military's goals, educate one another on the concerns and impacts of the proposal, and develop a solution that meets the military's needs without unnecessary impacts on general aviation and other civil airspace users. Ideally, this group would have convened as early in the concept phase as possible but could still be utilized as an excellent opportunity for engagement and collaboration. AOPA contends that early engagement at the concept phase of an initiative will reduce the overall time spent during the National Environmental Policy Act (NEPA) and aeronautical process and would ultimately lead to a more desirable and mutually agreeable solution for all parties.

Insufficient comment period

AOPA is disappointed that our December 15, 2010 request to extend the public scoping comment period was denied. While we recognize that the deadline exceeded the minimum requirement of NEPA regulations, it does not meet the spirit or intent of the regulation which is to encourage the submission of substantive comments. AOPA questions how the general public can be expected to attend a public meeting, research the proposal, formulate, and submit substantive comments in as little as 9 days. We also recognize there will be future opportunity for public comment. However, early input is truly the key to working collaboratively and striking a balance in establishing needed airspace for military training and readiness while mitigating the impact the proposal has on other airspace users.

Special Use Airspace Information Service
The creation of the Special Use Airspace Information Service (SUAIS) in the 1990's for portions of the JPARC has had a very positive impact on Visual Flight Rules (VFR) usage of this airspace complex that extends across an area over 300 miles wide. In areas where there is adequate communication and surveillance, this has greatly improved the situational awareness for both civil and military airspace users. Recently, pilots have reported that in the eastern portions of the complex, communications are not adequate and users are experiencing difficulties with this shared airspace. An evaluation of this situation is required to provide adequate SUAIS in the existing airspace.

Instrument Flight Rules (IFR) access is needed to access the communities underneath and around this mega-complex since aircraft provide the only year-around means of transportation to these communities. Real-time coordination for IFR use of Military Operations Areas (MOA) is necessary to improve access and safety into these remote locations served almost exclusively by air transportation.

AOPA urges the expansion of the SUAIS program to include all SUA within the JPARC complex. To be most successful, AOPA urges full integration of Air Force and Army participation in the Special Use Airspace Information Service. This would help to avoid confusion regarding who to contact in the various segments of the airspace complex.

Remotely Piloted Aircraft/Unmanned Aerial Vehicle corridors
The Notice of Intent announcement in the December 8, 2011 Federal Register provides a brief mention of consideration for establishing restricted airspace corridors for the purpose of navigating Remotely Piloted Aircraft (RPA)/Unmanned Aerial Vehicles (UAV) from military airfields into various restricted airspace areas. The FAA has consistently gone on record denying the addition of new restricted airspace areas for the sole purpose of RPA/UAV operations. Restricted airspace is for containment of hazardous operations. En-route RPA/UAV flights transitioning between an Air Force base and existing restricted airspace is not a hazardous operation. The proposed establishment of restricted airspace corridors for this purpose is an attempt to circumnavigate the RPAs/UAVs inability to see-and-avoid participating traffic. AOPA cannot support an expansion of the accepted uses of restricted airspace when other, less drastic options such as ground observation and chase planes remain available.

Joint Combined Arms Live Fire (JCALF)
The proposed restricted area for the Joint Combined Arms Live Fire (JCALF) should have been anticipated during the EIS that concluded in June 2006. At the time, the US military assured stakeholders that no restricted airspace would be needed to protect the planned improvements to ground infrastructure. Further restrictions to airspace in this VFR corridor are not acceptable due to the combination of terrain, weather, and existing restricted airspaces that limit civil aviation access in the area. Further analysis is needed to evaluate alternative means of accommodating military training objectives relative to this complex that do not require restricted airspace.

Economic impact of civil aviation in Alaska
According to *The Economic Contribution of the Alaska Aviation Industry to Alaska's Economy*, Northern Economics, Inc., the aviation industry in Alaska contributes $3.5 billion, or approximately 8%, of the gross state product. The fact that this is almost 40% greater than the industry's role in the national economy demonstrates the importance of the aviation industry to Alaska's economy. An estimated 47,000 jobs are directly and indirectly related to aviation in the state of Alaska.

In addition, many communities in Alaska are not connected to the national highway system and depend on the aviation industry for movements of goods and people. The average number of enplanements per capita for off-road communities in Alaska is between eight and thirty times higher than in comparable communities in western rural states. Alaskans tend to rely on air freight 39 times more than comparable communities according to a 2009 study published by the Alaska Department of Transportation.

Summary
The JPARC initiative represents a tremendous opportunity for stakeholder education and engagement. The formation of an informal ad-hoc user group should be initiated to discuss the proposal and jointly develop aeronautical impact mitigation strategies. User engagement is a key to the success of this type of initiative and limiting the quantity and quality of scoping comments received by not extending the comment period deadline is counterproductive.

In addition, the SUAIS is a proven-effective system to reduce the impact on general aviation by providing SUA status information and consideration must be given to expanding this program. AOPA cannot support an expansion on the use of new restricted airspace for UAV transitions and instead urges the DoD to consider other means of mitigation the regulatory requirement of see and avoid. Further analysis is needed to evaluate alternate ways of accommodating the military's training objectives that do not require additional restricted airspace over the Battle Area Complex. Finally, the DEIS must evaluate the full scope of economic impacts on the general aviation industry caused by this initiative.

We appreciate the opportunity to submit comments on the scope of the upcoming EIS for the Joint Pacific Alaska Range Complex and look forward to working with the DoD on a solution that equitably accommodates both the military's need for realistic training, and the needs of the general aviation and civil airspace communities.

Sincerely,

Tom Kramer

Tom Kramer
Manager
Air Traffic Services

- The aviation industry contributes $3.5 billion and 47,000 jobs to AK's economy
- The aviation industry is not only a major economic driver but the only lifeline many communities have
- As the bill went through the committee process it was amended from a 90-day extension to a 30-day extension.
    - I hope this means that the General Atkins recognizes the compromise that occurred here and takes this resolution to heart. Yesterday he stated to the Joint Armed Services Committee that he would ignore this resolution.



1 Proposed Fox 3 Military Operations Area (MOA) Expansion and New Paxon MOA

Proposed Action: The Army and Air Force propose to expand the Fox 3 MOA into a new proposed Fox 3, 4, 5, and 6 MOAs and to establish a new, adjacent Paxon MOA to provide the vertical and horizontal airspace structure needed to better accommodate low-altitude threat and multiple-axis mission activities during the JPARC training exercises.

Key Components: Expand the boundaries of the existing Fox 3 MOA, currently extending from 5,000 feet above ground level (AGL) up to, but not including, flight level (FL) 180 (18,000 feet above mean sea level [MSL]), to the south and east and subdivide it into four sectors, (proposed Fox 3, 4, 5, and 6 MOAs) with the newly expanded sectors extending from 500 feet AGL up to, but not including, FL180. Establish a new Paxon MOA, extending from 500 feet AGL up to, but not including, FL180, to adjoin the proposed expanded Fox 3 MOA to the east.

Alternative A - Includes the proposed expanded Fox 3 MOA (proposed Fox 3, 4, 5, and 6 MOAs) and the proposed new Paxon MOA with both the high- and low-altitude MOAs.

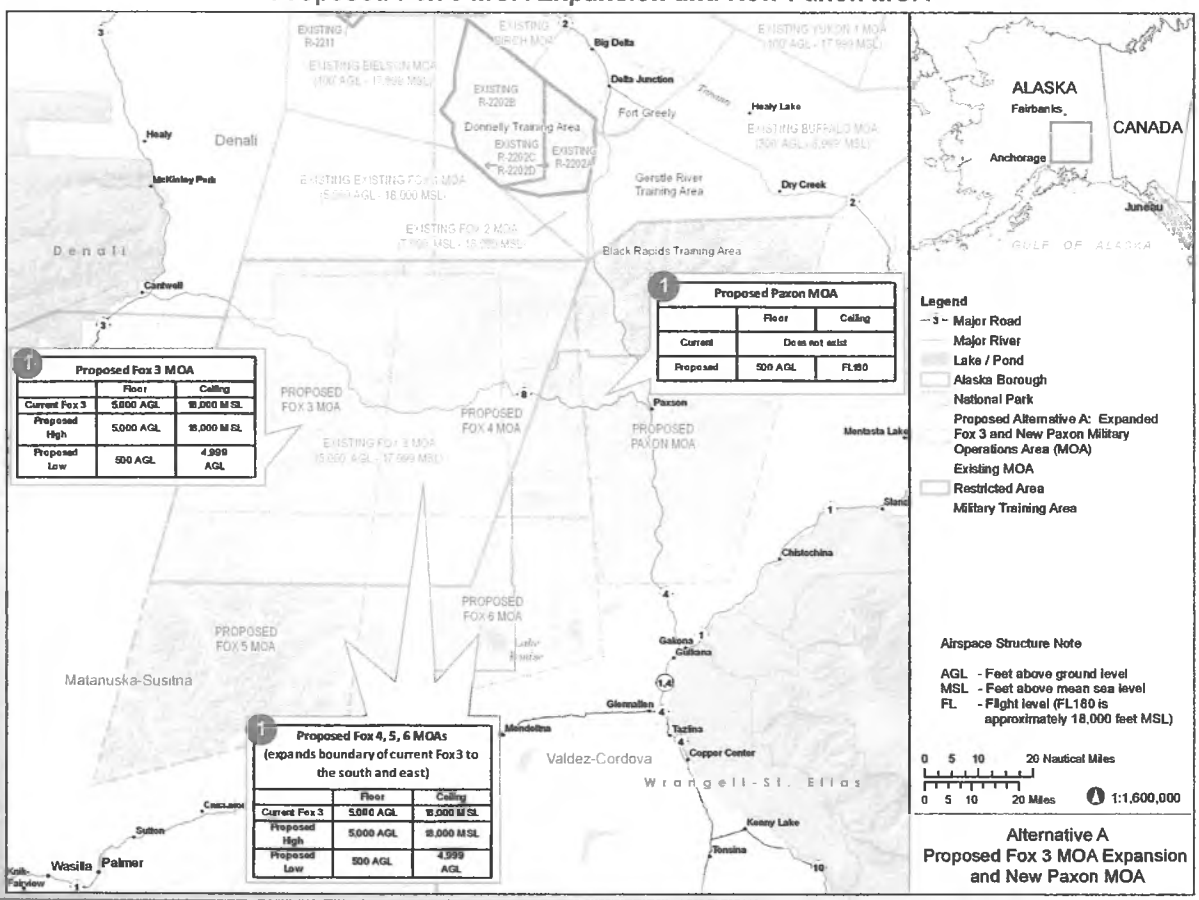
Alternative B - Includes only the Fox 3 MOA expansion (proposed Fox 3, 4, 5, and 6 MOAs as in Alternative A) but would not include the proposed new Paxon MOA.

Alternative C - Includes the Fox 3 MOA expansion (proposed Fox 3, 4, 5, and 6 MOAs) without the low-altitude MOA.

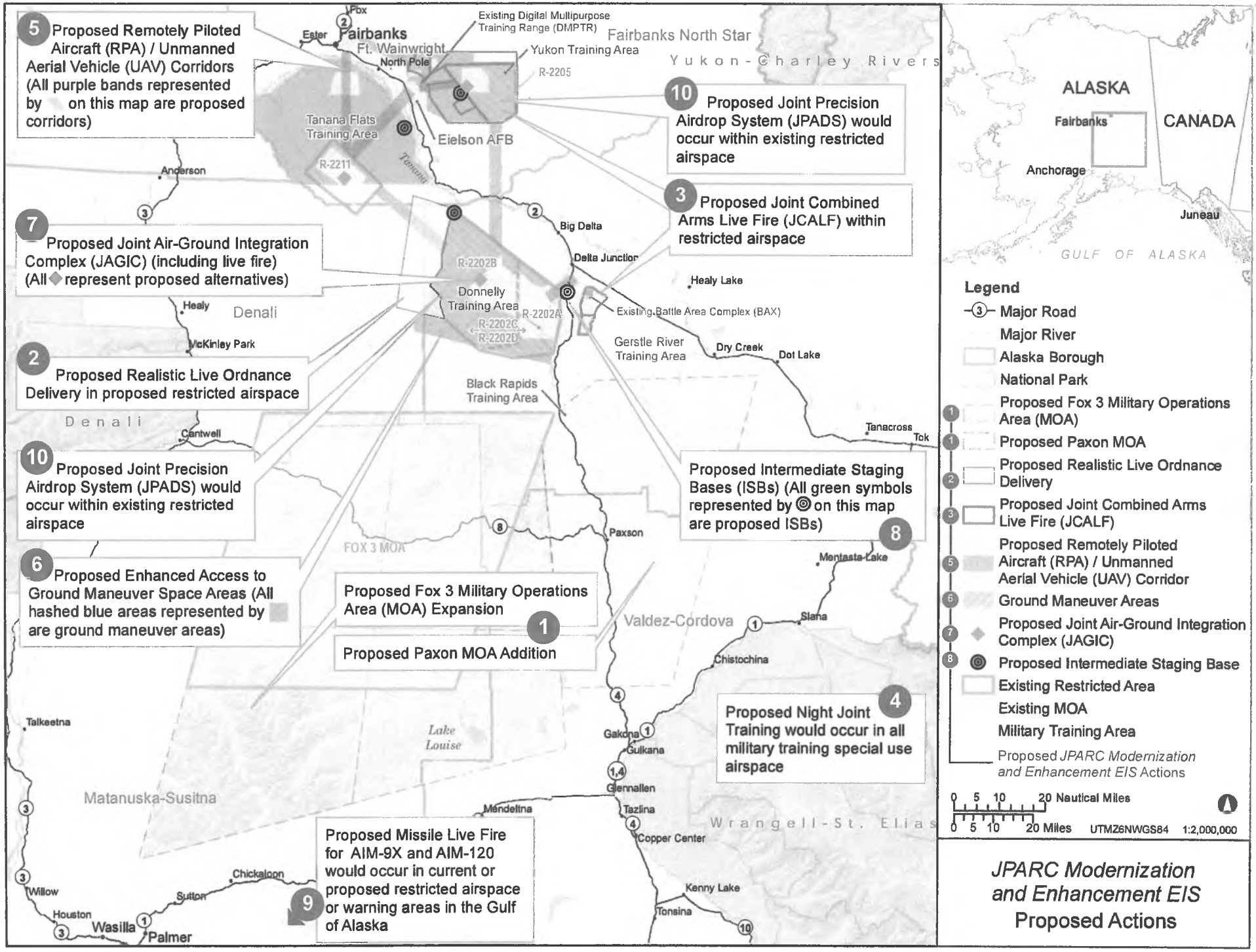
Alternative D - Proposes keeping the Fox 3 MOA boundaries the same as they currently exist, but separating the MOA into four subdivided sectors and high- and low-altitude strata. The low-altitude MOA stratum would extend from 500 feet AGL up to, but not including, 5,000 feet AGL. The high-altitude MOA stratum would match what currently exists.

No Action - No changes to current Fox 3 MOA and no proposed addition of Paxon MOA. This would not satisfy the requirement for multiple-axis, low-altitude threat training that is needed to effectively train with fifth-generation fighter aircraft. This alternative would continue to require distant travel, which would negate opportunities for potential energy savings.

Proposed Fox 3 MOA Expansion and New Paxon MOA



www.JPARCeis.com/JPARC.ASPX


5 Proposed Remotely Piloted Aircraft (RPA) / Unmanned Aerial Vehicle (UAV) Corridors (All purple bands represented by on this map are proposed corridors)
7 Proposed Joint Air-Ground Integration Complex (JAGIC) (including live fire) (All ◆ represent proposed alternatives)
2 Proposed Realistic Live Ordnance Delivery in proposed restricted airspace
10 Proposed Joint Precision Airdrop System (JPADS) would occur within existing restricted airspace
6 Proposed Enhanced Access to Ground Maneuver Space Areas (All hashed blue areas represented by are ground maneuver areas)
Proposed Fox 3 Military Operations Area (MOA) Expansion
1 Proposed Paxon MOA Addition
9 Proposed Missile Live Fire for AIM-9X and AIM-120 would occur in current or proposed restricted airspace or warning areas in the Gulf of Alaska
10 Proposed Joint Precision Airdrop System (JPADS) would occur within existing restricted airspace
3 Proposed Joint Combined Arms Live Fire (JCALF) within restricted airspace
Proposed Intermediate Staging Bases (ISBs) (All green symbols represented by ◎ on this map are proposed ISBs)
8
4 Proposed Night Joint Training would occur in all military training special use airspace
Existing Digital Multipurpose Training Range (DMPTR)
Yukon Training Area
R-2205
Fairbanks North Star
Yukon-Charley Rivers
Fox
Ester
Fairbanks
Ft. Wainwright
North Pole
Tanana Flats Training Area
R-2211
Eielson AFB
Tenana
Anderson
Big Delta
Delta Junction
R-2202B
Donnelly Training Area
R-2202A
R-2202C
R-2202D
Healy Lake
Existing Battle Area Complex (BAX)
Gerstle River Training Area
Dry Creek
Dot Lake
Tanacross
Tok
Black Rapids Training Area
Healy
Denali
McKinley Park
Cantwell
Paxson
FOX 3 MOA
Mentasta Lake
Slana
Valdez-Cordova
Chistochina
Gakona
Gulkana
Glennallen
Tazlina
Copper Center
Kenny Lake
Tonsina
Lake Louise
Talkeetna
Matanuska-Susitna
Mendeltna
Wrangell-St. Elias
Chickaloon
Willow
Sutton
Houston
Wasilla
Palmer
ALASKA
CANADA
Fairbanks
Anchorage
Juneau
GULF OF ALASKA
Legend
Major Road
Major River
Alaska Borough
National Park
Proposed Fox 3 Military Operations Area (MOA)
Proposed Paxon MOA
Proposed Realistic Live Ordnance Delivery
Proposed Joint Combined Arms Live Fire (JCALF)
Proposed Remotely Piloted Aircraft (RPA) / Unmanned Aerial Vehicle (UAV) Corridor
Ground Maneuver Areas
Proposed Joint Air-Ground Integration Complex (JAGIC)
Proposed Intermediate Staging Base
Existing Restricted Area
Existing MOA
Military Training Area
Proposed JPARC Modernization and Enhancement EIS Actions
0 5 10 20 Nautical Miles
0 5 10 20 Miles
UTMZ6NWGS84
1:2,000,000
JPARC Modernization and Enhancement EIS
Proposed Actions

Alcom Public Affairs
9480 Pease Ave
Suite 120
JBER, AK 99506

1-27-11

Dear Sir,

I SPEAK AGAINST ANY MORE AIRSPACE GRAB IN ALASKA!

I occasionally fly around the Mancomen Lake - Hoodoo Mountain area which is in the proposed new Paxson MOA, and may be affected. I thought you had enough air space after you grabbed the 40-Mile Buffalo and Yukon MOA's... apparently you need the entire State of Alaska! Where does it stop... or, does it?

What's with the 500' low-altitude floor?? I fly a super cub and you fly heavy metal... if you fly over me at 500' while I'm at 400', you'll roll me out of the sky! Why not just admit that you're commandeering from ground level up to any stated ceiling!

You have enough territory in Alaska already making recreational, sport, hunting etc. flying inconvenient at the least and downright onerous for one to follow MOA covenants! Go grab some more land at Nellis AFB... they have a live fire range and a pile of cactus!

As the American economy tanks and Congress looks for areas to cut, I'll suggest Military Training... cutbacks here could save big $$ ... and besides, who is the Air Force at war with right now besides us civilians?? One exercise per year, and every other year to be held in January!

It's My Sky Too!

David Parker
P.O. Box 382
Tok, AK 99780

I am opposed to any expansion of Military airspace in Alaska. Given the blatant lack of concern that has been shown by the Military in the existing Military Airspace, for Alaskan Civilian user's needs and safety there is no way I could support any expansion.

AREA AFFECTED

The current MOA's, a large percentage of which were established in the 1990's cover millions of acres of land in interior Alaska. These areas include a tremendous amount of big game habitat. These and some of the proposed expansions include areas that Alaskan's have historically used to support their subsistence lifestyles and economic livelihoods for generations. The current MOAs include the entire Alaskan portion of the 40-mile caribou and a big portion of the porcupine herd range. A large part of the area in the proposed Paxson MOA and the expansion of the Fox 3 MOA are intensely used by Alaskan's for hunting and outdoor recreation. This area would take in Lake Louise, Summit, Paxson, and the entire Delta controlled use Area which is a draw only trophy management area for Dall Sheep. A huge portion of this area is not only accessed by airplanes, but by boats, ATVs,highway vehicles, and snow machines.

IMPACT TO PEOPLE AND ANIMALS

The impact to any person or animal on the ground while in one of these MOAs during a two week Red Flag exercise is huge. The economic affect to Guides and transporters whose clients are going to subjected first hand to these exercise's will reverberate statewide. Due to the advent of the F-22 which can break the speed of sound without the use of an afterburner, the amounts of sonic booms have increased dramatically affecting hunter and game. A Person who has not spent time on the ground trying to interact with their environment, during these sonic booms, as they go off for hours at a time, from all directions, cannot fully be aware of the overall impact. Fall of 2010 a red flag exercise was held starting August 9. They currently have them scheduled during hunting season through 2013. When I asked them at a recent ACMAC meeting in Eielson if this could be changed the response was no. They explained that a large percentage of the aircraft involved in these exercise's are from foreign countries and they already have them scheduled for these time period's. Alaska is being used as a training ground for air forces from all over the world. When I asked why they couldn't do this during the winter months they explained that it was dark and cold. A strong military and there need for training is imperative to the survival of our great nation but equally important is Alaskans need to be able to keep their way of life and traditions alive. There is no reason that both of these needs cannot be met.

AVIATION SAFETY

When the large MOA's were established one of the key points that the general aviation community tried to establish was the importance of in flight communications with the military to ensure separation-air safety. To date even though millions of dollars have been spent for military installations throughout the MOA's, the vast majority of the area is uncovered by any medium to low level radio communication for general aviation. Since 1994 I have personally had three extremely close near misses with military

aircraft during hunting season, the time of by far the highest density of air traffic throughout the state. With the large red flag exercise's now being scheduled during the most active time for all general aviation aircraft in Alaska the potential for deadly conflict has increased dramatically. To knowingly continue to mix small slow aircraft with the high speed military aircraft in large numbers, with not as much as radio communication between the two is irresponsible and reckless with people's lives.

Submitted by Leif Wilson, Tok, Alaska

George W. Davidson PE,LS (retired)
2616 Douglas Hwy. #206
Juneau, Alaska 99801
Phone 907-789-7529
E-mail gdavid8174@aol.com

February 14, 2011

To: Honorable Governor Sean Parnell

From: George Davidson

Re: Military proposed MOA for Alaska - JPARC

Please find attached a copy of the testimony I submitted to the Military on the subject project. They requested the info to be submitted by e-mail -- which I did last week.

While I am personally impacted by some of the proposal I feel the impact goes far beyond me. My "cabin" is located in the heart of what we call the Nelchina Recreation Area. A large area set aside to remain in a wilderness setting. I just happen to be the only -- or at most - one of a very few private in-holdings in this wilderness area. The area is enjoyed by hundreds of hunters in the fall and snow machiners in the winter. While the proposals do not prevent the access and use of the area -- the proposed changes to the MOA will definitely discourage the use of the area.

I ask that you give this serious considerations to the impacts of the proposal and represent our view with the military on the issue.

Thanking you in advance.

George W. Davidson PE,LS (retired)
2616 Douglas Hwy. #206
Juneau, Alaska 99801
Phone 907-789-7529
E-mail gdavid8174@aol.com

I live in Juneau Alaska and since we are a long ways from the area where the proposal for a new MOA is taking place we were slow to hear about it. However, we own property -- a cabin with a short airstrip on patented land -- located just south of the south boundary of the current Fox 3 MOA on the south side of the Oshetna River. It is a fly in only cabin so we are very much impacted by your proposal. Our airstrip is located at -- N 62 degrees 22.73 minutes -- W 147 degrees 28.51 minutes.

I believe that most of the discussion that is now taking place in opposition to the proposed changes to Fox 3 MOA were made many years ago when you created Fox 3 MOA. The late Senator Ted Stevens worked with the military to create a boundary that would work for the military and the general public as well as the private land holders. We should honor that commitment and not change Fox 3 MOA.

Our private property and access to it will be greatly impacted by the boundary changes and especially the lower floor limits of the proposed MOA. With the proposed 500 foot floor -- flying access to our private property will become dangerous. In addition the vibrations and occasional sonic boom (while not permitted by you or your policies they do happen occasionally) from jets at 500 feet will -- in all probability -- break the glass windows of our cabin. New regular glass and thermo-panes windows (this is much more than a hunting cabin) will be required to be flown in for the repairs - a very expensive and time consuming venture. Broken windows would leave the cabin unsecured from critters and thus the interior could receive further damage from these critters like grizzlies, weasels, squirrels, porcupine, etc entering the cabin prior to repairs being discovered and made.

When we purchased this property 28 years ago we did so for the enjoyment of the peace and quiet of the wilderness. The current MOA already disrupts that peace and quiet but it is a livable and a tolerable compromise situation that we are willing to live with, however, the proposed MOA would be unbearable.

Access to our cabin is, as stated earlier, by small airplanes and as such your 500 foot AGL flying base is far too low for safety. A minimum of 2500 feet would provide some reasonable safety for private pilots utilizing our private airstrip at the cabin. Please keep in mind that communication is lacking in this area of Alaska where our cabin is located. Therefore a plane with pilot and passengers departing our airstrip will probably not know if the MOA is active or not and therefore be at risk of taking off and flying into the path of military aircraft.

I request that you do not expand the MOA to the south. Also if the existing 5000 foot AGL floor is to be lowered for the current MOA or the modified one, I recommend that it be moved no lower than to 2500 foot AGL.

I thank you for considering our comments and concerns.

Dear JPARK,

I am against the newly proposed MOA's and training areas in Alaska.

I currently fly between seven and eight hundred hours a year. Much of this is done in the 40-mile and upper Yukon River country. In the past 15 years I have had some close encounters with low flying fighter jets in these areas. There isn't any way to communicate with these aircraft, and to see and avoid is impossible in a cub.

Looking at my sectional charts and GPS, as I fly along it seems to me you have more than enough training areas in our state.

There is also a concern for wildlife and the effect these missions have on them.

I am all for our great country having the best prepared forces, but is this proposed land grab necessary?

Sincerely,

Paul S. Zaczkowski

Papa Zulu Air service Inc.

Phone#: 907-883-4554

Address: Papa Zulu Air service Inc.

PO Box 403

Tok, Alaska 99780

February 10, 2011

Dear Sir,

Regarding JPARCEIS proposed actions

I feel that enlarging the MOA at those low levels is a very high risk.

As a super cub pilot, most of our flying is at low altitude. We feel that 1500 feet AGL should be the bottom for all jet aircraft for the safety of everyone and the environment.

DuWayne and Mary Young
P.O. Box 308
Tok, Alaska 99780

February 8, 2011

Regarding JPARCEIS proposed actions and any future actions for airspace, lands and residents.

I have very high concerns for public safety as well as animal harassment issues.

My main concern is that a large portion of these proposed areas are very active with small aircraft all year around. The 500 ft. lower floor is unacceptable for the bullets that you are flying. Jet aircraft at super-cub altitude spells DISASTER !

After one public meeting with the air force, some years back, myself and others came away with the out look that we were being told what YOU were going to do and that our concerns meant nothing.

I am a Vet. from the 60's and have been flying these Alaskan skies since 1980 and as I recall the first duty of the armed forces is to protect it's citizens. That is all I am asking. Stop endangering our lives and **Dictating**. Raise the lower levels up to a level that we all can "LIVE" at !

Hopefully, you are willing to consider mine and others concerns today before someone is seriously injured or even killed.

Ron Sakalaskas
P.O. Box 147
Tok, Alaska 99780

Matthew Snyder

HC 72 Box 805

Tok, Alaska 99780

ALCOM Public Affairs

9480 Pease Avenue, Suite 120

JBER, AK 99506

To whomever it may concern,

January 25th, 2011 Statement regarding the JPARC EIS and future restrictions for residents or activities potentially creating human or animal safety or health concerns in the proposed areas (listed map http://www.jparceis.com/prop_actions.aspx) from a lifelong resident and active participant of recreation and subsistence activity in the area.

A large portion of the huge areas in the proposal are very active throughout the year with recreation, hunting, fishing and subsistence activities by Alaskans and other participants. Safety concerns arise with the number of small aircraft used during hunting season or for other yearlong activity (mining or exploration for an example). Impact on wildlife control or protection could be devastating as these areas become "no fly" zones, inhibiting the use of airspace available to the parties responsible for the wildlife and habitat. The blocks of land in the map could be some of the most active in the state. Are there other options available as far as land location, possibly further away from the entire area of the "main triangle" of transportation in the state? This proposal is not viable due to basic health and safety concerns as well as location and project scope.

Matthew Snyder
Alaska Hunting Adventures

Tok, Alaska
(907)883-3083 Home
(907)632-1666 Cell

Alaska Airmen's Association
4200 Floatplane Drive
Anchorage, AK 99502

2-11-11

Dear Sir,

RE: JPARC

As you are surely already aware, the US Air Force is proposing to grab significantly more air space in the Denali Hwy. - Paxson - Glenn Hwy. area: (Joint Pacific Alaska Range Complex - www.JPARCEIS.com/JPARC.ASPX).

This additional air space, plus changes to existing Military Operations Areas will be detrimental, disruptive, and even dangerous to civilian private and commercial flying.

Enclosed are several letters by individual pilots expressing their concerns. There is fear that these individual voices will not be heard, yet we do not wish to remain silent on this issue.

MAKE NO MISTAKE ABOUT THIS, THE AIR FORCE IS NOT ASKING OUR OPINION ON THEIR AIR SPACE PROPOSAL, **THEY ARE TELLING US WHAT THEY ARE GOING TO DO!!**

REMEMBER: **IT'S OUR SKY TOO!!**

David Parker (AAA # 8576)

P.O. Box 382
Tok, AK 99780

cc:

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811

Senator Lisa Murkowski
709 Hart Senate Bldg
Washington, DC 20510

Senator Mark Begich
144 Russell Senate Bldg
Washington, DC 20510

Representative Don Young
2111 Rayburn Bldg
Washington, DC 20515

Alcom Public Affairs
9480 Pease Ave Suite 120
JBER, AK 99506

Senator Albert Kookesh
Alaska State Capital Room 11
Juneau, AK 99801

Representative Alan Dick
Alaska State Capital Room 114
Juneau, AK 99801

Representative Dan Saddler
Joint Armed ServicesCommittee
Alaska State Capital Room 409
Juneau, AK 99801

Senator Donald Olson
Alaska State Capital Room 508
Juneau, AK 99801

AOPA
Tom George
P.O. Box 83570
Fairbanks, AK 99780

Fairbanks Flight Standard District Office
John Chalston
4419 Airport Way
Fairbanks, AK 99709

Rural survey respondents emphasized the importance of air travel in rural Alaska. For many communities, especially in Alaska's West and Interior, air travel is the only means to get in and out of the communities; there are no roads or ferry service. These villages rely on air travel for emergencies, family visits, work-related travel, social and vacation trips, and transportation of supplies. Some communities do not offer medical services and residents need to travel for all medical visits. This situation is especially common in small communities and the survey data indicate that community airport respondents made more than twice as many family or personal business related and medical trips than those in larger communities.

Some rural communities in Western and Interior Alaska would be completely isolated in the winter without their rural airports. In parts of Central and Southeast Alaska, ferry or road transportation may be alternatives, but communities still rely heavily on their airports for swift and reliable travel and cargo transport.

By contrast, rural communities in the Lower 48 more often commented that their community would be less attractive for people visiting or doing business but that they could likely live without an airport.

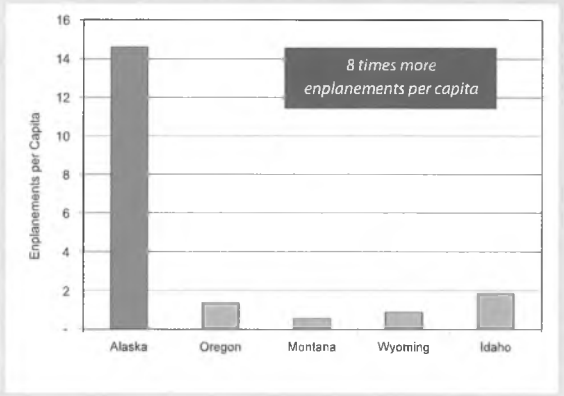


Figure 4 **Comparison of Enplanements per 1,000 Persons for Selected Community Airports, 2007**

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.

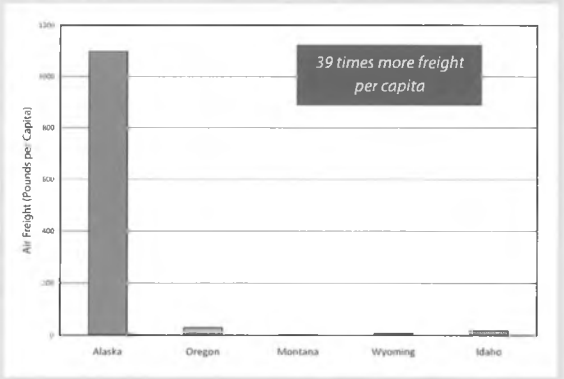


Figure 5 **Air Freight per Capita for Selected Community Airports, 2007**

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.

This report was prepared by Northern Economics, Inc. For more information please call ADOT&PF Aviation Division at (907) 267-0730. www.dot.state.ak.us





The Economic Contribution of the Aviation Industry to Alaska's Economy

Alaska Aviation System Plan

Introduction

As an economic engine for the State of Alaska, Alaska's aviation industry contributes $3.5 billion dollars and over 47,000 jobs to the state's economy. Aviation is a critical component of the state's economy and the vitality of Alaska's communities. The Alaska Department of Transportation & Public Facilities (ADOT&PF), Aviation Division recently embarked on updating the Alaska Aviation System Plan. An important part of that update is determining the value and contribution of Alaska's aviation industry to the state's economy. This determination was accomplished through an extensive survey effort targeting all public airports managed by ADOT&PF, public airports managed by other entities, private airports throughout the state, leaseholders located on ADOT&PF airports, and 600 residents in rural Alaska and the Railbelt who have flown within the last 12 months. The study included interviews with airport managers, city officials and other community leaders in 18 selected communities in Alaska, and four western states to evaluate the importance of airports to remote, rural communities.

Contributions to Alaska's State Economy

Airports and aviation-related businesses create significant economic value within the State of Alaska. In fiscal year (FY) 2007, the Alaska aviation industry contributed $3.5 billion to the state economy and supported over 47,000 jobs statewide. The aviation industry contributed about 8 percent of Alaska's gross state product of $44 billion in 2007 and supported almost 10 percent of 2007 statewide annual average employment. If compared to the primary economic sectors the aviation industry would be the fifth largest employer in Alaska.



Economic Activity

The aviation industry contributes to Alaska's economy by supporting local businesses and employing citizens in year round operations. The value of the economic activity generated by the operation of the airports, the businesses, and agencies operating within the airport premises in FY2007 amounted to more than $2.1 billion.

This direct spending by airports, businesses located on the airports and their employees in turn creates additional employment and income in other sectors of the economy. The economic contribution of the aviation industry through those secondary (multiplier) expenditures is estimated to be $1.4 billion in FY2007 resulting in a total of $3.5 billion in economic activity. **(See Figure 1)**

This Alaska Aviation System Plan was conducted in accordance with FAA Advisory Circular 150/5070-7: The Airport System Planning Process. The economic analysis described in this brochure was conducted pursuant to Section 101.a(3) of that document.

Alaska Aviation System Plan

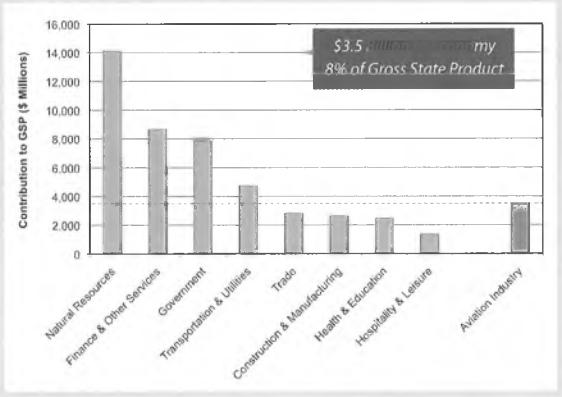


Figure 1 **The Aviation Industry's Contribution to GSP Compared to Primary Economic Sectors, 2007**

Source: Northern Economics estimates, 2008

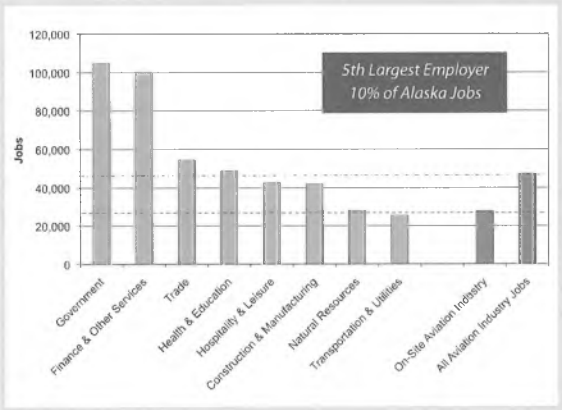


Figure 2 **The Aviation Industry's Contribution to Available Jobs Compared to Primary Economic Sectors, 2007**

Source: Northern Economics estimates, 2008

Employment

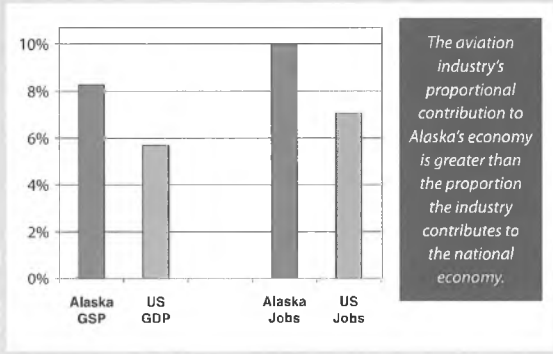
In 2007, the aviation industry provided over 47,000 on-site and off-site jobs across the state. The highest concentration of jobs are located at the international airports in Anchorage, Fairbanks, and the state's regional hubs. These jobs include more than 27,000 on-site jobs and nearly 20,000 off-site jobs created by this industry. **(See Figure 2)** The on-site jobs include more than 2,000 full-time and part-time jobs directly related to the operation and maintenance of public and private airports in Alaska as well as more than 25,000 jobs created by on-site businesses, organizations, and government agencies operating out of the airports. These businesses include commercial air carriers, fixed-base operators, fuel distributors, caterers, air taxis, charter operations, general aviation services, state agencies and other public agencies. The number of on-site jobs underscores the value of airport infrastructure in creating jobs in various businesses and communities across the state.

The nearly 20,000 off-site jobs are created when goods and services are purchased from other businesses in the state to support the operations and maintenance of airports and businesses located at airports, and when on-site employees spend their wages on goods and services within the state.

Over 47,000 jobs generated by the firms, agencies and businesses that make up the industry provided approximately 10 percent of the total jobs in Alaska's economy in 2007, including the self-employed and the military. The aggregate aviation industry was smaller than the government, finance and other services, trade, and health & education sectors, but larger than the hospitality & leisure, construction & manufacturing, natural resources, and transportation & utilities sectors.

Figure 3 shows that the aviation industry's proportional contribution to Alaska's economy is greater than the proportion the industry contributes to the national economy. In actuality, the figure underestimates the relative importance of the aviation industry to Alaska as the true difference is even greater than shown; the national data include the expenditure of visitors and this study does not include this factor in the estimates for Alaska's economy.

Figure 3 **Economy and Jobs: Importance in Alaska vs. the US**



Importance of Alaska's Airports to Alaska's Communities

Telephone surveys of 500 households were conducted in 18 selected communities throughout the state, 100 households within the Railbelt stretching from Fairbanks to the Kenai Peninsula, and also with airport managers, community officials, and other leaders in these communities to evaluate the importance of Alaska's airports to state residents.

The study compared the importance of Alaska's airports to remote airports in other rural, western states. Interviews were made with airport managers and community officials for airports in Idaho, Montana, Oregon and Wyoming, for a comparison of enplanements and freight volumes per capita for the 18 airports in Alaska and the airports in the western U.S. **Figures 4** and **5** show that enplanements and air freight loads are much higher per capita in Alaska than for airports in the western U.S. Enplanements for Alaska communities can exceed enplanements of other rural U.S. communities by eight times per person while air freight loads can be more than 39 times higher per person.

EMPLOYMENT

Jobs related to aviation:

2,000 jobs to operate airports statewide, full and part time
25,000 jobs due to on-site business, organizations and agencies
20,000 jobs created due to multiplier effect from aviation jobs
47,000 total jobs attributed to aviation in Alaska in 2007

This represents about
10% of all jobs in Alaska



"If we didn't have the airport we wouldn't have anything. The airport is a fact of life for living out here in the villages. The airport is our roads, highway, ocean, our lifeline."

Alaska State Legislature

State Capitol
Juneau, AK
99801-1182

TALKING POINTS
CSSJR 6 (TRA)

- Requests a 30-day extension to a comment period re: military air expansion
- The sole purpose of having a comment period is to be proactive:
  - Bring the public into the decision making process
  - Identify areas of concern to the proposed action
- We recognize the need for training, especially in this day in age – the military has a serious job to do. And, they have been great friends to Alaska since before statehood.
  - But, the comment period began on December 10, 2010 at the height of the holiday season and asking for a 30-day extension is not unreasonable.
- We heard from Air Taxi operators on some real safety concerns.
  - The lowering of the "FLOOR" from 5000 feet to 500 feet.
  - The need for 'corridors'
  - They were willing to work with the military, they just ask for a little more time to analyze the proposal
- We heard of Bush communities that would not be able to have air service during these times when the military is using the airspace for training.
  - Eagle
  - Chalkyitsik
  - Cirlce
  - Central
- In closing: This proposed action, JPARC, would have huge impacts on the affected areas. We have heard from those Alaskans who will be affected and they are asking for more time to comment. Let's help them ask. I urge a yes vote.

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

ALASKA
STATE CAPITOL
ROOM 508
JUNEAU, ALASKA 99801-1182

(907) 465-3707
FAX (907) 465-4821

SPONSOR STATEMENT

SENATE JOINT RESOLUTION 6

SJR 6 urges the U.S. Army and U.S. Air Force to extend the comment period on the environmental impact statement associated with the Joint Pacific Alaska Range Complex modernization and enhancement proposal.

The current comment period began at the height of the holiday season on December 10, 2010 and closes on February 18, 2011.

Alaskans rely heavily, and in many instances solely, upon the aviation industry and any significant expansion of Military Operations Areas may have a far-reaching impact across multiple segments of the state's communities, industries, and economic activities.

The aviation industry in Alaska creates approximately $3,500,000,000 in economic activity and supports an estimated 47,000 jobs.

I respectfully urge you to support this resolution and allow a significant sector of Alaska's economy to weigh in on this proposal.

EAGLE
CIRCLE
CENTRAL
CHALKYITSIK

REX GOOLSBY / TOK
MIKE MORGAN / FBKS

NO COMMENT THRU MOA

Military Proposals: http://www.jparceis.com/prop_actions.aspx

General Flyer: http://www.jparceis.com/Scoping%20Meeting%20Flyer.pdf

Alaska Command will continue to accept comments through February 18, 2011
Please direct any comments, or requests for information to:
9480 Pease Avenue, Suite 120
JBER, AK 99506
907 552-2341

SOME POTENTIAL LANGUAGE

WHEREAS we acknowledge that Alaska's Military Operations Areas (MOAs) include air, land, and sea areas to replicate realistic conditions for training and testing of combat systems, and expanded weapons and sensor capabilities, expanded mobility, and improved communications have all driven the need for larger training areas.

WHEREAS the Army and Air Force identified actions and projects in a proposal known as the *JPARC Modernization and Enhancement EIS* and released this proposal for public comment on December 10th, preceding the holiday season.

WHEREAS the proposals involve expanding and/or establishing new Military Operations Areas, restricted airspace, airspace corridors, expanding access to training areas, and developing new ranges and facilities to provide adequate resources to conduct training and testing under realistic and varied conditions.

WHEREAS the proposed significant expansion of these Military Operations Areas (MOAs) will have far reaching effects across multiple segments of Alaska's communities and industries, which includes hunting, tourism, commerce, and aviation.

WHEREAS aviation represents about $3.5B worth of economic activity in Alaska, and generates about 47,000 jobs. This is a significant component of Alaska's economy, and we need to b e careful not to impact that with these proposals.

WHEREAS requirements of the civil aviation community have evolved significantly since the MOAs were significantly expanded in the mid-1990's and the availability of technology has changed how aviation uses airspace and we need a complete review of the existing as well as proposed airspace in order to consider alternatives which may better suit the overall aviation needs of the users for present as well as proposed airspaces.

WHEREAS it is vital to ensure that citizens are allowed access to their villages at all times and for all reasons. (Currently four villages CANNOT be accessed by air during military operations.

WHEREAS proposed expansion into air corridors will significantly interfere with access to and from Fairbanks, as well as training operations conducted in these areas by general aviation and commercial operators.

WHEREAS it is vital to ensure that ALL State of Alaska divisions and departments are allowed time to effectively evaluate the effects from the proposed changes in military air space.

WHEREAS large military training operations were once conducted in the spring during wildlife calving, it is vital to ensure that prime wildlife habitat is protected.

WHEREAS large military training operations are now scheduled late in the season and occur during prime hunting seasons, and include areas managed for trophy bighorn sheep, it is vital to ensure that effectively managed big game can be hunted and thus contribute to subsistence, tourism, and economies in rural Alaska.

WHEREAS noise issues have increased in recent years, which may be tied to changes in aircraft or military procedures, and have an impact on wildlife and on backcountry recreation.

WHEREAS during the significant expansions of the mid-1990s safety precautions and communication systems were promised but not fulfilled, it is vital that the military honors all commitments made from the last airspace acquisitions and those negotiated to be negotiated during this proposed action.
WHEREAS it is paramount that that safety prevails for all potential contact between civilian and military operations including both US and foreign military aircraft.

THEREFORE we demand that the public comment period that ends Feb 18th be extended a minimum of 90 days to allow for effective communication plus State and user involvement before the proposal is solidified.

POTENTIAL TALKING POINTS

SAFETY: We do not want to wait until an accident costs human life before this is addressed.
ECONOMY: The inability to hunt will affect communities, lodges, guides, aviation, and the reputation of the State of Alaska.

Villages cannot receive aviation access during military operations.

Emergency medical aircraft, promised passage through military airspaces during original designation of the airspaces, have instead been allowed one-way flights, and then not permitted to return to their communities to standby for other emergencies. These holds have been for multiple days.

Military Operations are scheduled during prime hunting season and will close all the area around the big game management areas for trophy big horn sheep.

Current US aircraft now routinely break the sound barrier, resulting in sonic booms that shatter hunters experiences and frighten wild game. The sonic booms are severe enough that they flex the windows of other civilian aircraft in the vicinity

One small air carrier from Tok had three near missed in one month this past season.

Military aircraft are routinely seen flying below the 5000' floor of some MOAs, threatening low flying civilian aircraft avoiding the MOAs and landing on river gravelbars, etc. Military aircraft are seen flying at tree top level and travel at speeds in excess of 500 and 600 mph, in areas for small aircraft moving at 100 mph.

Hunters and guides were informed that the air spaces would be closed for three weeks during prime hunting season this year, last year, and through 2011 and 2012. Last year and this year, air carriers, hunters, and guides had to cancel multiple trips carrying hunters because they could not cross the MOAs. These hunters were from out of state, and had already spent thousands of dollars each for licenses, tags, equipment and tickets.

Military aircraft often fly outside the MOAs. This season three large foreign aircraft buzzed the town of Delta, came across the school yard, and came across the Delta airport, in front, behind, and under a small civilian aircraft in the final downwind pattern to land at the airport.

One set of AACA records indicate these events have been taking place since 1997, and include near misses, inability to communicate between civilian pilots and military air operations,

Alaska Aviation System

"Largest aviation system in North America"

July 2010

LEGEND

255 State Operated Airports

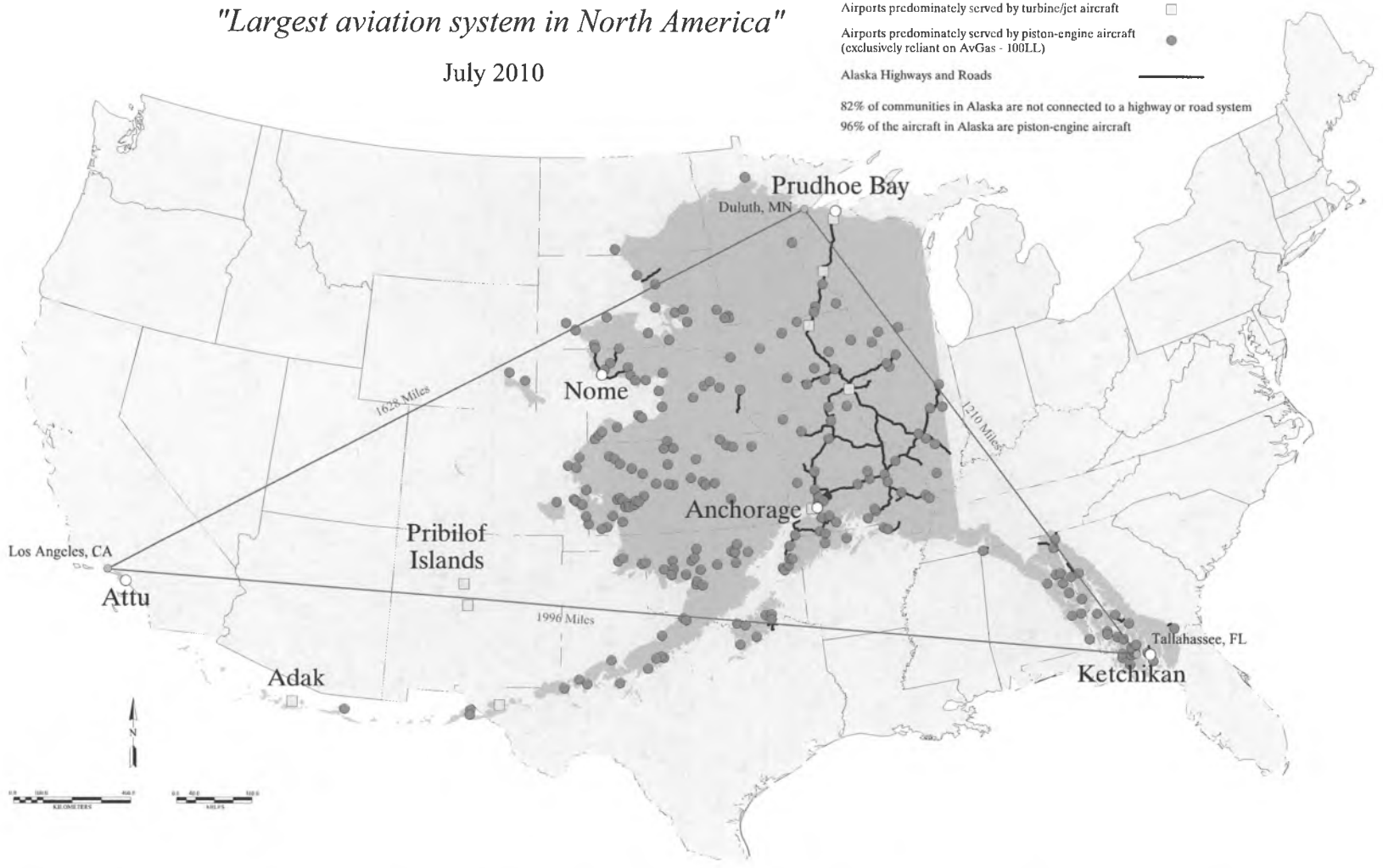
Airports predominately served by turbine/jet aircraft

Airports predominately served by piston-engine aircraft (exclusively reliant on AvGas - 100LL)

Alaska Highways and Roads

82% of communities in Alaska are not connected to a highway or road system

96% of the aircraft in Alaska are piston-engine aircraft



Platinum Airport



Nanwalek Airport



Pilot Station Airport



Hooper Bay Mail Delivery



HB

9

(FILE 1)

<TARGET><BILL>HB 9</BILL><SUBJECT>HB 9 (FILE 1)</SUBJECT><COMM>SCRA27</COMM></TARGET>

18.56.087 → AHFC
36.30.850 → Procurement Code
38.34 – In-State Natural Gas Pipeline
38.35 – Right of Way Leasing Act
40.25 – Public Records Disclosure
41.41 – ANGDA
42.04 – RCA
42.05 – AK Public Utilities Regulations Act
42.06 – Pipeline Act
42.08 – In-State Pipeline Fund Control Commission
43.56 – Oil & Gas Property Taxes

CS FOR HOUSE BILL NO. 9(FIN) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 3/27/12
Offered: 3/23/12

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

A BILL

FOR AN ACT ENTITLED

"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 Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to 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 or a successor in interest 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

New Text Underlined [DELETED TEXT BRACKETED]

project developed by the Alaska Gasline Development Corporation; relating to the regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; 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."

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

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

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

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

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

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

(4) to the maximum extent permitted by law, in developing a natural gas pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products, and natural resources from qualified businesses located in the state, including organizations owned by Alaska Natives and municipal organizations directly affected by the project, if those persons are competitive; and

(5) the Alaska Gasline Development Corporation shall, to the maximum extent permitted by law,

(A) hire qualified residents from throughout the state for management,

engineering, construction, operations, maintenance, and other positions for a natural gas pipeline project;

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

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

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

Sec. 18.56.087. Alaska Gasline Development Corporation. (a) The Alaska Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall have all powers granted to it by the corporation. The Alaska Gasline Development Corporation shall, to the fullest extent possible,

(1) advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development Corporation and the Joint In-State Gasline Development Team, with modifications determined by the Alaska Gasline Development Corporation to be necessary to construct and operate an in-state natural gas pipeline in a safe and economic manner;

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

(3) endeavor to develop natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of the state to which the natural gas may be delivered at commercially reasonable rates; and

(4) endeavor to develop natural gas pipelines to provide shippers access to natural gas produced in the state for transport at commercially reasonable rates.

(b) In addition to the powers granted to it by the corporation, the Alaska Gasline Development Corporation may

(1) determine the form of ownership and the operating structure of an

in-state natural gas pipeline developed by the Alaska Gasline Development Corporation and may enter into agreements with other persons for joint ownership or operation or both of the in-state natural gas pipeline;

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

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

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

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

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

Authority.

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

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

(f) In the exercise of its powers under (d) and (e) of this section, the Alaska Gasline Development Corporation may not pledge the faith and credit of the state or a

political subdivision of the state other than the Alaska Gasline Development Corporation to the repayment of the principal of or interest on any bonds issued by the Alaska Gasline Development Corporation.

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

(h) An executed pipeline operating agreement between the Alaska Gasline Development Corporation and the operator of the pipeline developed by the Alaska Gasline Development Corporation shall be disclosed to the public to the extent the disclosure would not divulge trade secrets or other proprietary business information of the Alaska Gasline Development Corporation or the operator.

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

(j) In this section, "in-state natural gas pipeline" and "natural gas pipeline"

have the meanings given in AS 38.34.099.

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

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

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

(a) The **Alaska Gasline Development Corporation** [JOINT IN-STATE GASLINE DEVELOPMENT TEAM] may have access to information of all state agencies that is directly related to the planning, design, construction, or operation of the in-state natural gas pipeline. **If a state agency finds that the information to be transferred under this subsection is confidential, the state agency may require the Alaska Gasline Development Corporation to enter into a confidentiality agreement under (e) of this section before the transfer of that information, or, if the state agency determines that a law or provision of a contract to which the state agency is a party requires the state agency to preserve the confidentiality of the information and that delivering the information to the Alaska Gasline Development Corporation would violate the confidentiality provision of that law or contract, the state agency shall identify the applicable law or contract provision to the Alaska Gasline Development Corporation and may require the Alaska Gasline Development Corporation to obtain the consent of the person who has the right to waive the confidentiality of the information under the applicable law or contract provision before the state agency transfers the information to the Alaska Gasline Development Corporation.**

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

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

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

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

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

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

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

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

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

(f) Information relating to field studies conducted and other technical information developed or obtained by the Alaska Gasline Development Corporation that relates to the development, financing, construction, or operation of an in-state natural gas pipeline project by the Alaska Gasline Development Corporation is confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline

Development Corporation may waive the confidentiality of the information described in this subsection, except for information acquired from another person that is subject to a confidentiality agreement, if the waiver is in the best interest of the state and will facilitate the development, financing, or construction of an in-state natural gas pipeline.

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

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

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

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

Sec. 38.34.099. Definitions. In this chapter,

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

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

(3) "natural gas pipeline" means all the facilities of a total system of pipe for transportation of natural gas for treatment or conditioning, delivery, storage,

or further transportation, and including all pipe, pump and compressor stations, station equipment, and all other facilities used or necessary for an integral line of pipe to carry out the transportation of the gas.

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

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

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

(a) **Except as provided in AS 38.34.050(c), 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.

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

(b) **Except as provided in AS 38.34.050(c), for** [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. **Except as provided in AS 38.34.050(c), an** [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.

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

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

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

(c) Except as provided for an applicant under (a) of this section, notwithstanding any contrary provision of law, an action or decision of the commissioner or other state officer or agency concerning the issuance or approval of a necessary right-of-way, permit, lease, certificate, license, or other authorization for the development, construction, or initial operation of a natural gas pipeline by the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this chapter may not be subject to judicial review, except that a claim alleging the invalidity of this subsection must be brought within 60 days after the effective date of this Act, and a claim alleging that an action will deny rights under the Constitution of the State of Alaska must be brought within 60 days following the date of that action. A claim that is not filed within the limitations established in this subsection is barred. A complaint under this subsection must be filed in superior court, and the superior court has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction with a final judgment on a claim filed under this subsection, the superior court may not grant injunctive relief, including a temporary restraining order, preliminary

injunction, permanent injunction, or stay against the issuance of a necessary right-of-way, permit, lease, certificate, license, or other authorization for the development, construction, or initial operation of a natural gas pipeline by the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the meaning given in AS 38.34.099.

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

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

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

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

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

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

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

(3) medical and related public health records;

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring security in the state, or to a 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. 15.** 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 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.

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

(d) The acquisition of natural gas from the North Slope and other regions of the state, including the Alaska outer continental shelf, and **making that natural gas**

available to [ITS DELIVERY TO MARKETS IN THE STATE FOR USE BY] markets in the state or **for export from the state** [TO TIDEWATER FOR SHIPMENT TO MARKET BY THE AUTHORITY] are essential government functions of the state.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) sue and be sued;

(2) adopt a seal;

(3) adopt, amend, and repeal bylaws and regulations;

(4) make and execute contracts and other instruments;

(5) in its own name acquire property, lease, rent, convey, or acquire real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE MAY BE ACQUIRED BY EMINENT DOMAIN];

(6) acquire natural gas supplies;

(7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

(8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;

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

(10) charge fees or other forms of remuneration for the use of authority

properties and facilities;

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

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

* **Sec. 24.** 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. 25.** AS 42.04.080(a) is amended to read:

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

* **Sec. 26.** 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 contract entered into by a public utility with the Alaska Gasline Development Corporation (AS 18.56.087) or its successors or assigns may contain a covenant for the public utility to establish, charge, and collect rates sufficient to meet its obligations under the contract. If the contract is approved by the commission under AS 42.08, the rate covenant is valid and enforceable.

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

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

(d) The commission shall review and may conduct an investigation and hearing to determine whether a contract submitted under (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 a contract is unjust or unreasonable, disapprove the contract. If the commission has not acted within 180 days after the contract is submitted, the contract shall be considered approved and shall take effect immediately. A contract that is approved or considered approved under this section is not subject to further review by the commission. The commission may, by order, extend the 180-day review period by the duration of any delay caused by a failure of the public utility to submit supplemental information that is available to the public utility.

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

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

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

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

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

Chapter 08. In-state Pipeline Contract Carrier.

Article 1. Application of Chapter; Purpose.

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

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

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

(b) The board of directors and the officers of the Alaska Gasline Development Corporation are managerially fit, willing, and able to manage the Alaska Gasline

Development Corporation and to take the actions, properly to perform the service, and to conform to the requirements of this chapter.

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

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

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

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

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

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

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

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

(b) The commission may

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

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

(A) that are not subject to the dispute resolution provisions in

an in-state natural gas pipeline carrier's contracts or tariffs;

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

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

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

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

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

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

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

(c) The commission may not

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

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

Sec. 42.08.230. Commission decision-making procedures. The commission

shall comply with AS 42.04.080(a) and expeditiously adjudicate all matters that come before the commission.

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

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

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

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

Article 3. Contract Review; Contract Carriage Certificate.

Sec. 42.08.300. Review of certain contracts by the commission. (a) The Alaska Gasline Development Corporation or its successors or assigns shall submit each of its precedent agreements for firm transportation service to the commission. A precedent agreement negotiated with an entity that is not a public utility may be filed under seal. Under AS 42.08.400, the commission shall keep confidential a precedent

agreement filed under seal. Submission of precedent agreements to the commission is permissible before construction of an in-state natural gas pipeline and before a request for certification under this chapter.

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

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

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

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

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

(b) Application for a certificate shall be made in writing to the commission

and verified under oath. The commission by regulation shall establish the requirements for the form of the application and the information to be contained in the application. Notice of the application shall be provided to interested parties in the manner provided by regulation.

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

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

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

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

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

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

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

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

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

Sec. 42.08.320. Tariffs, contracts, filing, and public inspection. (a) An in-state natural gas pipeline carrier shall file with the commission all rules, regulations, terms, and conditions pertaining to service provided under the certificate, and copies of all contracts with shippers that in any way affect or relate to the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and conditions to service provided under the certificate. The in-state natural gas pipeline carrier shall maintain copies on file at its principal business office and at places designated by the commission and make the copies available to, and subject to inspection by, the general public on demand. Rules, regulations, terms, and conditions not included in the tariff of an in-state natural gas pipeline carrier shall be included in the contract with each shipper.

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

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

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

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

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

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

(d) The commission may adopt regulations under AS 44.62 (Administrative

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

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

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

Article 4. Records; Investigations.

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

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

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

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

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

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

Article 5. General Provisions.

Sec. 42.08.510. Designation of service agents. An in-state natural gas pipeline carrier shall file with the commission a written appointment of a named permanent resident, which may be a corporation, of this state as its registered agent in this state upon whom service of all notices, regulations, and requests of the commission may be made. The appointment shall specify the address in this state of the appointed agent. The address may be changed from time to time by filing a new address in the state with the commission. If an in-state natural gas pipeline carrier fails to appoint a registered agent, service of notices, regulations, and requests may be made by posting a copy in the main office of the commission and filing a copy in the office of the lieutenant governor.

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

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

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

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

Sec. 42.08.900. Definitions. In this chapter,

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

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

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

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

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

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

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

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

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

(d) Taxable property of a natural gas pipeline project owned or financed by the Alaska Gasline Development Corporation established under AS 18.56.086, or a joint venture, partnership, or other entity that includes the Alaska Gasline

Development Corporation, is exempt from state taxes levied or authorized under AS 43.56.010(a) and local taxes levied or authorized under AS 43.56.010(b) before the commencement of commercial operations of that natural gas pipeline project. In this subsection, "commencement of commercial operations" means the first flow of natural gas in the project that generates revenue to the owners of the natural gas pipeline project. INSTATE GAS LINE | ANGDA

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

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

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

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

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

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

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

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

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

Sectional Analysis of HB 9, with Issues Highlighted
(bill passed by House, version Q.A)

Section 1

This is a "findings and intent" section.

Items #1 (passage of this Act constitutes a finding of public convenience and necessity" and #2 (this pipeline is in the best interests of the state) are highly problematic, and limit the RCA's powers which are granted elsewhere in the bill.

Items #3 through #5 relate to a desire for local hire and contracting. These may better serve the project in the body of the bill, specifically Section 2.

Section 2

This long section greatly amends and expands the powers of the AGDC which was created in 2010 via HB 369.

Issues include:

- Specifically advancing the July 2011 project plan (p. 3, ln. 14); this includes a final project route and size.
- There may be a tension between "determining the form of ownership" (p. 3, ln. 31) and exercise of eminent domain power (p. 4, ln. 4).
- Pipeline may operate as a contract carrier (p. 4, ln. 19).
- Subsection (c) (p.4, ln 20) was added in H(RES) to address concerns of regions of the state outside the main line and the planning of future extensions. But it doesn't actually start looking at other parts of the state until construction begins.
- Unlimited bonding authority, yet it does not become an obligation of AGDC or the state (subsections (d)-(f)).
- The "fund" established in subsection (g) is also established in HB 203, which passed the House in 2011. Currently, $200 million is sitting in the Alaska Housing Capital Corporation pending creation of this fund.
- Concerns that large parts of an operating agreement between AGDC and a private company could be kept private (subsection (h)).
- Results of the open season must be published, which may contradict the confidentiality language in 42.08.300 (Section 29).

Section 3

Exempts ANGDA from the Procurement Act. See Section 20.

Section 4

Amends a section of the State Lands Act which requires other agencies provide information to AGDC. If the agency has issues of confidentiality, they can require confidentiality agreements or, if third parties are affected, require AGDC to themselves obtain the consent of the third parties.

Section 5

Conforming amendment that reflects the repeal of the joint in-state pipeline development team (38.34.030 and .040, repealed in Section 31) and the direct governance of AGDC by the AHFC board.

Section 6

Requires that DNR grant right-of-way leases at no appraisal or rental cost. This waiver would pass through to a private successor owner (see Section 7(i)).

Also exempts the project from certain provisions of the Right-of-Way Leasing Act (AS 38.35) that require common carriage. One of these exemptions, 38.35.120(a)(5), may be unnecessary and could restrict the state's ability to require gas delivery to certain facilities.

Section 7

(e) and (f): Gives broad authority to AGDC to enter into confidentially agreements. Amendment #17 (Q.11) would have restrained this power to just internal business affairs, and would have mandated that a contract to sell or manage the pipeline would explicitly be public. (See Section 2(h)).

(g) and (h): Mandates that municipalities and other state agencies must provide water, sand, gravel, and permits to the project. These resources must be paid for at customary rates, but may not be included in the rate base. In other words, the state is directly subsidizing these costs because they can't be recovered in the tariff.

(i): ROW leases pass through to a successor owner at the same terms (see Sec. 6)

Section 8

Definition section gives an overly broad definition of "in state natural gas pipeline" as any gas pipeline in Alaska. The definition also encompasses all portions of the gas treatment , distribution, and storage system.

Section 9

Conforming amendment related to exempting the project from certain provisions of the Right-of-Way Leasing Act (AS 38.35) that require common carriage. See Section 6.

Section 10

Long section, because it repeats 3 pages of statute, but simply a conforming amendment related to exempting the project from certain provisions of the Right-of-Way Leasing Act (AS 38.35) that require common carriage. See Section 6.

Section 11

Conforming amendment related to exempting the project from certain provisions of the Right-of-Way Leasing Act (AS 38.35) that require common carriage. See Section 6.

Section 12

Conforming amendment confirms that ROW leases shall be granted without appraisal or rental cost. See Section 6.

Section 13

Greatly restricts judicial review of any agency action affecting any project using a state Right of Way. The bill's sponsors reference the restrictions that were put on TAPS permitting, although that was truly an issue of national security.

This section, along with the ROW leasing sections 6-12, were the core of HB 215 which passed last year. This bill is being heard in Senate Judiciary with the hope that the issues will be addressed when HB 9 reaches Senate Resources.

Section 14

Long section adding an exemption to the Public Records Act for any confidentiality agreement signed by AGDC.

Section 15

Amends ANGDA governing statute so as to eliminate their ability to design, construct, and operate a pipeline. They retain the powers to acquire and market gas.

The full suite of ANGDA changes (Sections 15-24 plus repealers) would have been reversed in Amendment #15 (Q.26).

Section 16

Conforming ANGDA amendment, making ANGDA a marketing agency.

Section 17

Authorizes ANGDA to commit state royalty gas to the pipeline. The first clause in the section "To honor delivery commitments in a contract entered into by the authority…" may be problematical.

There has been no discussion to my knowledge of the "disposal other than by sale or exchange" language.

Section 18

Makes the governing body of ANGDA the Alaska Housing Finance Corporation. The statutes that governing the existing ANGDA board are repealed in Section 31.

Section 19

Conforming amendment related to ANGDA board members now actually being the AHFC board.

Section 20

Exempts ANGDA from the Procurement Act. Amendment #11 (Q.11) would have reversed this. Although a blanket exemption, the focus of the sponsor is to make sure that legal and bond counsel can be hired without the procurement process.

Section 21

Conforming armament removing the word "project" from ANGDA's conflict-of-interest statute. ANGDA is no longer empowered to have a "project."

Section 22

Confidentiality agreements between ANGDA and AGDC are not a public record.

Section 23

Removes ANGDA's eminent domain power.

Section 24

Redefines ANGDA's board as the AHFC board.

Section 25

Amends the RCA "hearing panel" statute to add the new RCA chapter created by Section 29.

Section 26

Adds a provision to the Public Utility Act relating to utilities contracting to ship or purchase gas from the AGDC. Contracts must be submitted to RCA, who have 180 days to determine if a contract is just and reasonable. RCA is limited to an "up or down" decision.

Section 27

Exempts the AGDC pipeline from regulation under 42.05, the Public Utility Act.

Section 28

Exempts the AGDC pipeline from regulation under 42.06, the Pipeline Act.

Section 29

Creates a new chapter 42.08 of the RCA statutes.

42.08.010 Establishes the chapter's purpose of regulating a contract carrier natural gas pipeline.

42.08.020 Pre-qualifies AGDC for most of the conditions required to obtain a contract carriage certificate in 42.08.310. These findings are conclusive and binding on the RCA. This issue was addressed in Amendment 6 (Q.17).

42.08.220 Gives general powers of regulation to RCA, divided into "shall", "may" and "may not."

RCA shall acquire permits, and assist DOL in proceedings.

RCA may approve contracts, investigate disputes, adopt regulations, initiate proceedings, and assign administrative law judges.

RCA may not set rates and tariffs, and may not review or modify contracts once they are approved.

Several proposed amendments that were designed to prevent potential tariff and contract issues were written as additions to the "may not" section: RCA "may not approve a contract that…"

42.08.230 Brings the new chapter under the existing RCA rules for hearing panels

42.08.240 Publication of reports

42.08.250 Exempts proceedings from the Administrative Procedure Act

42.08.260 Publication of annual report

42.08.300 Empowers RCA to review precedent agreements (shipping contracts.) Agreements with entity other than a public utility may be kept confidential despite what's

There is a huge problem with this section in that RCA must approve contracts that are "just and reasonable," yet any arm's length transaction is presumed to be "just and reasonable." It is a tremendous deference to a contract which may be between two corporations, and could greatly harm consumer protection. This was addressed by Amendment 18 (Q.16).

42.08.310 Requires a "certificate of public convenience or necessity" for contract carriage. There is an application and review process.

This is contradicted by the findings section (Section 1(1)), granting a certificate to AGDC with the bill's passage. It is also contradicted by the pre-qualification of AGDC in 42.08.020.

Subsection (e) requires RCA to approve a transfer of ownership, yet "a transfer not involving a substantial change… shall be summarily approved." There is no definition of "substantial."

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE ALASKA STATE HOUSE

SECTIONAL ANALYSIS

Committee Substitute for House Bill 9 (FIN) am

"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 an action or decision related to 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 or a successor in interest 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 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; 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 (findings and intent) expresses legislative intent and findings that:

- By passage of HB 9, an AGDC pipeline is in the public convenience and necessity;
- The development of an AGDC gas pipeline is in the best interest of the state; and
- State policy will make state royalty gas available for shipment in an AGDC line.
- To the maximum extent allowed by law and if at competitive rates, AGDC shall procure services, labor, products and natural resources from Alaska businesses
- To the maximum extent allowed by law, AGDC shall hire Alaska residents for management, engineering, construction, operations and maintenance, and will use state hiring facilities and job center services operated by the Department of Labor and Workforce Development.

Representative_Mike_Chenault@legis.state.ak.us

Section 2 (abilities and duties) adds a new section to *A.S. 18.56, Alaska Housing Finance Corporation*, relating to AGDC's duties and abilities as a subsidiary corporation of the Alaska Housing Finance Corporation (AHFC); establishes the instate natural gas pipeline fund within AGDC.

Under Section 2, AGDC shall:

- Advance an instate gas pipeline project as described in the July 2011 project plan, with modifications as necessary.
- Once construction on that line starts, analyze additional pipelines to connect other regions of the state with natural gas.
- 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.
- Develop pipelines making natural gas available to Fairbanks, Southcentral and other communities at the lowest rate possible;
- AGDC will develop commercially reasonable rates for shippers and for public utilities and industrial customers;
- Disclose an executed pipeline operating agreement between the Alaska Gasline Development Corporation (AGDC) and the pipeline operator be disclosed publically to the extent that disclosure would not divulge trade secrets or other proprietary business information.

Under Section 2, AGDC may:

- Decide how a pipeline will be owned and operated, including joint ownership/operatorship.
- Exercise the state's existing right of eminent domain to acquire land, but only as required for an instate natural gas pipeline project.
- Acquire property and interests in pipelines as needed.
- Manage AGDC assets, including transfer or disposal of parts or all of a pipeline project.
- Provide transportation of natural gas by way of contract carriage.
- Issue revenue bonds limited to AGDC's backing, to carry out AGDC's purpose.

Section 3 (ANGDA exempt from procurement code) adds a new paragraph to *A.S. 36.30.850(b), Public Contracts, State Procurement Code, Application of this chapter*, exempting ANGDA from the state procurement code when contracting for professional services; conforming to Section 20. (AGDC is already exempt)

Section 4 (state agency information sharing) amends *A.S. 38.34.050(a), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information*, to provide AGDC access to information of state agencies that is directly related to designing, constructing and operating an instate natural gas pipeline, and to protect existing confidentiality of information held by state agencies. As the Joint In-State Gasline

Development Team (JIGDT) created in HB 369 in 2010 is repealed in section 29, HB 9, this section also changes "JIGDT" to "AGDC."

Section 5 (state agency priority to AGDC requests) amends *A.S. 38.34.050(b), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* to direct state agencies to cooperate with and give priority to AGDC requests, and calls on AGDC to avoid duplicating other state-supported work. As JIGDT is repealed in section 29, HB 9, this section also changes "JIGDT" to "AGDC."

Section 6 (right-of-way lease) amends *A.S. 38.34.050(c), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* to require DNR to grant a state right-of-way lease to AGDC at no appraisal or rental cost, 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.

Section 7 (confidential information) adds new subsections to *A.S. 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* allowing AGDC to enter into confidentiality agreements as necessary to carry out its duties, including with state agencies, and deems confidential information related to field studies and technical data. Calls on municipalities and state agencies to provide non-hydrocarbon natural resources, such as water, sand and gravel, at usual and customary rates. Calls on agencies to issue permits and leases at no cost, except for permits and leases through the State Pipeline Coordinator's Office. Requires AGDC to bear the usual and customary costs but does not allow those costs in a rate base. Allows that a state-right-of-way lease granted to AGDC may, upon commissioner approval, be transferred to another party under the same terms and conditions as applicable to AGDC.

Section 8 (definitions) repeals and reenacts *A.S. 38.34.099, Public Land, Instate Natural Gas Pipeline, Definitions,* to revise definitions of "AGDC," "in-state natural gas pipeline," and "natural gas pipeline."

Section 9 (conforming) amends *A.S. 38.35.100(d), Public Land, Right-of-Way Leasing Act, Decision on application*, to conform to Section 6, right-of-way leasing.

Section 10 (conforming) amends *A.S. 38.35.120(a), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease*, to conform to Section 6, right-of-way leasing.

Section 11 (conforming) amends *A.S. 38.35.120(b), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease*, to conform to Section 6, right-of-way leasing.

Section 12 (conforming) adds a new subsection to *A.S. 38.35.140, Public Land, Right-of-Way Leasing Act, Payment of rental and costs*, to conform to Section 6, right-of-way lease at no appraisal or rental costs.

Section 13 (judicial review) adds new subsections to *A.S. 38.35.200, Public Land, Right-of-Way Leasing Act, Judicial review of decisions of commissioners on application*, to limit judicial review of state lease, permit or other authorization decisions to superior court, and prohibiting the court from granting injunctive relief. Claims must be brought within 60 days of an action for which relief is sought.

Section 14 (public records) amends *A.S. 40.25.120(a), Public Records and Recorders, Public Record Disclosures, Public records; exemptions; certified copies*, to exempt 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 7 to be kept confidential)

Section 15 (ANGDA as gas marketer) amends *A.S. 41.41.010(a), Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* enabling ANGDA to act as a gas marketer instead of transporter, and eliminating proscriptive language regarding gas supply and gas market locations.

Section 16 (ANGDA gas marketer) amends *A.S. 41.41.010(d), Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* to clarify ANGDA's role as a gas marketer.

Section 17 (royalty gas) adds a new subsection to *A.S. 41.41.010, Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* allowing ANGDA, with the DNR commissioner, to pledge state royalty gas for contracts entered into by ANGDA. Directs the commissioner to treat a pledge under this section as a disposal of gas other than by sale or exchange.

Section 18 (ANGDA board) repeals and reenacts *A.S. 41.41.020, Public Resources, Alaska Natural Gas Development Authority, Authority governing body,* to state that AHFC's board of directors will serve as the ANGDA board of directors.

Section 19 (conforming) amends *A.S. 41.41.060, Public Resources, Alaska Natural Gas Development Authority, Compensation of board members; per diem and travel expenses,* to conform to Section 18.

Section 20 (ANGDA contractors/procurement) amends *A.S. 41.41.070(d), Public Resources, Alaska Natural Gas Development Authority, Authority staff*, to include legal counsel in the services ANGDA may contract for, and exempts procurement of contracted services from the state procurement code.

Section 21 (ANGDA board/conflicts of interest) amends *A.S. 41.41.090(b), Public Resources, Alaska Natural Gas Development Authority, Conflicts of interest,* to remove involvement with a "project" from the circumstances requiring disclosure. (Conforms to Section 15 redefining ANGDA's role)

Section 22 (ANGDA information) amends *A.S. 41.41.150(a), Public Resources, Alaska Natural Gas Development Authority, Public access to information,* to expand ANGDA's existing confidential records authority to include information in a confidential agreement between ANGDA and AGDC.

Section 23 (conforming) amends *A.S. 41.41.200, Public Resources, Alaska Natural Gas Development Authority, Powers of the authority,* to remove ANGDA's authority to exercise eminent domain, as ANGDA would serve as a marketing arm and not as a pipeline builder. (Conforms to Section 15 redefining ANGDA's role)

Section 24 (conforming) amends *A.S. 41.41.990(2), Public Resources, Alaska Natural Gasline Development Authority, Definitions,* to conform to Section 18 by defining ANGDA's board as AHFC's board.

Sections 25-29 implement a new regulatory chapter applicable to an instate natural gas pipeline authorized to provide contract transportation. A complete analysis of 42.08, is on sectional pages 6-7.

Section 25 (RCA regulation) amends *A.S. 42.04.080(a), Public Utilities and Carriers and Energy Programs, Regulatory Commission of Alaska, Decision-making procedures,* to exempt from RCA hearing requirements matters that come under 42.08, along with matters already exempted under 42.05 and 42.06. This allows the RCA to manage matters under these chapters as the chapters direct.

Section 26 (RCA regulation) amends *A.S. 42.05, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act*, by adding a new section related to RCA review of contracts entered into by a public utility with AGDC for gas transportation or for contracts public utilities make to purchase gas or store gas that is transported on an instate natural gas pipeline regulated under 42.08. Public utility contracts with AGDC may include a covenant for public utilities to collect rates sufficient to meet its contractual obligations. Contract to buy or store gas to be shipped on an instate natural gas pipeline regulated under 42.08 must be submitted to the RCA. The RCA has 180 days to either approve contracts as presented or, if contracts are found unjust or unreasonable, to disprove the contracts. Contracts approved are not subject to further RCA review. The RCA may extend the 180 day review period if a public utility fails to provide supplemental information that is available to the public utility.

Section 27 (RCA regulation) amends *A.S. 42.05.711, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act, Exemptions,* to exempt a pipeline subject to regulation under 42.08 from regulation under 42.05.

Section 28 (RCA regulation) amends *A.S. 42.06, Public Utilities and Carriers and Energy Programs, Pipeline Act*, by adding a new section to article 7 exempting a pipeline subject to regulation under 42.08 from regulation under 42.06.

Section 29 (RCA regulation) adds a new chapter to *A.S. 42, Public Utilities and Carriers and Energy Programs*, to create Chapter 08, In-state Pipeline Contract Carrier. Chapter 08 applies to an instate natural gas pipeline expressly authorized to provide contract carriage; and exempts an in-state natural gas pipeline subject exclusively to federal jurisdiction.

Section 30 (property tax exemption during construction) adds a new subsection to *A.S. 43.56.020, Revenue and Taxation, Oil and Gas Exploration, Production and Pipeline Transportation Property Tax, Exemptions,* exempting an AGDC project from state and local property taxes during construction.

Section 31 (repealer) repeals seven statutes. Repeals *A.S. 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 32 (repealer) repeals Section 1 of the 2002 Ballot Measure No. 3, the findings of which are no longer necessary with ANGDA's revised authority.

Section 33 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 6 of HB 9. (The Alaska Constitution bars the Legislature from passing laws that apply retroactively to contracts in place)

Section 34 is revisor's instructions.

Section 35 sets an immediate effective date.

HB 9 Bare Minimum Suggestion

Background

In 2010, HB 369 passed the House unanimously and the Senate 16-4 along caucus lines. The legislature appropriated $200 million in 2011 to support this project; these funds are currently in "limbo" pending enabling legislation.

There are significant concerns with elements of this bill, specifically with the waiver of public process, protecting consumers, and ensuring meaningful regulatory oversight. However, there may be a possibility that Cook Inlet will face gas shortages within a decade. Legislation that ensures AGDC can continue their work towards open season while not binding the State of Alaska to an open-ended project and a prematurely empowered agency may be a resolution to the dilemma.

The following is merely a recommendation designed to achieve the above limited end.

Elements of a "Bare Minimum" Bill

Delete Sections 1, 3, 6, 9-11, 12, 13, 15-24, 25-29, 30, 32, 33, and 34.

Section 2: Keep subsections (a)(2), (3), and (4); (b)(3), (g), (i), and (j).

The intent here is to: allow AGDC to revise their governing structure, eliminating the "Joint In-State Gasline Development Team" (JIGDT) established in HB 369; acquire land; create the "in-state natural gas pipeline fund" in order to spend previously appropriated funds; publish firm transportation agreements obtained at open season; and adjust definitions.

If AGDC is also given borrowing authority, this would be the appropriate section to add specific legislative approval before any project commences construction, as in House Floor Amendment #5 (Q.1). It is also the appropriate section to add language from SB 215, the "Cook Inlet to Fairbanks First" pipeline bill, if desired.

Sections 4-5: Keep all language. This makes the "name change" from JIGDT to AGDC, and puts the burden on AGDC to obtain waivers if they are acquiring confidential information (authorized in current law) from state agencies.

Section 7: Replace (e) with the language in Amendment #17 (Q.11) from House debate. This allows limited confidentiality related to internal business matters, and explicitly says that any contract to operate or manage this pipeline must be public. Delete all other subsections.

Section 8: Keep definition (1) plus the definitions currently in statute, so do not "repeal and reenact."

Section 14: Keep Public Records Act exemption, so long as their confidentiality powers are elsewhere limited (see Section 7). This enables them to, for example, work with TransCanada to share that company's private route studies.

Section 31: Keep repeal of Title 38 items, containing the original governing structure of AGDC from HB369, the "Joint In-state Gasline Development Team." Delete repeal of Title 41 items, the ANGDA board statutes.

Section 35: Effective date

Next Level of Complexity, if Desired

If the Senate wishes a more comprehensive solution, the following issue areas could be addressed with somewhat more legal and committee effort:

1) The Senate Judiciary Committee has spent time with HB 215, which contains the Judicial Review waiver in Section 13 of this bill (also referenced in Section 29, 42.08.530(a) and Section 34(2).) I am unaware if the committee has developed a preferred solution.
2) It may be desirable to pass Sections 15-24, which move the Alaska Natural Gas Development Authority under the AHFC board and empower them to be a shipper and marketer of gas. If so, the sections that need the most scrutiny are #17 (power to pledge state royalty gas) and #20 (waiver from procurement code). If these sections are retained, the repeal of several Title 41 statutes in Section 31 (concerning ANGDA board elections) should also remain in the bill.
3) It may be worthwhile to allow a pipeline to be regulated as a contract carrier. This will require a suite of changes as follows:
    - Restore **Section 2(b)(5)**
    - Restore language allowing AGDC to receive waivers from the ROW Leasing Act specific to contract carriers:
        - **Section 6:** Keep language with two changes: eliminate "at no appraisal or rental cost, and eliminate the exemption from 38.35.120(a)(5) while keeping (1) and (2). This section allows the pipeline to operate as a contract carrier by exempting it from provisions of the ROW leasing act that require a recipient of a lease to be a common carrier. Of these exemptions, 38.35.120(a)(5), may be unnecessary and could restrict the state's ability to require gas delivery to certain facilities.
        - **Sections 9-11:** Eliminate references to (5), to conform to the changes made to Section 6.

- **Section 33:** This transition language references the above sections.
- **Section 34:** The revisor's instruction in (1) references these sections

- Restore language from Sections 25-29 with recommended changes:
  - **Section 25:** Keep. Amends the RCA "hearing panel" statute to add the new RCA chapter created by Section 29.
  - **Section 26:** Keep, but recommend elimination of language implying RCA can only disapprove a contract "if the commission finds that a contract is unjust or unreasonable," and that a contract "shall be automatically considered approved in 180 days."
  - **Sections 27-28:** Keep. These exempt the AGDC pipeline from regulation under 42.05, the Public Utility Act and 42.06, the Pipeline Act.
  - **Section 29:** Creates a new chapter 42.08 of the RCA statutes.

    42.08.010 Establishes the chapter's purpose of regulating a contract carrier natural gas pipeline.

    42.08.020 Delete all

    42.08.220 Delete all the sub-items (A) through (E) under (b)(2). Delete (c).

    42.08.230 Keep

    42.08.240 Keep

    42.08.250 Delete

    42.08.260 Keep

    42.08.300 Delete (b)(1) and (c). This was addressed by House Amendment #18 (Q.16).

    42.08.310 Most of this section is OK so long as Section 1 and Section 42.08.020 are deleted. In subsection (e), delete "a transfer not involving a substantial change in ownership shall be summarily approved."

    42.08.320 Keep

    42.08.330 Keep subsection (a). However, what is missing here is any obligation to expand the pipeline if potential shippers indicate a need. In AGIA, there are required open seasons every two years, and the licensee must expand the pipeline if there is demand. This is in there to make sure new producers are able to get their gas into the pipeline and prevent "basin control." This issue was addressed, although I believe imperfectly, with Amendment Q.34, which was drafted but not offered. Delete subsection (b).

    42.08.340 Keep (a) through (d). Delete (e).

42.08.350 Delete

42.08.400 Modify this section to limit what is "privileged" and allow a person to object to something being kept "privileged." Addressed in House Amendment Q.20, which was drafted but not offered.

42.08.410 Eliminate sections allowing for exclusion of the public from hearings. Addressed by House Amendment Q.21, which was drafted but not offered.

42.08.510 Keep.

42.08.520 Keep. Regulations adopted by RCA have the effect of law.

40.08.530 Keep (a), but delete "except as provided in AS 38.35.200(c)." This is the judicial review exclusion in Section 13. Delete (b).

42.08.540 Keep.

42.08.900 Definitions. Drafters may need to modify to adjust for deleted sections.

- Page 3, Line 31: "Determine the form of ownership". This is a broad power. Can you discuss this further so members of the committee can get a better understanding?

- Page 5. Line 2: Bonding Authority. AGDC may issue bonds "without limit" but the indebtedness is not an obligation or liability of AGDC or the State? So who is liable for the debt? The signers of the contracts to ship gas? (and the rate payers buying the gas)

- Page 6, Line 17: Who decides the extent of information released re: pipeline operating agreement? Good way to ask it. This agreement is key to project and should be as public as possible.

- General question: If this bill or a version of this bill passes and AGDC continues on to an open season, and for whatever reason, this pipeline is not built: What does the state get to keep or retain even though the project is a no-go? Do any of the confidentiality clauses in the bill stop the state from keeping and making public the agreements, records, studies, etc...of AGDC? AGIA has abandonment clause - if not sanctioned by date certain, work product goes to state. Need compar. provision.

- Can you talk about the right-of-way lease in Section 6 and the ability to transfer the lease to "another party" as stated in Section 7? and they have no cost either.

- Page 9, line 6: Municipal Mandate. Does this mean that AGDC will pay for these resources since the cost cannot be rolled into the tariff? Why can't these costs be rolled into the tariff? Who would set the tariff? Also, Does "usual & customary rates" mean fair-market value?

- Page 9, line 28: Would there be any objection to changing the definition of "in-state natural gas pipeline" to read: means a natural gas pipeline for transporting natural gas in the state to market? I think this would exclude "feeders" tying a new find (Nenana say) to the main line.

27-LS0075\Q.38
Bullock
3/26/12

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE GARA

TO: CSHB 9(FIN)

Page 4, following line 8:

Insert new subsections to read:

"(b) Notwithstanding the powers granted to the Alaska Gasline Development Corporation by (a) of this section and granted by the Alaska Housing Finance Corporation, the Alaska Gasline Development Corporation may not spend more than $200,000,000 after May 31, 2012, without further legislative authorization if the Alaska Gasline Development Corporation determines, after a full and objective study, that one or more of the following options provide a greater benefit to the state than an in-state natural gas pipeline constructed by the Alaska Gasline Development Corporation:

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

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

(3) continuing to develop a natural gas pipeline capable of transporting not less than 3,000,000,000 cubic feet of gas a day if the Alaska Gasline Development

Corporation finds that the development of the larger capacity pipeline would deliver cheaper natural gas to markets in the state and provide the state with greater revenue when compared to an in-state natural gas pipeline developed and constructed by the Alaska Gasline Development Corporation;

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

(c) During development of the in-state natural gas pipeline and before the start of construction of an in-state natural gas pipeline, the Alaska Gasline Development Corporation shall determine whether a natural gas pipeline capable of delivering 3,000,000,000 cubic feet of natural gas a day or more from the North Slope to market is a viable project. If the Alaska Gasline Development Corporation determines that a natural gas pipeline capable of delivering 3,000,000,000 cubic feet of natural gas a day or more from the North Slope to market remains a viable project and there is an adequate supply of marketable natural gas in Cook Inlet to meet natural gas demand in the Railbelt, the Alaska Gasline Development Corporation shall research and consider whether a small-diameter natural gas pipeline from Cook Inlet to the Fairbanks area could be built to deliver natural gas at a reasonably economic cost. If the Alaska Gasline Development Corporation finds that a small-diameter natural gas pipeline from Cook Inlet to the Fairbanks area could be built to deliver natural gas at a reasonably economic cost under the circumstances described in this subsection, the Alaska Gasline Development Corporation shall begin development of a small-diameter natural gas pipeline from Cook Inlet to the Fairbanks area and stop further development of a small-diameter natural gas pipeline capable of transporting not more than 500,000 cubic feet of natural gas a day from the North Slope to delivery points south of 68 degrees North latitude."

Reletter the following subsections accordingly.

Page 5, line 19:

Delete "(c) and (d)"

Insert "(e) and (f)"

27-LS0075\Q.37
Bullock
3/26/12

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE GARA

TO: CSHB 9(FIN)

Page 1, line 1, through page 2, line 8:

Delete all material and insert:

""An Act providing a credit against the corporation income tax or the oil and gas production tax for losses incurred in the sale of natural gas shipped through a natural gas pipeline; and relating to the delivery of natural gas to communities not directly served by a natural gas pipeline; and providing for an effective date.""

Page 2, line 10, through page 32, line 14:

Delete all material and insert:

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

SHORT TITLE. This Act may be known as the Alaska Low-Cost Natural Gas Incentive Act.

*** Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.047. Tax credit for certain losses on the sale of natural gas. (a) A taxpayer that produces natural gas in the state north of 68 degrees North latitude and delivers that natural gas to a pipeline described in (b) of this section may apply to the department for a credit against the tax due under this chapter for a loss on the sale of natural gas as provided in this section, except that a taxpayer applying for a credit under AS 43.55.026 may not apply for the credit in this section.

(b) The natural gas pipeline to which a producer delivers natural gas eligible for the credit in this section must transport natural gas from the North Slope to market and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a

day during the year for which the loss is claimed. The natural gas pipeline must terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska Gasline Inducement Act) unless the commissioner of natural resources finds that a natural gas pipeline from the North Slope to the Port of Valdez is not economically viable, in which case the natural gas pipeline must be the natural gas pipeline project licensed under AS 43.90 (Alaska Gasline Inducement Act).

(c) The loss eligible for the credit under this section is equal to the amount by which the total production tax value of natural gas produced by the taxpayer during the calendar year is less than zero.

(d) The department may not authorize a total of more than $400,000,000 in credits under this section and AS 43.55.026 in a calendar year. If the total amount of credits for all persons under this section and AS 43.55.026 is more than $400,000,000 for a calendar year, the department shall prorate the amount of the credit authorized for each applicant based on the production tax value of the natural gas delivered to the pipeline.

(e) An unused credit received under this section may be used for a later calendar year.

(f) The department shall adopt regulations necessary to implement and administer the credit authorized by this section.

(g) In this section, "production tax value" means the value, as determined under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this section.

*** Sec. 3.** AS 43.20 is amended by adding a new section to read:

Sec. 43.55.026. Tax credit for certain losses on the sale of natural gas. (a) A producer that produces natural gas in the state north of 68 degrees North latitude and delivers that natural gas to a pipeline described in (b) of this section may apply to the department for a credit against the tax due under AS 43.55.011(e) for a loss on the sale of natural gas as provided in this section, except that a taxpayer that applies for a credit under AS 43.20.047 may not apply for the credit in this section.

(b) The natural gas pipeline to which a producer delivers natural gas eligible for the credit in this section must transport natural gas from the North Slope to market

and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a day during the year for which the loss is claimed. The natural gas pipeline must terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska Gasline Inducement Act) unless the commissioner of natural resources finds that a natural gas pipeline from the North Slope to the Port of Valdez is not economically viable, in which case the natural gas pipeline must be the natural gas pipeline project licensed under AS 43.90 (Alaska Gasline Inducement Act).

(c) The loss eligible for the credit under this section is equal to the amount by which the total production tax value of natural gas produced by the taxpayer during the calendar year is less than zero.

(d) The department may not authorize a total of more than $400,000,000 in credits under this section and AS 43.20.047 in a calendar year. If the total amount of credits for all persons under this section and AS 43.20.047 is more than $400,000,000 for a calendar year, the department shall prorate the amount of the credit authorized for each applicant based on the production tax value of the natural gas delivered to the pipeline.

(e) An unused credit received under this section may be used for a later calendar year.

(f) The department shall adopt regulations necessary to implement and administer the credit authorized by this section.

(g) In this section, "production tax value" means the value, as determined under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this section.

* **Sec. 4.** AS 44.37.020 is amended by adding a new subsection to read:

(c) The Department of Natural Resources shall work with communities not directly served by a natural gas pipeline to deliver natural gas to those communities to the extent that delivery of the gas is economically feasible.

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

CONTINGENT EFFECT; NOTIFICATION. (a) Sections 1 - 3 of this Act take effect only if the commissioner of natural resources makes a written finding that

(1) a natural gas pipeline described in AS 43.20.047(b), enacted by sec. 2 of this Act, and AS 43.55.026(b), enacted by sec. 3 of this Act, is capable of delivering natural gas to consumers in Fairbanks and Anchorage at a savings of 40 percent or more compared to the cost of natural gas without the construction of the natural gas pipeline; and

(2) without the credits authorized by AS 43.20.047, enacted by sec. 2 of this Act, and AS 43.55.026, enacted by sec. 3 of this Act, a natural gas pipeline with a throughput of 3,000,000,000 cubic feet or more will not be built.

(b) If the commissioner of natural resources makes the written determination described in (a) of this section, the commissioner of natural resources shall notify the revisor of statutes, the commissioner of revenue, and the lieutenant governor of the date the written determination was issued.

*** Sec. 6.** If secs. 1 - 3 of this Act take effect, they take effect the day after the commissioner of natural resources makes the written determination described in sec. 5(a) of this Act."

LEGISLATIVE RESEARCH SERVICES

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Memorandum

TO: Representative Les Gara
FROM: Susan Haymes, Legislative Analyst
DATE: July 26, 2011
RE: Costs of Natural Gas in Alaska and Other States
LRS Report 12.003

You asked about the price of natural gas in other states and the average amount paid by consumers across the nation. Specifically, you wished to know the number of states in which consumers currently pay more for natural gas than Alaska consumers would pay based on the estimate in the recently released Alaska Stand Alone Pipeline (ASAP) Project Plan. Additionally, you asked for an estimate of natural gas to Alaska consumers if a larger pipeline were built rather than the smaller line proposed in the ASAP project plan.

The price of natural gas depends on two main cost components and the realities of supply and demand. The cost components include commodity, and transmission and distribution costs. The commodity cost is the cost of the natural gas itself. The transmission and distribution costs are the cost of moving the gas from where it is produced to the local gas company, and onto the customer's house or business. The transmission and distribution costs include tariffs, fees and taxes. According to the U.S. Energy Information Administration (EIA), factors on the supply side that may affect prices include variations in natural gas production, net imports, or storage levels. An increase in supply tends to pull prices down, while a decrease in supply tends to push prices up. Factors on the demand side include economic growth, winter and summer weather, and oil prices. Typically, higher demand tends to lead to higher prices, while lower demand can lead to lower prices. The EIA notes that economic activity is a major factor influencing natural gas markets.[1]

Between 1999 and 2008, the national annual average residential natural gas price more than doubled, from $6.69 per thousand cubic feet (Mcf) to $13.68 per Mcf.[2] A relatively abundant supply of natural gas in 2009 resulted in slightly lower prices, averaging $11.97 per Mcf; however, beginning in the second half of 2010, natural gas prices declined significantly with the economic downturn and a decline in natural gas consumption. Conversely, when the economy improves, an increased demand for goods and services should generate an increase in demand for natural gas and a rise in natural gas prices.

The price of natural gas in individual states can differ greatly. These differences are often related to a market's proximity to the producing areas, the extent of pipelines in the state, the average consumption per residence, the transportation charges associated with the distribution of gas, as well as state regulations and the degree of competition. For example, based on 2009 data, residential consumers along the Atlantic Coast tended to pay the most, with prices ranging from $14 to more than $20 per Mcf. By contrast, many Midwest and Western states benefit from either local production or the presence of major transmission lines crossing the state.

Table 1 shows the average price of natural gas for residential consumers in each state for the years 2008-2010 and the first four months of 2011.[3] According to the EIA, the average price paid by Alaska residential consumers in 2010 was $8.89, and for the first four months of 2011, $8.75. In each year we reviewed, Alaska consumers paid, on average, at least 13 percent less than the national average price for natural gas. In 2010, Alaska's average price of natural gas ranked the 9th lowest among the states. Natural gas prices have decreased in every state, except Hawaii, over the years shown.[4]

[1] More information on natural gas prices can be accessed at *http://www.eia.gov/energyexplained/index.cfm?page=natural_gas_prices*.

[2] Prices remained high because of increased demand and decreased supply: colder than normal weather for long periods and increased use of natural gas electric generation led to increased demand; production disruptions because of hurricane activity, fluctuating net import levels, and record high crude oil prices led to decreased supply.

[3] The EIA defines residential price as the price of gas used in private dwellings, including apartments, for heating, cooking, water heating, and other household uses.

[4] Hawaii's average annual natural gas price is the highest in the county. However, Hawaii consumption rates are very low. For example, in 2010, Hawaii's residential consumption was 498 per million cubic feet.

Table 1: Average Annual Price of Natural Gas Sold to Residential Consumers by State, 2008-2011 (Dollars per Thousand Cubic Feet)

State	2008	2009	2010	2011 4- month YTD
Alabama	$18.30	$18.12	$15.92	$13.89
Alaska	$8.72	$10.23	$8.89	$8.75
Arizona	$17.60	$17.65	$15.86	$13.68
Arkansas	$14.09	$13.39	$11.52	$10.04
California	$12.75	$9.43	NA	$9.61
Colorado	$9.77	$8.80	$8.14	$7.47
Connecticut	$17.85	$14.81	$14.93	$12.82
Delaware	$16.07	$17.79	NA	$13.81
Florida	$21.07	$20.18	$18.14	$16.06
Georgia	$18.26	$16.30	$15.56	$14.17
Hawaii	$44.57	$36.37	$44.62	$53.04
Idaho	$11.07	$10.54	$9.08	$9.00
Illinois	$12.07	$8.98	$9.39	$7.63
Indiana	$12.65	$10.81	$8.52	$9.01
Iowa	$11.91	$9.83	$9.59	$8.66
Kansas	$13.00	$11.10	$10.64	$8.93
Kentucky	$13.84	$11.96	$10.00	$9.30
Louisiana	$15.49	$13.15	$11.79	$10.08
Maine	$17.47	$16.43	$14.14	$13.88
Maryland	$16.07	$13.73	NA	$11.01
Massachusetts	$17.18	$14.85	NA	NA
Michigan	$11.93	$11.27	$11.25	$10.01
Minnesota	$11.29	$8.99	$8.70	$8.43
Mississippi	$13.96	$11.22	$10.01	NA
Missouri	$13.36	$12.61	NA	$10.48
Montana	$11.45	$9.50	$8.67	$8.41
Nebraska	$11.11	$9.34	$8.96	$8.01
Nevada	$13.33	$13.18	$12.25	$10.22
New Hampshire	$16.45	$15.33	NA	$13.61
New Jersey	$15.21	$14.54	NA	NA
New Mexico	$12.23	$9.53	$9.61	$8.39
New York	$16.78	$15.05	$14.04	$12.46
North Carolina	$16.58	$14.25	NA	NA
North Dakota	$10.34	$8.46	$8.08	$7.28
Ohio	$14.53	$12.68	$11.02	NA
Oklahoma	$12.32	$11.39	NA	$8.18
Oregon	$13.89	$14.52	$12.81	NA
Pennsylvania	$16.22	$14.74	$12.94	NA
Rhode Island	$16.89	$17.06	NA	$14.69
South Carolina	$16.84	$14.91	NA	NA

Table 1: Average Annual Price of Natural Gas Sold to Residential Consumers by State, 2008-2011 (Dollars per Thousand Cubic Feet) (continued)

State	2008	2009	2010	2011 4- month YTD
South Dakota	$11.32	$9.14	$8.77	$8.03
Tennessee	$14.20	$12.16	$10.21	$9.16
Texas	$13.75	$11.19	$10.76	$8.84
Utah	$9.00	$8.95	$8.21	$8.60
Vermont	$18.31	$17.29	$16.14	$14.59
Virginia	$16.19	$13.83	NA	$11.57
Washington	$13.06	$13.95	$12.26	$11.88
West Virginia	$14.51	$14.75	$11.35	$10.28
Wisconsin	$12.81	$10.76	$10.34	$9.49
Wyoming	$10.16	$9.39	$8.47	$7.86
U.S. Average	**$13.89**	**$12.14**	**$11.20**	**$10.11**

Notes: Prices have not been adjusted for inflation. Prices are considered to be total prices paid by residential end-users per thousand cubic feet of natural gas, inclusive of all tax, delivery, commodity, demand and other charges. Data for 2010 and the first four months of 2011 are preliminary.

Sources: U.S. Energy Information Administration: data for 2008-2010 can be accessed at *http://www.eia.gov/dnav/ng/ng_pri_sum_a_EPGO_PRS_DMcf_a.htm* and data for first four months of 2011 can be accessed at *http://www.eia.gov/pub/oil_gas/natural_gas/data_publications/natural_gas_monthly/current/pdf/table_18.pdf*

Because the price of natural gas varies so much in different regions and because the price fluctuates during the course of a year, we selected six states–three states with higher gas prices than Alaska and three with lower prices–as examples to show price changes over time. Table 2 shows the average price of natural gas delivered to residential consumers in Alaska and six other states over several months from 2009 to 2011.

Table 2: Average Price of Natural Gas Delivered to Residential Consumers in Selected States and Months (Dollars per Thousand Cubic Feet)

State	National Ranking (as of April 2011)	Feb-09	Jul-09	Oct-09	Feb-10	Jul-10	Oct-10	Feb-11
Alabama	6	$17.28	$23.42	$21.54	$15.36	$20.84	$19.12	$13.49
Florida	3	$18.44	$23.62	$24.61	$16.09	$23.87	$22.07	$16.03
Vermont	8	$16.57	$22.26	$18.15	$14.42	$23.11	$19.01	$14.31
Alaska	**38**	$10.18	$11.64	$10.52	$8.55	$9.89	$9.04	$8.67
Colorado	47	$8.92	$12.00	$8.92	$7.95	$11.26	$9.36	$7.37
North Dakota	46	$8.84	$14.35	$7.10	$7.87	$14.59	$8.50	$7.21
Wyoming	43	$10.14	$11.95	$9.13	$7.88	$12.82	$11.56	$7.80
U.S. Average		$12.26	$15.27	$11.78	$10.57	$15.50	$13.07	$10.00

Notes: Prices have not been adjusted for inflation. Prices are considered to be total prices paid by residential end-users, inclusive of all tax, delivery, commodity, demand and other charges. Data for 2010 and the first four months of 2011 are preliminary. The national ranking lists states from highest to lowest prices as of April 2011. These data reflect a snapshot of natural gas prices at certain points in time.

Sources: U.S. Energy Information Administration: data for 2008-2010 can be accessed at *http://www.eia.gov/dnav/ng/ng_pri_sum_a_EPGO_PRS_DMcf_a.htm* and data for first four months of 2011 can be accessed at *http://www.eia.gov/pub/oil_gas/natural_gas/data_publications/natural_gas_monthly/current/pdf/table_18.pdf*. State rankings

The Alaska Stand Alone Pipeline Project

On July 1, 2011, the Alaska Gasline Development Corporation issued its report on the proposed Alaska Stand Alone Pipeline (ASAP), a 737-mile long, 24-inch-diameter pipeline supplying natural gas to the Railbelt region of Alaska.[5] Authors of the report estimate that if the pipeline were built today, Anchorage customers would pay $9.63 per million British thermal unit (MMBtu) for gas and Fairbanks customers would pay $10.45/MMBtu.[6] Because EIA reports natural gas prices in dollars per thousand cubic feet (Mcf), while the ASAP report estimates the cost in dollars per million Btu, we converted the ASAP's prices to dollars per thousand cubic feet. Using the conversion factor of 1.027, the estimated price for Anchorage customers would be $9.89 Mcf, and for Fairbanks customers, $10.73 Mcf.[7]

[5] In 2010, Alaska lawmakers passed HB 369 (ch 7 SLA 2010), which tasked the Alaska Housing Finance Corporation (AHFC) with developing a project plan for an in-state natural gas pipeline. The AHFC established the Alaska Gasline Development Corporation (AGDC) as a subsidiary to pursue the project. The Alaska Gasline Development Corporation Project Plan can be accessed at *http://www.gasline.us.com/wp-content/uploads/2011/07/ASAP-Project-Plan_1July2011_WEB1.pdf*.

[6] According to the ASAP report, the current cost to Anchorage consumers is $8.85 per MMBtu and $23.35 per MMBtu to Fairbanks consumers. Fairbanks does not have a direct source (gas pipeline) of natural gas, so liquefied natural gas (LNG) is shipped to Fairbanks from Cook Inlet where it is converted back to natural gas before entering the distribution system. The proposed pipeline would connect with Enstar Natural Gas Company's gas distribution system at Big Lake. Enstar manages natural gas service for Anchorage, Kenai and the Mat-Su areas.

[7] The conversion factor can be accessed at *http://www.eia.gov/naturalgas/*.

The price estimated in the ASAP plan includes estimated tariffs of $5.63 at the Big Lake interconnect and $6.45 at the Fairbanks city gate, plus a $2 per MMBtu gas-supply cost to the North Slope producers, and a $2 per million MMBtu for the local distribution charge. The ASAP tariff estimate is based on a number of assumptions such as,

- the tariff will be levelized over 20 years,[8]
- the total capital investment in the project will be $7.5 billion in 2011 dollars with an uncertainty range of plus or minus 30 percent,[9]
- the operating cost will average about 2 percent of capital investment per year in 2011 dollars,
- industrial anchors will export or consume about 250 million cubic feet per day (MMscfd) of the gas, and
- the State of Alaska would own the pipeline.[10]

Under the terms of the Alaska Gasline Inducement Act (AGIA), an internal Alaska gas line cannot undermine the economics of a potential future gas export line from the North Slope by carrying more than 500 million cubic feet per day (MMscfd). To be commercially feasible, the ASAP gas line must operate at the maximum rate of 500 MMscfd, which means the pipeline needs one or more industrial anchors to use the additional capacity, since only 250 MMscfd are required to satisfy residential and commercial demand. An essential step prior to sanctioning the project is the holding of an open season to seek firm commitments from shippers, which would then enable the issuance of bonds to finance the bulk of the project. As the report points out, there are a number of risks involved with the project such as a failed open season, significant construction overruns, permitting delays, and higher operating costs. Higher capital and operating costs could result in an increased tariff and higher price for the consumer, as would insufficient commercial/industrial anchors.

If we use the estimated cost of $9.89 Mcf for Anchorage consumers in the ASAP report as Alaska's average price in 2010, Alaska's price would rank the 14th lowest among the states. Table 1 shows that in 2010, residential consumers in 24 states paid more than the $9.89 estimated cost. Based on the average price for the first four months of 2011, consumers in 21 states paid more than the projected cost for Anchorage.

Estimated Natural Gas Prices Based on Larger Pipeline

To obtain an estimate of natural gas prices based on the construction of a 48-inch in diameter, 4.5 billion cubic feet per day capacity pipeline, we contacted Kevin Banks, Petroleum Market Analyst, Division of Oil and Gas, Department of Natural Resources (DNR).[11] To estimate the tariff for the Big Lake gate for the larger pipeline, Mr. Banks used the pipeline tariff analysis provided by EconOne to the legislature on June 4, 2008. EconOne provided estimates for a tariff for a 48-inch in diameter spur line from the proposed TransCanada (TC) pipeline to the Anchorage area. Mr. Banks provided the following comparison of the pipeline tariff at the Big Lake gate for the two pipelines.

[8] A levelized tariff is one that is fixed at a rate that has not been adjusted for inflation over the life of the firm transportation commitment. In this case, it means that the tariff stated in the first year is the same as the tariff for the last year of the contract.

[9] The cost estimates for the ASAP project are based on using existing transportation routes, which is a significant difference between the Trans Alaska Pipeline (TAPS). It may be illustrative to note; however, that the final tally of $8 billion for the 800-mile TAPS–when expressed in 2010 dollars–would be nearly $24 billion. We note that changes in construction costs may not match the rate of general inflation.

[10] A full discussion of the assumptions can be accessed in the ASAP report in Sections 3and 4.

[11] Kevin Banks, Petroleum Market Analyst, Division of Oil and Gas, DNR can be reached at 907.269.8781.

Table 3: Comparison of Tariff at Big Lake for Alaska Stand Alone Pipeline (ASAP) and TransCanada Spur (TC-Spur)		
Pipeline Sections	**ASAP (24-in line)**	**TC-Spur (48-in line)**
Gas Conditioning Facility (GCF)	$1.42	$0.59
Pipeline: GCF to Dunbar	$2.56	$0.53
Pipeline: Dunbar to Big Lake Interconnect	$1.65	$1.65
Total Tariff at Big Lake	$5.63	$2.77

Sources: Kevin Banks, Petroleum Market Analyst, Division of Oil and Gas, Department of Natural Resources, 907.269.8781; Alaska Stand Alone Project Plan, p. 3-10, *http://www.gasline.us.com/wp-content/uploads/2011/07/ASAP-Project-Plan_1July2011_WEB1.pdf*; EconOne June 4, 2008 Presentation to Legislature , Slide 10, "TransCanada's Tariff Estimates," *http://lba.legis.state.ak.us/proposals/doc_log/2008-06-04_econ_one_special_session_joint_comm.pdf*.

The comparison suggests that the cost to deliver gas to south-central Alaska from the mainline would be about $2.86 per Mcf less than the AGDC project. Mr. Banks emphasizes, however, as follows

> [T]his analysis only examines the potential difference in the tariffs. It does not address what price south-central Alaska utilities and their customers will pay for gas at Big Lake. A frame of reference to keep in mind is the mainline to Canada will connect the Alaska gas market to the wider North American market. Therefore, prices offered to south-central utilities will likely be based on the price of gas sold at the Alberta Energy Company (AECO) hub. The flexibility of producer-shippers to sell in Alaska versus AECO will depend on their assessment of the cost of holding capacity on both the mainline and the spur line, the price at AECO, and the price that buyers in south-central will be willing to pay.
>
> The AGDC-ASAP line will not rely on an AECO or similar North American price marker. The price paid by south-central Alaska utilities and their customers at Big Lake delivered in an in-state pipeline will likely depend on whatever alternatives the producers have to place gas at the end of the AGDC-ASAP line, most likely the netback price they would receive selling LNG in Asia. In today's markets, the LNG price in Japan is much higher than the price for gas in the Lower 48 price.

Given all the variables that affect natural gas prices, the realities outlined by Mr. Banks, and the assumptions underlying the ASAP project, the gas prices estimated for Alaska consumers may be highly speculative.

We hope this is helpful. If you have questions or need additional information, please let us know.

Analysis of CS HB 9 (FIN) am Section 29: New Chapter 08: In-state Pipeline Contract Carrier

New Chapter 42.08: In-state Pipeline Contract Carrier

Section 42.08.010 Application of chapter; exemption. This chapter applies to an instate natural gas pipeline authorized by law to operate as a contract carrier. Exempts an instate natural gas pipeline subject exclusively to federal jurisdiction.

Section 42.08.020 Qualification of the Alaska Gasline Development Corporation; findings. Determines that AGDC is financially and managerially fit, willing and able to provide service under 42.08. States that an instate natural gas pipeline is required by public convenience and necessity. Directs the RCA to determine whether an entity applying under 42.08 is technically fit, willing and able.

Section 42.08.220 General powers and duties. Provides enabling direction for the RCA under 42.08. Requires permits for construction, interconnections, expansions and abandonment. Enables the RCA to intervene in disputes that are between the carrier and a public utility, and that are unable to be resolved by contractual dispute resolution methods, and that threaten the public safety and welfare. Directs the RCA to not require rates or tariff regulations, and not to conduct further review of contracts approved under 42.08.

Section 42.08.230 Commission decision-making procedures. Directs the RCA to follow its standard decision-making procedures, and to expeditiously adjudicate matters.

Section 42.08.240 Publication of reports, orders, decisions and regulations. Standard RCA direction for publishing reports, orders, decisions and regulations.

Section 42.08.250 Application of Administrative Procedure Act. Standard RCA exemption from Administrative Procedure Act adjudication procedures; the RCA's adjudication procedures would apply.

Section 42.08.260 Annual report. Requires the RCA to include in its annual report activities related to 42.08.

Section 42.08.300 Review of certain contracts by the commission. AGDC or its successors will submit all precedent agreements to the RCA; precedent agreements with other than a public utility may be kept under seal. The RCA will have 180 days to approve or disprove precedent agreements as just and reasonable, based on whether contracts were negotiated at arm's length and whether there was unlawful activity or unfair dealing. Approved contracts are not subject to further review. A contract is arm's length if it is made between two unaffiliated parties; or, if parties are affiliated, they have followed the standards of conduct for transmission providers adopted by the Federal Energy Regulatory Commission.

Section 42.08.310 Contract carriage certificate. The owner of an instate natural gas pipeline must have a certificate of public convenience and necessity (CPCN) to construct a pipeline and to transport gas. The RCA has 180 days to issue a CPCN once application is made, providing that the applicant is found fit, willing and able to perform the services proposed. The RCA may attach conditions to and amend, suspend or revoke a CPCN. Operating authority may not be transferred without RCA approval.

Section 42.08.320 Tariffs, contracts, filing, and public inspection. Requires an instate natural gas pipeline carrier to file all rules, regulations, terms and conditions pertaining to service, and all contracts with shippers. Requires changes in tariff rates/rules and service conditions to be filed with the RCA.

Section 42.08.330 Expansion, dispute resolution. Contracts may provide for expansion, unless an expansion would violate the terms of the Alaska Gasline Inducement Act. Requires contracts to include procedures for resolving disputes.

Section 42.08.340 Regulatory cost charge. Implements standard RCA assessment of a user fee on regulated entities; includes a cap and directs administration of the user fee.

Section 42.08.350 Nothing to alter the calculation of taxes and royalty. Nothing in 42.08 will change the calculation of production taxes or of royalties due the state.

Section 42.08.400 Public records. RCA records are available to the public, except when classified by the RCA as privileged; precedent agreements will be kept confidential.

Section 42.08.410 Investigations. Allows the RCA to investigate matters in 42.08.

Section 42.08.510 Designation of service agents. Requires an instate natural gas pipeline carrier to file a named, permanent resident as its agent (standard RCA provision).

Section 42.08.520 Effect of regulations. Regulations adopted by the RCA under 42.08 have the effect of law (standard RCA provision).

Section 42.08.530 Judicial review and enforcement. RCA final orders are subject to the judicial review provisions in Section 13, HB 9.

Section 42.08.540 Joinder of actions. Appeals may be joined under applicable court rules (standard RCA provision).

Section 42.08.900 Definitions. Defines terms standard to the RCA (commission, commissioner, record) and includes HB9 terms (instate natural gas pipeline, instate natural gas pipeline carrier).

GREATER FAIRBANKS CHAMBER OF COMMERCE

Interior Alaska – The "Place" To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
ph (907) 452-1105 | fax (907) 456-6968 | www.FairbanksChamber.org

March 19, 2012

Members of the Alaska Interior Delegation
Alaska State Capitol
Juneau, Alaska 99801

RE: High Cost of Energy

Dear Members of the Interior Delegation,

The Board of Directors of the Greater Fairbanks Chamber of Commerce appreciates the work that you are doing to address the high cost of energy in the Interior, the Chamber's number one priority this legislative session. Our bi-weekly teleconferences have ensured that the Chamber is informed and engaged regarding the multiple and occasionally conflicting legislative activities taking place in Juneau that impact our community.

The purpose of this letter is to **emphasize and clarify the collective priorities** of the Chamber in reducing the high cost of energy that is severely impacting our residential and business communities. After thorough review of the bills and appropriations currently being addressed this session, the Chamber provides the following recommendations for your consideration.

For the near term (less than 5 years) gas trucking project(s) from the North Slope and gas storage tax credits are the quickest approaches to bring affordable natural gas to the Interior. Immediate actions for longer term solutions include House Bill 9 and exploration tax credits. The top recommendations are summarized below:

1. Capital funding for liquefaction and vaporization facilities that are necessary to supply natural gas to the Interior of Alaska.

2. Legislation providing gas storage tax credits are critical components of supplying gas to the Interior. This methodology has been used in the South-central region to meet storage needs. The same approach and parity should be used for Interior storage needs.

3. The new version of House Bill 9 aligns with the Chamber's ongoing priority for getting reasonably priced gas to the Interior. We strongly support the work being done on a gas pipeline and will work diligently to ensure the issues, such as fair tariffs, will be addressed without preventing passage of the bill.

4. Legislation that provides tax credits for oil and gas exploration in frontier basins is an important piece of the long term energy picture for the Interior.

5. The expansion of a distribution system, as well as low cost energy conversion loans, will prove to be valuable once movement has occurred addressing the supply of natural gas.

INVESTORS

DIAMOND
BP Exploration
ConocoPhillips
ExxonMobil
Fairbanks Daily News-Miner
Fairbanks Memorial Hospital & Denali Center
Flint Hills Resources Alaska
Mt. McKinley Bank
Santina's Flowers & Gifts

PLATINUM
Alyeska Pipeline Service Co.
Carlson Center
Doyon, Limited
Fred Meyer Stores
Golden Heart Utilities
Wells Fargo Bank Alaska

GOLD
Birchwood Homes
Denali State Bank
Design Alaska
Doyon Utilities LLC
First National Bank Alaska
GCI
Kinross-Fort Knox Mine
Lynden
MAC Federal Credit Union
Northrim Bank
Sumitomo Metal Mining Pogo LLC
Usibelli Coal Mine

SILVER
ACS
Alaska Airlines
Alaska Railroad
Alaska USA
AT&T
Dr. Christopher Henry – Henry Orthodontics
Everts Air Cargo, Everts Air AK
Exclusive Paving/Univ. Redi-Mix
Fairbanks Natural Gas
Flowline Alaska
Fountainhead Hotels
General Teamsters Local 959
GVEA
Hale & Associates, Inc.
JL Properties, Inc.
Key Bank
Personnel Plus
Shell Exploration & Production Co.
Spirit of Alaska FCU
Tanana Valley Clinic
TDL Staffing
TOTE
Tower Hill Mines-Livengood Gold Project
WAL-MART Stores, Inc.
Yukon Title Company

In addition to the above recommendations, the Chamber continues to support forward movement on the Susitna/Watana Dam project and the re-start of the Healy Clean Coal Plant (HCCP). Specifically, the hydroelectric energy project is a valuable investment for the state to ensure stable electric rates for the next 100 years. The scope of the project however, should be designed for maximum benefit for the ratepayers of the Interior. Both the Susitna/Watana Dam project and HCCP would provide significant energy relief for the Interior.

We respectfully urge the Interior Delegation to act collectively in support of our recommendations.

Thank you again for your hard work,

Lorna Shaw
Board of Directors, Chair

Lisa Herbert
Executive Director

Brian Newton
Government Relations Committee, Chair

Bob Shefchik
Energy Committee, Chair

cc:
The Honorable Governor Parnell
Senator Gary Stevens, Senate President
Senator Kevin Meyer, Majority Leader
Senator Lyman Hoffman, Co-Chair Finance
Senator Bert Stedman, Co-Chair Finance
Representative Mike Chenault, Speaker
Representative Alan Austerman, Majority Leader
Representative Beth Kerttula, Minority Leader
Representative Bill Stoltze, Co-Chair Finance
Representative Bill Thomas, Co-Chair Finance
Fairbanks North Star Borough Assembly
Fairbanks City Council
North Pole City Council
Membership of the Greater Fairbanks Chamber of Commerce
Alaska State Chamber of Commerce
Anchorage Chamber of Commerce
Consumer Energy Alliance – Alaska
Alaska Support Industry Alliance
Alaska Oil & Gas Association

Response to the Speaker's Comments on 3/5/12
HB 9 (Speaker's In-State Gasline Bill)

Fairbanks Issue

- The July project plan includes a 32-mile spur line from Dunbar to Fairbanks
- That spur line (page 3-10) has an estimated tariff that's $1.25 higher than the southbound tariff all the way from Dunbar to Big Lake
- The reason is, Fairbanks is being charged the full cost of pulling all the NGLs out of the line, sending utility gas into Fairbanks, then putting all the NGLs back in. This is an issue that Dermot Cole brought up in a series of columns last summer
- The project as a whole is based on a series of "perfect storm" scenarios, each of which if missed will add dollars, not cents to the tariff. The Fairbanks tariff remains $1.25 higher than the Anchorage tariff. It's likely that gas shipped through this line will be among the most expensive gas in the world and won't do anything for energy prices in Fairbanks

Fairbanks is the Least of Project's Problems. What HB9 Does:

- Pushes a project that may not be needed
    - Could force long-term commitment to imported gas when there is no need in Cook Inlet due to strong exploration and recent discoveries.
      Could create disincentives to drive producers away from Cook Inlet
    - Extremely broad project scope now encompasses any natural gas pipeline in Alaska
- Puts all the risk for debt and high gas prices on consumers
    - Unlimited borrowing and contracting authority with full confidentiality. Debt does not become an obligation of the State
    - Waiver from RCA regulation and tariff setting authority
    - Expedited permits, exempt from property tax until first gas
- Takes away all protections for Alaska and Alaskans
    - Limits judicial review of Right of Way leases
    - Eminent domain power
    - Exempt from "common carrier" statute, allowing operation as contract carrier
    - Exempt from public records act and procurement code
    - Brings ANGDA under the AHFC, voids the independent ANGDA board, empowers ANGDA to buy pipeline capacity whether by acquiring gas or by pledging state royalty gas, keeps ANGDA marketing powers, and repeals the ANGDA initiative findings

ALASKA GASLINE DEVELOPMENT CORP
GAS FOR ALASKANS

Alaska Stand Alone Gas Pipeline/*ASAP*

March 23, 2011

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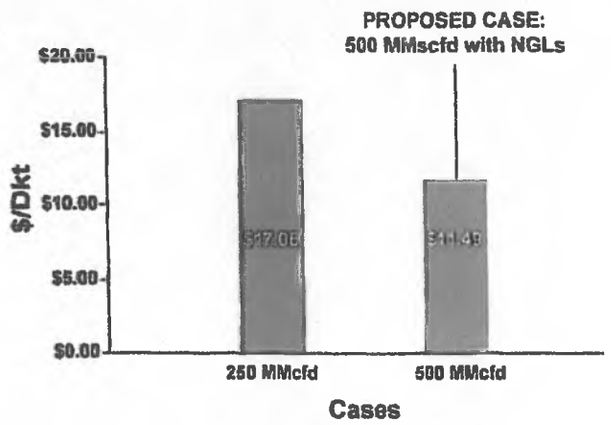
House Bill 369: Project Plan

- Establishes AGDC mission
- Requires project plan for in-state natural gas pipeline
- Project plan for:
  - Design
  - Financing
  - Construction
  - Operation by December 31, 2016
- July 1, 2011 deadline

Preliminary Capital Cost Estimates for Pipeline and Facilities

Flow Rate (MMscfd)	Spiked with NGL ($ Billion)
250	$6.9
500	$8.4

Transportation Tariff Comparison (July 2010)



NOTE: All cases include assumed gas supply cost of $2 (negotiable)

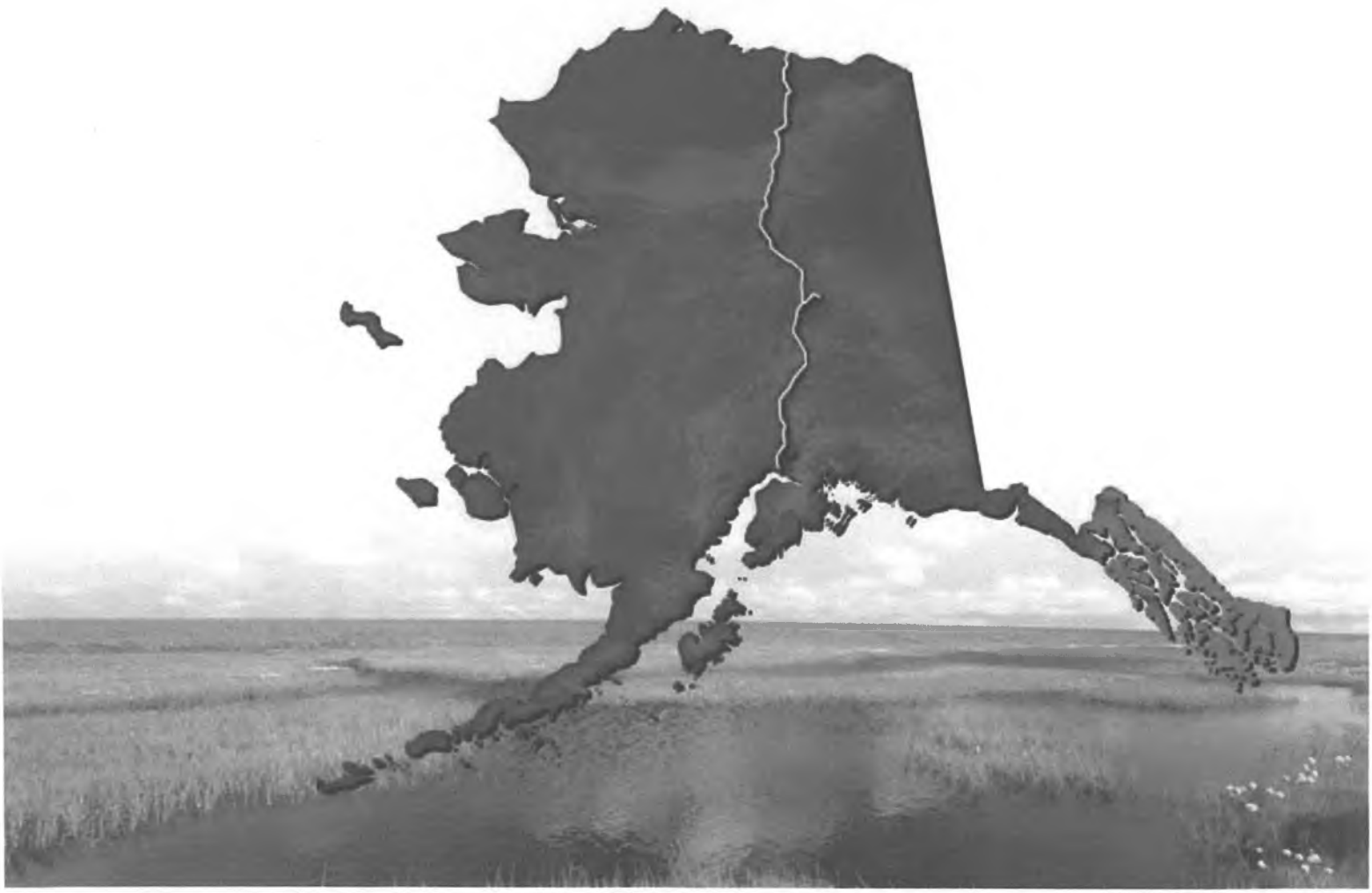
ALASKA GASLINE DEVELOPMENT CORP.

GAS FOR ALASKANS

ALASKA STAND ALONE GAS PIPELINE/*ASAP*

Project Plan

July 1, 2011



EXECUTIVE SUMMARY

This document presents the findings and recommendations of the Alaska Gasline Development Corporation (AGDC) regarding how an in-state natural gas pipeline to deliver North Slope natural gas to Fairbanks, the Southcentral region of the state, and other communities whenever practicable can be designed, financed, constructed, and made operational. House Bill 369, passed by the 26th Alaska Legislature in April 2010, tasked the Alaska Housing Finance Corporation (AHFC) with developing a project plan, and AHFC established AGDC as a subsidiary corporation to pursue the project. AGDC built on previous work completed in July 2010 by the Alaska Department of Natural Resources under House Bill 113.

The Alaska Stand Alone Pipeline/***ASAP*** is a proposed 737-mile-long, 24-inch-diameter pipeline meant to supply natural gas to the Railbelt region of Alaska and meet the requirements of its enabling legislation.

This document recommends a plan to execute the commercial, financial, engineering, and permitting aspects of the ASAP Project and provides analyses to support the findings and recommendations related to the explicit and implicit work required under House Bill 369.

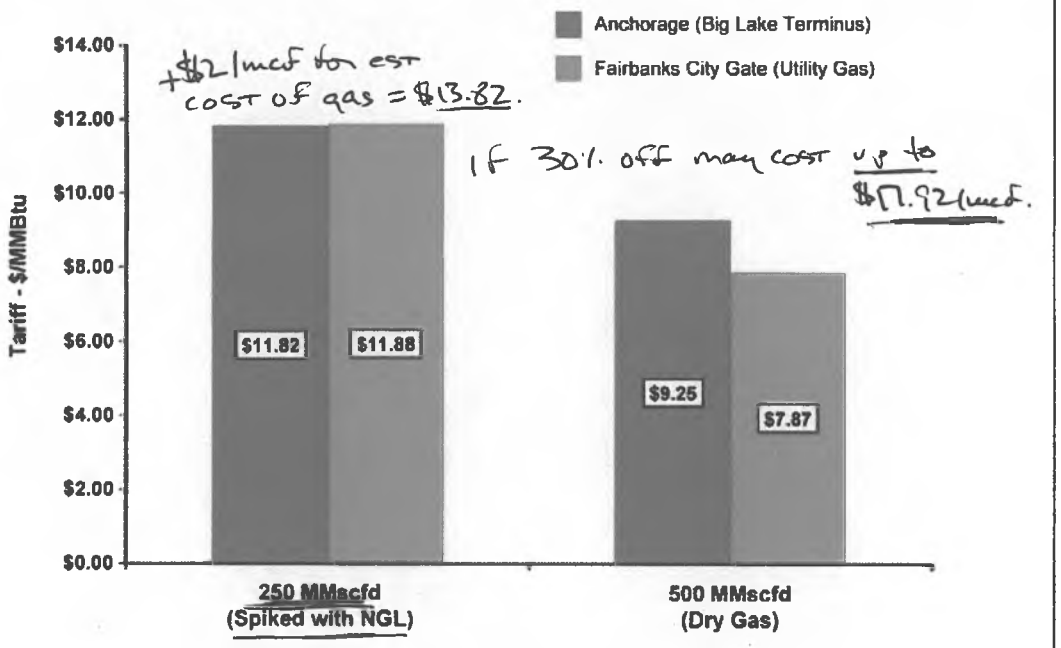
AGDC FINDINGS

- Using a reasonable set of economic assumptions, the project is likely to be commercially feasible with an un-inflated consumer cost in Anchorage of about $9.63 per million Btu (MMBtu)[1]. This cost is less than the next most practical alternative, imported liquefied natural gas (LNG), which would cost about $16 to $21/MMBtu (about $14 to $19/MMBtu plus local distribution charges of $2/MMBtu). The current cost of gas to Anchorage consumers is $8.85/MMBtu.[2]
- The un-inflated estimate of the cost of gas to Fairbanks consumers using the same set of reasonable assumptions as for Anchorage is $10.45/MMBtu. The current published natural gas cost for Fairbanks is $23.35/MMBtu.
- No other single project alternative is likely to address the same Cook Inlet energy-supply shortfall in a comparable timeframe; gas storage and hydroelectric projects are complementary to ASAP.
- The project, as described in this project plan, will cost $7.52 billion (in 2011 dollars) with an uncertainty range of ±30%.

[1] The Anchorage Bowl consumer cost of $9.63/MMBtu assumes a $2/MMBtu netback and a $2/MMBtu LDC and local pipeline cost.

[2] Source: http://enstarnaturalgas.com/ratesregulatory.aspx. See graph entitled "Commodity Cost vs. ENSTAR Charge."

250 mcf costs



NOTE: Tariffs for the 250 MMscfd (Spiked with NGL) case were derived from respective tariffs listed on p. 8 of *Alaska Stand Alone Gas Pipeline - Tariff Report* by Black & Veatch Corporation, July 2010, by subtracting the portion associated with NGL processing and adjusting for 2019 start-up.

Figure 3-5. Estimated Nominal-Dollar Tariffs for Alternative Design Options (Option 4 and Option 7)

* Plus possible cost of rebuild / expansion of Nikiski LNG plant

3.1.4 Lowest-Cost Alternative to ASAP Gas

3.1.4.1 Imported LNG Alternative

AGDC assumes that imported LNG is the only practical commercial alternative that can deliver gas to the Cook Inlet area in a timeframe that materially addresses the forecast natural gas supply shortfall. The technology exists to bring imported LNG to Cook Inlet via tankers that are able to re-gasify LNG and pump it into Cook Inlet storage.[21] In addition, permanent facilities could be built onshore to re-gasify LNG, or a floating LNG re-gasification facility could be moored in Cook Inlet to provide the same service.

A study undertaken by SAIC on behalf of AGDC[22] forecasts that imported natural gas will cost from $14 to $19/MMBtu (2011$) depending on the period over which the facility investors are allowed to recover capital costs. In nominal dollars, LNG imports will cost, assuming 3% infla-

[21] See SAIC: *Greenfield Liquefied Natural Gas (LNG) Economic Feasibility*, prepared for AGDC, June 2011, pp. 2-10 through 2-20.
[22] Ibid., p. 4-20.

Rep. Les Gara

From: Joe Dubler <jdubler@agdc.us>
Sent: Friday, March 23, 2012 2:30 PM
To: Rep. Les Gara
Cc: Rep. Mike Chenault; Rep. Mike Hawker
Subject: Fwd: ASAP LNG Pricing Detail
Attachments: image001.jpg

Representative Gara,

Our Commercial Manager's response to your LNG export value chain question is included below. If you have an other questions, feel free to contact me.
Thank you.

Sent from my IPad, so please pardon typos...

Joe Dubler | Alaska Gasline Development Corp | 907.330.6303 phone | 907.330.6309 fax

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ASAP LNG Pricing Detail
For Brownfield LNG Plant of 240 MMSCFD of LNG (500 MMSCFD Pipeline thruput) ($$/MMBTU in 2011$$)

Sales Price	$13.15
- Shipping	$0.73
- Liquefaction	$2.28
- ASAP tariff	$5.78
North Slope Netback	$4.36

(report assumes estimates possibly 30% over – As high as $17.05/mcf

Call if Qs.

Regards,

Daryl

AGDC Commercial Mgr
Email: dkleppin@agdc.us<mailto:dkleppin@agdc.us>

[cid:image001.jpg@01CD08F8.C9D36B40]<http://www.gasline.us.com/>
Daryl Kleppin<mailto:dkleppin@agdc.us> | Alaska Gasline Development Corp<http://www.gasline.us.com/> | 907.330.6312 phone | 907.227.4949 cell | Privileged and Confidential Communication: This electronic mail

(5)

Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

Prepared for:
Alaska Gasline Port Authority

McDowell GROUP

Research-Based Consulting

Juneau
Anchorage

January 2012

(6)

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Approximate Current AK Consumer Costs	Anchorage - $8.85/MMBtu (natural gas) Fairbanks - $23.35/MMBtu (natural gas) Source: ASAP Project Plan. July 2011. Bethel – $40/MMBtu (diesel)		
Predicted Energy Prices (for Alaska consumers unless otherwise noted)	Fairbanks - $5.29/MMBtu wholesale natural gas cost at a city gate take-off (compared to a predicted diesel fuel wholesale cost of $27.23 per million BTU in 2021). Bethel - $25.31/MMBtu in 2021 (predicted diesel retail price of $52/MMBtu in 2021) according to medium case model. These predicted prices represent an approximate 50 percent reduction in energy price for Bethel. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.70/MMBtu for spur line from Glennallen. Source: Harris Group study 11/11, ISER, Heinze ANGDA 9/12/11.	Predicted Fairbanks off-take price as low as $4.19/MMBtu at city gate. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.95/MMBtu for spur off Alberta line at Delta Junction. This price predicts an approximate 33 percent reduction in Cook Inlet natural gas prices. Roger Marks estimates $6.75/MMBtu. Source: Heinze ANGDA 9/12/11 (Cook Inlet). Roger Marks (Fairbank).	Un-inflated 2011 consumer cost Anchorage - $9.63/MMBtu. (Inflated cost to 2021: $12.21/MMBtu). Un-inflated 2011 consumer cost Fairbanks $10.45/MMBtu (Inflated cost to 2021: $13.25/MMBtu). Source: ASAP Project Plan. July 2011, Heinze ANGDA 9/12/11. Inflation rate estimate based on Wood Mackenzie study for AGPA.
	According to the Office of the Federal Coordinator, a large volume pipeline is the likely source for the most affordable gas for Alaska consumers.		



MARK MEYERS (USA)

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USGS boosts estimate of Cook Inlet natural gas reserves

RECOVERABLE: Tapping resources aided by better technology, equipment.

By ERIKA BOLSTAD
ebolstad@adn.com

(06/29/11 12:55:00)

Cook Inlet holds far greater natural gas reserves than government scientists estimated 16 years ago, the last time they studied the region's potential, the U.S. Geological Survey announced Tuesday.

The USGS estimates that the Inlet holds 600 million undiscovered barrels of oil, 19 trillion cubic feet of natural gas and 46 million barrels of natural gas liquids.

That's up from the 1995 USGS estimates, which suggested there were about 2.14 trillion cubic feet of recoverable gas in an area that's seen steadily declining commercial interest until recently.

The government attributes the new, higher numbers to more current geologic information and data, but new technology also plays a role. The amount of technically recoverable gas is greater simply because there's better equipment and technology for tapping it, particularly the unconventional resources.

"Our resource estimates are for undiscovered, technically recoverable" resources, said USGS spokesman Alex Demas. "So what is technically recoverable has changed."

The USGS conducted the survey to address what it described in its report as "increased public concern about possible shortages of natural gas supplies in Anchorage and nearby communities."

Natural gas from Cook Inlet is Southcentral Alaska's principal source of energy for heating and electrical power generation, the report notes. Because of declining exploration and production in the Inlet, the region faces a depletion of the natural gas supply used by utilities for electricity and home heating.

U.S. Sen. Lisa Murkowski, the top Republican on the Senate Energy and Natural Resources Committee, said if the estimates prove correct, and companies continue to invest in the region, Alaska will have a "reliable, long-term supply of natural gas to meet local power needs."

She also said it was good news that the potential reserves were in state waters and on state lands, rather than on federal property.

"That means Alaska residents can expect the jobs, revenues and energy security benefits from these resources within just a few years, compared to the endless delays that plague development in federally held areas," she said.

Federal officials canceled a Cook Inlet lease sale this year for lack of interest. But the state of Alaska, which oversees the area covered in the USGS report, last week saw unusually high interest in leases it offered on 613,000 acres.

Dist by Rep. Gara for HB9

The state received just five bids for Cook Inlet tracts in 2009, and 37 in 2010. The number jumped to 110 in the recent sale, however, with Apache Alaska Corp. submitting 91 of the bids. Bids were valued at a total of $11 million.

Sen. Mark Begich, D-Alaska, called it "great news" for the state's energy industry.

"Of course, like all estimates, this one will take millions of dollars of investment and years of effort to capitalize on the enormous potential," he said. "For now, Southcentral utilities and their customers facing the prospect of dwindling gas supply may have reason to breathe a little easier."

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print

Opinions differ in Legislature on Cook Inlet gas availability

by Matt Buxton/mbuxton@newsminer.com
03.21.12 - 11:53 pm

FAIRBANKS — Cook Inlet has more than enough natural gas to fill a pipeline from Anchorage to Fairbanks and meet demand in Southcentral for decades, a gas explorer told the Senate on Wednesday.

Jim Watt, the CEO of oil and gas production and exploration company Buccaneer Energy Limited, made the statement during a presentation on his company's Cook Inlet projects to the Senate Resources Committee. Even if reserves turn out to be just half of what they expect, he said, it could yield as much as 40 years of gas.

Buccaneer Energy is one of two companies planning drilling exploratory wells in Cook Inlet this summer in hopes of finding part of the 19 trillion cubic feet of natural gas the U.S. Geological Survey, in a January report, said probably remains undiscovered. When asked by a member of the Resource Committee if there are enough reserves for a pipeline to Fairbanks, he said "yes."

"Well, obviously I probably have a biased opinion on that, but the answer is yes," he said. "Just on our opportunities, we can see a half of a trillion cubic feet of gas or more. When you take a look at the demand of Fairbanks over the longer term, I think there's more than enough gas to satisfy the Fairbanks requirements as well as the Southcentral demand."

The USGS report is a major improvement from the last report released in 1995, which estimated just 2.15 trillion cubic feet of natural gas remained in the Cook Inlet. Fairbanks, with a full distribution system, could require about 60 million cubic feet per day.

The previously shrinking reserve estimate for Cook Inlet caused fear among state lawmakers the gas field would run empty. The updated estimate, paired with exploration by companies such as Buccaneer, has reinvigorated discussions of piping Cook Inlet gas north to Fairbanks.

Fairbanks Democratic Rep. Bob Miller recently introduced a bill that would update a pipeline proposed by the Alaska Natural Gas Development Authority. It considered piping gas from Beluga to Fairbanks but was mothballed in 2010 amid fears Cook Inlet gas was running low.

Miller's study proposal was followed by a bill by Fairbanks Democratic Sens. Joe Paskvan and Joe Thomas that would prompt the state to pursue any line from Cook Inlet to Fairbanks. Miller, who welcomes the Senate's approach, said the investment by Barracuda and other companies shows they're on the right track.

"I would certainly have to say when someone is willing to make the kind of investment, that speaks volumes," Miller said. "That they're paying to have the jackup rig brought up here shows they have enormous confidence it's going to be profitable."

Buccaneer's message conflicts with that of House Speaker Mike Chenault, R-Nikiski, who is pitching an in-state line from the North Slope to Southcentral to shore up what he feels are dwindling Cook Inlet reserves.

At the same time Watt was telling the Senate there was enough gas in Cook Inlet to justify a pipeline to Fairbanks, Chenault painted a different picture to the House Finance Committee.

"The simple fact is that the Cook Inlet is running low on gas," he said. "I hope they find gas, but anyone who is living on the gas distribution system is living on a possible rolling brownout."

Chenault focused on guaranteed reserves, which only make up enough supply for two to three years, and was skeptical about betting on what could come out of this summer's exploration. He panned the idea of building a pipeline from Cook Inlet to Fairbanks, saying it could worsen a Cook Inlet shortage.

But Cook Inlet drying up is far from Watt's mind. In fact, the Buccaneer CEO said, Cook Inlet might have too much gas.

"With the two jackup rigs moving off shore, we're going to find a lot more gas, so the concern was, well, if you have a local market that could be satisfied with 50 million to 75 million a day, what are you going to do if you make a large discovery?" he asked. "That's where you need additional markets to sell that gas to. The advent of Fairbanks … will encourage oil and gas companies to invest for the longer term."

The renewed prospect of a Cook Inlet-to-Fairbanks line is catching hold with lawmakers because it provides a well-studied, cheaper and faster way to deliver natural gas to Fairbanks that would not only incentivize Cook Inlet exploration but would lay the groundwork for a later pipeline from the North Slope to Southcentral.

Gov. Sean Parnell said he's interested reviving the work done by ANGDA on the line to Fairbanks to help lower energy prices.

"I'm open to any possibility that brings gas to Fairbanksans and the Interior sooner," he said.

Thomas estimated it would cost between $1 billion and $1.5 billion to build a line from Cook Inlet to Fairbanks, while Chenault's bullet line from the North Slope to Southcentral would cost at least $7 billion.

A fiscal note with a cost estimate for the Cook Inlet-to-Fairbanks natural gas pipeline is expected at the end of the week.

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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.

- Page 3, Line 31: "Determine the form of ownership". This is a broad power. Can you discuss this further so members of the committee can get a better understanding?

- Page 5. Line 2: Bonding Authority. AGDC may issue bonds "without limit" but the indebtedness is not an obligation or liability of AGDC or the State? So who is liable for the debt? The signers of the contracts to ship gas?

- Page 6, Line 17: Who decides the extent of information released re: pipeline operating agreement?

- General question: If this bill or a version of this bill passes and AGDC continues on to an open season, and for whatever reason, this pipeline is not built: What does the state get to keep or retain even though the project is a no-go? Do any of the confidentiality clauses in the bill stop the state from keeping and making public the agreements, records, studies, etc...of AGDC?

- Can you talk about the right-of-way lease in Section 6 and the ability to transfer the lease to "another party" as stated in Section 7?

- Page 9, line 6: Municipal Mandate. Does this mean that AGDC will pay for these resources since the cost cannot be rolled into the tariff? Why can't these costs be rolled into the tariff? Who would set the tariff? Also, Does "usual & customary rates" mean fair-market value?

- Page 9, line 28: Would there be any objection to changing the definition of "in-state natural gas pipeline" to read: means a natural gas pipeline for transporting natural gas in the state to market?

House Minority Amendments to HB 9

Amendments Heard in Floor Debate, 3/27/12

Amendment #3 (Q.38), Rep. Gara

Issue addressed: This bill moves the project ahead too fast.

Mechanism of Amendment: Require that after they spend $200 million, AGDC must come back to the legislature with a study of alternatives including a big pipeline, a northbound Cook Inlet to Fairbanks pipeline, trucked gas to Fairbanks, and others. If another project is determined to have more benefit to the state, additional legislative authorization is required to continue work on this project.

Issue raised during debate: Added to the $35 million previously authorized, and the $200 million set aside last year, the fiscal note of this bill would bring the total appropriation to $400 million.

Amendment #4 (Q.37), Rep. Gara

Issue addressed: This money could be better used to help a large diameter line.

Mechanism of Amendment: Delete entire bill and replace with a program that would provide $400 million in tax credits covering operating losses of a big line to Valdez or the lower 48.

Amendment #5 (Q.1), Rep. Kerttula

Issue addressed: No requirement to come back to legislature. If the project sponsors get adequate shipping commitments to finance the project, they can proceed to construction.

Mechanism of Amendment: Add a condition that before beginning construction there must be specific legislative authorization. If the project sponsors get adequate shipping commitments to finance the project, they can proceed to construction.

Issue raised during debate: A similar provision was inserted into the Stranded Gas Act by the legislature in 1998; without it Gov. Murkowski would have been able to sign his contract in 2006. That would have locked us into the PPT tax regime and bound us to the producers for up to 45 years.

Amendment #6 (Q.17), Rep. Gardner

Issue addressed: The regulatory section of bill pre-qualifies AGDC for a certificate of public convenience and necessity, eliminating meaningful oversight.

Mechanism of Amendment: Remove two of the "findings and intent sections" that grant a certificate to AGDC and declare the project to be in the best interest of the state. Amend the "qualifications" section so that most of the requirements to get a certificate (spelled out in 42.08.310) aren't automatically granted to AGDC in 42.08.020.

Amendment #7 (Q.7), Rep. Guttenberg

Issue addressed: The base case in AGDC's July 2011 report assigns the cost of the "straddle plant" to interior consumers. This is the facility (located at Dunbar) that removes gas liquids from the stream so that utility gas can be taken in Fairbanks, and then reinjects them for shipment further south.

Mechanism of Amendment: The bill's RCA chapter has a list of "shalls," "mays," and "may nots." Although RCA is excluded from setting tariffs, the amendment adds a provision that they "may not" approve a contract that assigns the cost of a gas liquids facility to anyone other than the user of the gas liquids.

Issue raised during debate: The base case Fairbanks tariff is $1.25 higher than the base case Anchorage tariff because of this assumption regarding the straddle plant. If no gas liquids are shipped, thus eliminating the need for the straddle plant, Anchorage tariffs increase $1.50 but Fairbanks tariffs decrease $1.00.

Amendment #8 (Q.9), Rep. Miller

Issue addressed: Interior gas needs may not be met by this project in a timely manner or a reasonable cost.

Mechanism of Amendment: Roll in language from SB 215, Sens. Thomas and Paskvan's bill to build the southern half (Cook Inlet to Fairbanks pipeline) first. By the time it is completed, we will know better if new Cook Inlet supplies are adequate, and if the northern segment is needed.

Issue raised during debate: The price of the southern segment would be less than ¼ the cost of the proposed AGDC pipeline system, and would not require gas treatment.

Amendment #9 (Q.8), Rep. Guttenberg

Issue addressed: There is no requirement for distance sensitive rates (a "must have" in AGIA), which means that potentially an interior customer would be paying a portion of pipeline costs further south.

Mechanism of Amendment: Adds a requirement that AGDC support and defend this rate structure in the broad "powers and responsibilities" section at the beginning of the bill.

Issue raised during debate: The current base case does include distance sensitive rates.

Amendment #10 (Q.27), Rep. Guttenberg

Issue addressed: Inadequate preparation for subsequent pipelines into other areas of the state.

Mechanism of Amendment: In the bill, AGDC is charged to look at other connections "upon commencement of construction." Amendment changes this to "when designing."

Amendment #11 (Q.11), Rep. Tuck

Issue addressed: The bill exempts ANGDA from the procurement code.

Mechanism of Amendment: Eliminate exemption.

Issue raised during debate: Although a blanket exemption, the focus of the sponsor is to make sure that legal and bond counsel can be hired without the procurement process.

Amendment #12 (Q.33), Rep. Guttenberg

Issue addressed: No meaningful local hire provision.

Mechanism of Amendment: Attaches local hire / local contracting language "to the maximum extent possible" to the provision of the bill granting free and expedited ROW leases.

Issue raised during debate: The sponsors added similar local hire language to the "findings and intent" section of the bill as a floor amendment.

Amendment #13 (Q.23), Rep. Gardner

Issue addressed: Contract carrier rules could lead to export gas having priority over gas needed by local utilities in a time of shortfall. The nature of contract carriage is that the first contracts have supply preference over later contracts.

Mechanism of Amendment: Requires that RCA attach a condition to the pipeline owner's contract carriage certificate, that in-state public utilities would have priority if shipping capacity was for some reason reduced.

Amendment #14 (Q.42), Rep. Peterson

Issue addressed: This pipeline could significantly raise gas prices to consumers

Mechanism of Amendment: The bill's RCA chapter has a list of "shalls," "mays," and "may nots." Adds a provision that RCA "may not" approve a shipping agreement that would raise gas prices.

Issue raised during debate: This amendment attracted the most speakers in opposition, as majority members felt compelled to explain why they were voting against it.

Amendment #15 (Q.26), Rep. Kawasaki

Issue addressed: The bill removes most of the powers of ANGDA, the voter-created gas authority. Specifically, ANGDA is stripped of its ability to develop a pipeline but is charged with bidding the state's royalty gas and selling that gas into the market. The ANGDA board is eliminated, with ANGDA moved under Alaska Housing Finance Corporation as a "sister agency" to AGDC.

Mechanism of Amendment: Eliminate the changes to the ANGDA statute, so that they remain an separate agency independently seeking to develop a gasline.

Amendment #16 (Q.28), Rep. Guttenberg

Issue Addressed: Information developed by this project remains confidential indefinitely. This is in contrast to AGIA, where all the licensee's data reverts to the state if they fail to sanction the project.

Mechanism of Amendment: If the project is not developed by 2019 (the estimated in-service date in their project plan), all work product becomes public.

Issue raised during debate: The sponsors flipped the traditional debate over confidentiality on it's head. They say they seek to keep data private because, as a state agency, it belongs to us and we shouldn't share it with competing projects.

Amendment #17 (Q.11), Rep. Gardner

Issue Addressed: Too much confidentiality, which would also apply to a contract to sell or manage the pipeline.

Mechanism of Amendment: Confidentiality powers are limited to internal business affairs of a contractor. Any contract to sell all or part of the project, or to manage / operate the project, would explicitly be made public.

Amendment #18 (Q.16), Rep. Gara

Issue addressed: RCA chapter is too deferential to private contracts without adequate consumer protection

Mechanism of Amendment: In the bill, RCA has the authority to review a shipping contract, with the power to approve or deny. However, they must approve it if the contract is "just and reasonable," and any arm's length contact is presumed to be "just and reasonable" unless there is fraud or other criminal activity. The amendment eliminates the presumption of "just and reasonable," so that RCA would have legitimate power to reject contacts.

Amendment #19 (Q.44), Rep. Tuck

Issue Addressed: No assurance that the project will be built under a project labor agreement, which was a "must have" in AGIA.

Mechanism of Amendment: Add PLA language modeled after AGIA

Issue raised during debate: This was the only amendment to attract majority support, failing 15-24.

Other Amendments Drafted but Not Introduced

Amendment Q.12

Issue Addressed: The award of state ROW without cost to the project would transfer to a successor owner even if that were a private company.

Mechanism of Amendment: Successor owner would become liable for these costs

Amendment Q.14

Issue Addressed: Very broad waiver from judicial review. This includes not only right-of-way decisions, but decisions by any state agency that affect a project using state right-of-way.

Mechanism of Amendment: Eliminate waiver language.

Note: This section has been discussed in Senate Judiciary, in their hearings on HB 215

Amendment Q.18

Issue Addressed: RCA must approve a transfer of ownership, but if that transfer is not "significant" (not defined), it must be summarily approved.

Mechanism of Amendment: Eliminate the "significant" clause, ensuring a proper process before some or all of the pipeline can be sold.

Amendment Q.20

Issue Addressed: RCA records are public unless "privileged," but the definitions of what can be "privileged" are too broad.

Mechanism of Amendment: Gives discretion to RCA as to what is privileged, and allows a process for a person to seek access to documents considered "privileged."

Amendment Q.21

Issue Addressed: RCA can hold hearings and compel testimony, but these can be held in secret.

Mechanism of Amendment: Opens dispute hearings to the public.

Amendment Q.22

Issue Addressed: RCA decisions are subject to judicial review, except as provided in the "there is no judicial review" section elsewhere in the bill. (see Amendment Q.14).

Mechanism of Amendment: Eliminate reference to section in Q.14, thus opening RCA decisions to judicial review.

Amendment Q.34

Issue Addressed: No requirement to seek new shippers and expand pipeline to accommodate them, as in AGIA.

Mechanism of Amendment: Require an open season every two years with a requirement to expand if there is demand. If AGIA limit remains in place, can't expand beyond what would trigger the treble damages.

SENATE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Introduced:
Referred:

A RESOLUTION

Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 9, 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 Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to 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 or a successor in interest 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 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority; and exempting property of a project developed by the Alaska Gasline Development Corporation from property taxes before the commencement of commercial operations.

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

That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding changes to the title of a bill, are suspended in consideration of House Bill No. 9, 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 Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to 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 or a successor in interest 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 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; relating to the Alaska Natural Gas Development Authority; relating to the procurement of certain services by the Alaska Natural Gas Development Authority; and exempting property of a project developed by the Alaska

Gasline Development Corporation from property taxes before the commencement of commercial operations.

Petroleum news

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Providing coverage of Alaska and northern Canada's oil and gas industry
March 2012

Vol. 17, No. 13 **Week of March 25, 2012**

No respite ahead

PRA now projects Cook Inlet natural gas supply shortfall in 2014 or 2015

Alan Bailey

Petroleum News

A new flurry of exploration activity in the Cook Inlet basin in recent years and reports of some possible new gas fields on the horizon would seem to bode well for the future of the utility natural gas supply situation in Southcentral Alaska. But, in the near term at least, the continuing decline of aging gas fields would appear to still present a significant cause for concern.

In 2010 Petrotechnical Resources of Alaska, or PRA, completed a study for Southcentral utilities Enstar Natural Gas Co., Chugach Electric Association and Municipal Light & Power, assessing what might be involved in maintaining adequate utility gas supplies from the Cook Inlet basin through to 2020. The study came to a similar conclusion to a 2009 study conducted by the Alaska Department of Natural Resources: Both studies found that without the drilling of more new gas wells, utility gas supplies would fall short of demand in 2013. Heading off that 2013 shortfall and keeping adequate gas flowing through utility pipelines until 2020 would require an accelerating rate of gas well drilling, with 185 new wells needed at a likely total cost somewhere in the range of $1.9 billion to $2.8 billion, the PRA study found.

New update

PRA has now updated its 2010 study, retaining the original analysis of field decline rates and the original cost analysis, but plugging in the actual record of gas wells drilled and field upgrades done since the 2010 study was completed. The new results show that new wells and field upgrades have pushed the gas

supply decline curve a little further into the future. But without some major new source of gas coming on line in the near future, supplies now seem set to fall below demand in 2014 or 2015, just a year or two later than the original study had forecast.

Natural gas is the primary source of energy for Southcentral Alaska residents, accounting for about 90 percent of power generation and most of the heating for the region's buildings. In 2011 85 percent of that gas came from five long-established Cook Inlet gas fields, according to PRA's updated analysis.

Enstar, Southcentral Alaska's main gas utility, has seen a shortfall in its firm, contracted gas supplies since January 2011 and since then has depended on gas producers bidding on a day-to-day basis to deliver gas to fill that shortfall, especially during the winter. Recent data provided to Petroleum News by Enstar shows the gap in contracted supplies widening significantly in 2013 and continuing to grow thereafter.

Decline curves

PRA's analysis of future field production used individual well production decline curves for the five established Cook Inlet fields, thus separating the decline characteristics of the fields from the impacts on production from the drilling of new development wells, Pete Stokes, the consulting petroleum engineer who conducted the study for PRA, told Petroleum News. For a newer field, where there has been no new development drilling since the field came on line, PRA was able assess the production decline profile for the field as a whole without looking at the data for individual wells, Stokes said.

One finding from this analysis was that, as more development wells are drilled, the initial production rate from each new well becomes progressively lower, thus requiring an acceleration in the amount of development drilling required to maintain field production levels — the effect is a bit like maintaining the flow of air from a punctured football by creating more and more punctures as the ball deflates.

And, with no possibility of a gas line from the North Slope to Southcentral Alaska being completed in time to plug the pending gas supply shortfall, PRA's 2010 report concluded that, in the absence of sufficient drilling to maintain production, the only viable option for sustained supplies of Southcentral utility gas would be the import of liquefied natural gas, or LNG, into the region.

Economic conundrum

In March 2010 Tom Walsh, managing partner of PRA, characterized the Southcentral gas supply situation as an economic conundrum with no certain answer. The accelerated drilling program needed to maintain gas supplies would be expensive and thus translate to a need for higher gas prices. But drilling by gas producers tends to be driven primarily by the producers' needs to meet

commitments in gas supply contracts: The pricing in those contracts needs to be high enough for drilling viability. However, given the current cost of LNG on the Pacific Rim, the import of LNG would appear to be an expensive option. And a June 2011 study by Alaska's Division of Oil and Gas concluded that sufficient new Cook Inlet gas could be developed to meet supply needs through 2018 to 2020 at lower gas prices than alternative sources of supply.

So what has happened in the Cook Inlet fields since PRA published its 2010 report?

New wells

Essentially, five new wells were completed between November 2009 and October 2010, adding 18.5 million cubic feet per day to the otherwise declining Cook Inlet gas production, and six new wells were completed between November 2010 and October 2011, adding another 9.9 million cubic feet per day of production, Stokes said. New gas compression in the Beluga and Ninilchik fields has also slowed the basin-wide production decline, he said.

That compares with 105 wells completed in the Cook Inlet basin between 2001 and 2009, including 34 wells completed between 2007 and 2009.

Flat demand

The demand side of the gas supply/demand equation looks fairly flat, or may even show a slight future decline, although there is some heightened demand this year from the continuing operation of the Kenai Peninsula LNG facility. Energy needs for a planned gold mine at Donlin Creek near the Kuskokwim River could push up gas demand from 2019 onwards.

Enstar spokesman John Sims told Petroleum News March 20 that energy efficiency improvements in Southcentral residences have significantly reduced the per-customer demand for natural gas, but that Enstar is experiencing a continuing annual increase in its customer base. The overall effect will likely be a continuing slight increase in Enstar's gas needs, Sims said. On the other hand, power utilities Chugach Electric Association and Municipal Light & Power are building a new state-of-the-art gas-fired power plant in south Anchorage — that plant will make much more efficient use of gas than the utilities' existing generation facilities.

2014 shortfall?

Putting the supply and demand projections together leads to a forecast of a gas shortfall in 2014. This forecast takes into account new wells recently drilled or permitted to be drilled, but assumes no further wells would be drilled subsequently, Stokes said. Adding10 million cubic feet per day of production each year from the drilling of perhaps three to four new wells annually, either in existing fields or in new fields to be developed, reduces the size of the shortfall

but still leaves the region short of gas in 2014. Doubling that drilling rate, to add 20 million cubic feet per day of new production each year, would move the shortfall to 2015. Those assumed drilling rates and production additions reflect the scale of drilling activity seen in the past couple of years, Stokes said.

So, in the absence of major new discoveries that can be brought on line in one to two years, the current pace of field development in the Cook Inlet basin will lead to a gas supply shortage in 2014 or 2015, the revised analysis concluded.

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LAWS OF ALASKA

2009

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

Chapter No.
_____

AN ACT

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

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

THE ACT FOLLOWS ON PAGE 1

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

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

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

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

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

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

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

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

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

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

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

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

economic feasibility and cost to consumers;

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

(2) Cook Inlet natural gas reserves are depleting at a rate that could cause significant short-term shortages for residential and commercial gas users in Southcentral Alaska by 2013;

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

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

(5) the Alaska Railroad Corporation is a public corporation charged with promoting economic development in the state, enjoys unique authority, and may issue revenue bonds to finance construction of a natural gas pipeline;

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

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

(b) It is the purpose of sec. 4 of this Act

(1) to give general direction to the Joint In-State Gasline Development Team to plan and develop construction of a high pressure in-state natural gas pipeline sufficient to provide for the distribution of natural gas for residential and commercial purposes at locations along the pipeline route;

(2) to give general direction to the Joint In-State Gasline Development Team that, to the maximum extent practicable, the plan for development of an in-state natural gas pipeline required under AS 38.34.040 is compatible but not competitive with the projects described in AS 41.41 and AS 43.90; and

(3) to direct the executive director of the Alaska Housing Finance Corporation to oversee all aspects of the project described in sec. 4 of this Act.

* **Sec. 2.** AS 18.56.086 is amended to read:

Sec. 18.56.086. Creation of subsidiaries. The corporation may create subsidiary corporations for the purpose of financing or facilitating the financing of school construction, facilities for the University of Alaska, facilities for ports and harbors, prepayment of all or a portion of a governmental employer's share of unfunded accrued actuarial liability of retirement systems, or other capital projects. **A subsidiary corporation may also be created for the purpose of planning, constructing, and financing in-state natural gas pipeline projects or for the purpose of aiding in the planning, construction, and financing of in-state natural gas pipeline projects.** A subsidiary corporation created under this section may be incorporated under AS 10.20.146 - 10.20.166. The corporation may transfer assets of the corporation to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing, and has all the powers of the corporation that the corporation grants to it. However, a subsidiary created for the purpose of financing or facilitating the financing of prepayment of a governmental employer's share of unfunded accrued actuarial liability of retirement systems may borrow money and issue bonds only if the state bond rating is the equivalent of AA- or better and subject to AS 37.15.903. **A subsidiary corporation created for the purpose of planning, constructing, and financing in-state natural gas pipeline projects or for the purpose of aiding in the planning, construction, or financing of in-state natural gas pipeline projects is exempt from AS 36.30, including AS 36.30.015(d) and (f).** Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the corporation.

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

(48) a subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086 for the purpose of planning, financing, or constructing in-state natural gas pipeline projects or for the purpose of aiding in the planning, financing, or constructing of in-state natural gas pipeline projects.

* **Sec. 4.** AS 38 is amended by adding new sections to read:

Chapter 34. In-State Natural Gas Pipeline.

Sec. 38.34.010. In-state gasline project coordinator. (a) The position of in-state gasline project coordinator is created in the Office of the Governor. The Office of the Governor shall provide administrative support for the position. The position shall continue until one year after commencement of commercial operation of the in-state natural gas pipeline.

(b) The governor shall appoint an individual to the position of in-state gasline project coordinator. The coordinator is in the exempt service under AS 39.25.110. The person serving as the in-state gasline project coordinator may be removed from the position at the discretion of the governor, who shall appoint another person to the position.

(c) The in-state gasline project coordinator shall collaborate with other state agencies or entities to coordinate and facilitate the provisions of AS 38.34.020.

Sec. 38.34.020. Expedited review and action by state agencies or entities. (a) A state agency or entity conducting a review or taking action relating to the in-state natural gas pipeline project under this chapter shall expedite the review or action in a manner consistent with the timely completion of the project.

(b) Notwithstanding any contrary provision of law, a state agency or entity may not include in any project certificate, right-of-way, permit, or other authorization a term or condition that is not required by law if the in-state gasline project coordinator determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

(c) Unless required by law, a state agency or entity may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization if the in-state gasline project coordinator determines that the action would prevent or impair, in any

significant respect, the expeditious construction, operation, or expansion of the in-state natural gas pipeline project.

Sec. 38.34.030. Joint In-State Gasline Development Team. (a) The Joint In-State Gasline Development Team is established in the Alaska Housing Finance Corporation. The development team consists of five members as follows:

(1) the commissioner of transportation and public facilities, or the commissioner's designee;

(2) the chair of the board of directors of the Alaska Railroad Corporation;

(3) the chief executive officer of the Alaska Natural Gas Development Authority;

(4) the in-state gasline project coordinator; and

(5) the executive director of the Alaska Housing Finance Corporation.

(b) The executive director of the Alaska Housing Finance Corporation is the chair of the development team.

(c) The development team may hire staff, enter into contracts, and exercise other powers necessary to carry out its functions. The development team shall separately account for expenditures made to carry out its functions and submit to the legislature a quarterly report of those expenditures. The development team shall also submit to each member of the legislature monthly updates on the progress of the in-state natural gas pipeline project.

Sec. 38.34.040. Duties of the development team. (a) The Joint In-State Gasline Development Team shall produce a project plan for the development of an in-state natural gas pipeline. The development team shall ensure that the project plan is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state natural gas pipeline can be designed, financed, constructed, and made operational by December 31, 2015.

(b) The Joint In-State Gasline Development Team shall assume executive authority over and managerial responsibility for all activities enumerated under sec. 19, ch. 14, SLA 2009, including work previously completed, work in process, and work for which money has been encumbered but that is not completed on the effective

date of this subsection.

(c) The project plan must include specific plans to coordinate and facilitate construction, ownership, operation, and management of a natural gas pipeline serving Fairbanks, the Southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater in the Southcentral region of the state.

(d) The development team's work product must include an analysis of alternative possible routes and the selection of a route that, consistent with the other requirements of this section,

(1) is economically feasible;

(2) makes natural gas available to residents at the lowest possible cost;

(3) allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;

(4) uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;

(5) uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible.

(e) With the intent that any project-related assets acquired or developed be available for transfer or sale to the entity best able to complete the project, the development team shall

(1) prepare plans and designs necessary for construction of the in-state natural gas pipeline project;

(2) coordinate with entities qualified to build, own, and operate the natural gas pipeline;

(3) identify, apply for, and obtain rights-of-way and other permits for the project route;

(4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable;

(5) prepare cost estimates for the project design, construction, and

operation to determine the project's economic feasibility and the projected cost of natural gas to consumers;

(6) coordinate with and, to the fullest extent possible, use existing work by other state agencies and entities before contracting for new reports and research and analysis;

(7) determine regulatory authority over the pipeline project and perform any necessary compliance requirements;

(8) identify and apply for, or support extension of, existing permits for export of Alaska natural gas if that export improves project economics and will reduce the price of natural gas to in-state consumers.

(f) Notwithstanding any other provision of law, any rights to a natural gas pipeline corridor obtained by a state agency under eminent domain may be transferred to a private entity.

(g) Notwithstanding any other provision of law, a state agency acquiring an interest in land by eminent domain may grant a permit authorizing a private person to construct, manage, and operate a gas pipeline over, under, along, across, or upon the land.

(h) In preparing the project plan required in this section, the development team may consider all aspects of the in-state natural gas pipeline project, including public, private, or joint construction alternatives, marketing of natural gas, financing alternatives for pipeline construction, procurement of natural gas from producers, maximization of local hire, opportunities for promoting value-added industries, gas-to-liquids manufacturing opportunities, production and delivery of liquefied natural gas or propane to Yukon River, Interior, and coastal communities, alternatives for transporting natural gas to other locations in the state, the acquisition of natural gas commitments sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project, the development of a global natural gas trading hub in the state, and facilitating the project developer's commitment, to the maximum extent permitted by law, to

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

proposed project;

(2) contract with businesses located in the state;

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

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

(i) The Joint In-State Gasline Development Team shall take all action necessary to complete its responsibilities under this section.

Sec. 38.34.050. Cooperation and access to information. (a) The Joint In-State Gasline Development Team may have access to information of all state agencies that is directly related to the planning, design, construction, or operation of the in-state natural gas pipeline.

(b) All state agencies or entities shall cooperate with and, except for requests from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to requests for information from the Joint In-State Gasline Development Team. The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.

(c) Notwithstanding any contrary provision of law, the Department of Natural Resources shall grant the Alaska Housing Finance Corporation a right-of-way lease under AS 38.35 for the gas pipeline transportation corridor if

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

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

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

(d) Notwithstanding any contrary provision of law, a right-of-way lease granted under (c) of this section is subject to AS 38.05, except that the best interest findings requirements of AS 38.05 and the permit requirements of AS 38.05.850 do not apply to a lease made under this section.

Sec. 38.34.060. Conflicts of interest. (a) If a member of the Joint In-State Gasline Development Team acquires, owns, or controls an interest, direct or indirect, in property, an organization, or a business that might be affected by the in-state natural gas pipeline project or other matter under consideration by the development team, the member shall immediately disclose the interest to the development team. The disclosure is a matter of public record and shall be included in the minutes of the first meeting of the development team held after the disclosure.

(b) The members of the development team are subject to AS 39.50 and AS 39.52.

Sec. 38.34.099. Definitions. In this chapter,

(1) "in-state natural gas pipeline" means a pipeline for transporting natural gas that runs from the North Slope to tidewater in the state;

(2) "North Slope" means that area of Alaska lying north of 68 degrees North latitude.

* **Sec. 5.** AS 38.35.220(a) is amended to read:

(a) Natural gas carriers **that operate as public utilities** holding easements, rights-of-way, or permits for pipelines on state public land on May 20, 1972, are unaffected by this chapter within the scope of their existing operations, normal expansions, and extensions thereof so long as their original or present purpose and function remains unchanged. **This exemption does not apply to a natural gas pipeline constructed outside of the**

(1) Southcentral region of the state;

(2) Matanuska-Susitna Borough;

(3) Kenai Peninsula Borough;

(4) Municipality of Anchorage;

(5) Chugach Regional Educational Attendance Area; or

(6) Copper River Regional Educational Attendance Area.

* **Sec. 6.** AS 39.25.110 is amended by adding a new paragraph to read:

(43) the in-state gasline project coordinator appointed under AS 38.34.010.

* **Sec. 7.** 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 bring natural gas from the North Slope **or other regions of the state** to market, including

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

(2) the design and construction of the pipeline system;

(3) the operation and maintenance of the pipeline system;

(4) the design, construction, **and** operation [,] of other facilities necessary for delivering the gas to market**, including markets in the state** [AND TO SOUTHCENTRAL ALASKA]; and

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

*** Sec. 8.** AS 41.41.010(d) is amended to read:

(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** [IS AN] essential government **functions** [FUNCTION] of the state.

*** Sec. 9.** AS 41.41.990(3) is amended to read:

(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 **or other regions of the state to a market in the state, or be available to a market in the state, and** [EITHER] to tidewater at a point on Prince William Sound [AND THE SPUR LINE FROM GLENNALLEN TO THE SOUTHCENTRAL GAS DISTRIBUTION GRID] or [TO TIDEWATER AT A POINT ON] Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

*** Sec. 10.** AS 41.41.990 is amended by adding a new paragraph to read:

(4) "North Slope" means that part of the state that lies north of 68 degrees North latitude and includes the Brooks Range foothills.

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

TRANSITIONAL PROVISIONS. (a) In discharging its obligations, the Joint In-State Gasline Development Team shall

(1) seek letters of intent from buyers and sellers of natural gas to ship gas using the facilities of the project and, from information obtained, define the project parameters that would allow the project to be commercially viable;

(2) seek letters of interest from private pipeline construction and operating companies to develop the project;

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

(4) prepare and submit a report to the governor, the speaker of the house of representatives, and the president of the senate when each duty set out in (1) - (3) of this subsection is complete.

(b) The parties having responsibility for contracts, permit and acquisition applications, and studies in progress on the effective date of this Act initiated or entered into by the Office of the Governor or a state agency or entity that relate to an in-state natural gas pipeline shall transfer those obligations and initiatives to the Alaska Housing Finance Corporation. Transfer of those obligations and initiatives may not be unreasonably delayed. If the corporation forms a subsidiary under AS 18.56.086, as amended by sec. 2 of this Act, for the purpose of planning, constructing, and financing in-state natural gas pipeline projects or for aiding those projects, the corporation shall transfer the obligations and initiatives to its subsidiary.

* **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT
SPEAKER OF THE ALASKA STATE HOUSE

SPONSOR STATEMENT
COMMITTEE SUBSTITUTE FOR HOUSE BILL 9 (FIN) am

"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 an action or decision related to 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 or a successor in interest 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 that is expressly authorized to provide transportation as a contract carrier; 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 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.

Committee Substitute for House Bill 9 (FIN) will refine a solid, early proposal into a plan. This legislation does not call for construction of an instate gas pipeline, but allows AGDC to advance a commercial project to that stage. The bill also provides AGDC the tools to be a strong, participating partner on behalf of Alaskans in a large-diameter export gasline project.

Along with a comprehensive update on progress to date, AGDC presented the Legislature in July 2011 with a series of recommendations enabling the next stage in project planning. Those recommendations are incorporated within this committee substitute.

Representative_Mike_Chenault@legis.state.ak.us

It is my intention to provide AGDC the tools that will allow additional refinements to the project plan required to hold an open season in 2013; and, if shipper and buyer interest is sufficient and meets AGDC's mandate, to allow AGDC to decide whether to advance the project to construction.. 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. It would facilitate gas development in the state of Alaska even if the plan already on the table – AGIA – develops into a project. It does not block or inhibit any other pipeline project from advancing. It would facilitate instate gas should we see the alignment of interests and projects the Governor is encouraging among private parties and others interested in both commercialization of North Slope gas and delivering Alaska's gas to Alaskans.

CS for House Bill 9 (FIN) am (Version O.A)

"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 an action or decision related to 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 or a successor in interest 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 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; 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 (findings and intent) expresses legislative intent and findings that:

- By passage of HB 9, an AGDC pipeline is in the public convenience and necessity;
- The development of an AGDC gas pipeline is in the best interest of the state; and
- State policy will make state royalty gas available for shipment in an AGDC line.
- To the maximum extent allowed by law and if at competitive rates, AGDC shall procure services, labor, products and natural resources from Alaska businesses
- To the maximum extent allowed by law, AGDC shall hire Alaska residents for management, engineering, construction, operations and maintenance, and will use state hiring facilities and job center services operated by the Department of Labor and Workforce Development.

Section 2 (abilities and duties) adds a new section to *A.S. 18.56, Alaska Housing Finance Corporation*, relating to AGDC's duties and abilities as a subsidiary corporation of the Alaska Housing Finance Corporation (AHFC); establishes the instate natural gas pipeline fund within AGDC.

Under Section 2, AGDC shall:

- Advance an instate gas pipeline project as described in the July 2011 project plan, with modifications as necessary.
- Once construction on that line starts, analyze additional pipelines to connect other regions of the state with natural gas.
- 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.

- Develop pipelines making natural gas available to Fairbanks, Southcentral and other communities at the lowest rate possible;
- AGDC will develop commercially reasonable rates for shippers and for public utilities and industrial customers;
- Disclose an executed pipeline operating agreement between the Alaska Gasline Development Corporation (AGDC) and the pipeline operator be disclosed publically to the extent that disclosure would not divulge trade secrets or other proprietary business information.

Under Section 2, AGDC may:

- Decide how a pipeline will be owned and operated, including joint ownership/operatorship.
- Exercise the state's existing right of eminent domain to acquire land, but only as required for an instate natural gas pipeline project.
- Acquire property and interests in pipelines as needed.
- Manage AGDC assets, including transfer or disposal of parts or all of a pipeline project.
- Provide transportation of natural gas by way of contract carriage.
- Issue revenue bonds limited to AGDC's backing, to carry out AGDC's purpose.

Section 3 (ANGDA exempt from procurement code) adds a new paragraph to *A.S. 36.30.850(b), Public Contracts, State Procurement Code, Application of this chapter*, exempting ANGDA from the state procurement code when contracting for professional services; conforming to Section 20. (AGDC is already exempt)

Section 4 (state agency information sharing) amends *A.S. 38.34.050(a), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information*, to provide AGDC access to information of state agencies that is directly related to designing, constructing and operating an instate natural gas pipeline, and to protect existing confidentiality of information held by state agencies. As the Joint In-State Gasline Development Team (JIGDT) created in HB 369 in 2010 is repealed in section 29, HB 9, this section also changes "JIGDT" to "AGDC."

Section 5 (state agency priority to AGDC requests) amends *A.S. 38.34.050(b), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* to direct state agencies to cooperate with and give priority to AGDC requests, and calls on AGDC to avoid duplicating other state-supported work. As JIGDT is repealed in section 29, HB 9, this section also changes "JIGDT" to "AGDC."

Section 6 (right-of-way lease) amends *A.S. 38.34.050(c), Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* to require DNR to grant a state right-of-way lease to AGDC at no appraisal or rental cost, 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.

Section 7 (confidential information) adds new subsections to *A.S. 38.34.050, Public Land, Instate Natural Gas Pipeline, Cooperation and access to Information,* allowing AGDC to enter into confidentiality agreements as necessary to carry out its duties, including with state agencies, and deems confidential information related to field studies and technical data. Calls on municipalities and state agencies to provide non-hydrocarbon natural resources, such as water, sand and gravel, at usual and customary rates. Calls on agencies to issue permits and leases at no cost, except for permits and leases through the State Pipeline Coordinator's Office. Requires AGDC to bear the usual and customary costs but does not allow those costs in a rate base. Allows that a state-right-of-way lease granted to AGDC may, upon commissioner approval, be transferred to another party under the same terms and conditions as applicable to AGDC.

Section 8 (definitions) repeals and reenacts *A.S. 38.34.099, Public Land, Instate Natural Gas Pipeline, Definitions,* to revise definitions of "AGDC," "in-state natural gas pipeline," and "natural gas pipeline."

Section 9 (conforming) amends *A.S. 38.35.100(d), Public Land, Right-of-Way Leasing Act, Decision on application*, to conform to Section 6, right-of-way leasing.

Section 10 (conforming) amends *A.S. 38.35.120(a), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease*, to conform to Section 6, right-of-way leasing.

Section 11 (conforming) amends *A.S. 38.35.120(b), Public Land, Right-of-Way Leasing Act, Covenants required to be included in lease,* to conform to Section 6, right-of-way leasing.

Section 12 (conforming) adds a new subsection to *A.S. 38.35.140, Public Land, Right-of-Way Leasing Act, Payment of rental and costs*, to conform to Section 6, right-of-way lease at no appraisal or rental costs.

Section 13 (judicial review) adds new subsections to *A.S. 38.35.200, Public Land, Right-of-Way Leasing Act, Judicial review of decisions of commissioners on application*, to limit judicial review of state lease, permit or other authorization decisions to superior court, and prohibiting the court from granting injunctive relief. Claims must be brought within 60 days of an action for which relief is sought.

Section 14 (public records) amends *A.S. 40.25.120(a), Public Records and Recorders, Public Record Disclosures, Public records; exemptions; certified copies*, to exempt 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 7 to be kept confidential)

Section 15 (ANGDA as gas marketer) amends *A.S. 41.41.010(a), Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* enabling ANGDA to act as a gas marketer instead of transporter, and eliminating proscriptive language regarding gas supply and gas market locations.

Section 16 (ANGDA gas marketer) amends *A.S. 41.41.010(d), Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* to clarify ANGDA's role as a gas marketer.

Section 17 (royalty gas) adds a new subsection to *A.S. 41.41.010, Public Resources, Alaska Natural Gas Development Authority, Establishment of the authority,* allowing ANGDA, with the DNR commissioner, to

pledge state royalty gas for contracts entered into by ANGDA. Directs the commissioner to treat a pledge under this section as a disposal of gas other than by sale or exchange.

Section 18 (ANGDA board) repeals and reenacts *A.S. 41.41.020, Public Resources, Alaska Natural Gas Development Authority, Authority governing body,* to state that AHFC's board of directors will serve as the ANGDA board of directors.

Section 19 (conforming) amends *A.S. 41.41.060, Public Resources, Alaska Natural Gas Development Authority, Compensation of board members; per diem and travel expenses,* to conform to Section 18.

Section 20 (ANGDA contractors/procurement) amends *A.S. 41.41.070(d), Public Resources, Alaska Natural Gas Development Authority, Authority staff*, to include legal counsel in the services ANGDA may contract for, and exempts procurement of contracted services from the state procurement code.

Section 21 (ANGDA board/conflicts of interest) amends *A.S. 41.41.090(b), Public Resources, Alaska Natural Gas Development Authority, Conflicts of interest,* to remove involvement with a "project" from the circumstances requiring disclosure. (Conforms to Section 15 redefining ANGDA's role)

Section 22 (ANGDA information) amends *A.S. 41.41.150(a), Public Resources, Alaska Natural Gas Development Authority, Public access to information,* to expand ANGDA's existing confidential records authority to include information in a confidential agreement between ANGDA and AGDC.

Section 23 (conforming) amends *A.S. 41.41.200, Public Resources, Alaska Natural Gas Development Authority, Powers of the authority,* to remove ANGDA's authority to exercise eminent domain, as ANGDA would serve as a marketing arm and not as a pipeline builder. (Conforms to Section 15 redefining ANGDA's role)

Section 24 (conforming) amends *A.S. 41.41.990(2), Public Resources, Alaska Natural Gasline Development Authority, Definitions,* to conform to Section 18 by defining ANGDA's board as AHFC's board.

Sections 25-29 implement a new regulatory chapter applicable to an instate natural gas pipeline authorized to provide contract transportation. A complete analysis of 42.08, is on sectional pages 6-7.

Section 25 (RCA regulation) amends *A.S. 42.04.080(a), Public Utilities and Carriers and Energy Programs, Regulatory Commission of Alaska, Decision-making procedures,* to exempt from RCA hearing requirements matters that come under 42.08, along with matters already exempted under 42.05 and 42.06. This allows the RCA to manage matters under these chapters as the chapters direct.

Section 26 (RCA regulation) amends *A.S. 42.05, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act*, by adding a new section related to RCA review of contracts entered into by a public utility with AGDC for gas transportation or for contracts public utilities make to purchase gas or store gas that is transported on an instate natural gas pipeline regulated under 42.08. Public utility contracts with AGDC may include a covenant for public utilities to collect rates sufficient to meet its contractual obligations. Contract to buy or store gas to be shipped on an instate natural gas pipeline

regulated under 42.08 must be submitted to the RCA. The RCA has 180 days to either approve contracts as presented or, if contracts are found unjust or unreasonable, to disprove the contracts. Contracts approved are not subject to further RCA review. The RCA may extend the 180 day review period if a public utility fails to provide supplemental information that is available to the public utility.

Section 27 (RCA regulation) amends *A.S. 42.05.711, Public Utilities and Carriers and Energy Programs, Alaska Public Utilities Regulatory Act, Exemptions,* to exempt a pipeline subject to regulation under 42.08 from regulation under 42.05.

Section 28 (RCA regulation) amends *A.S. 42.06, Public Utilities and Carriers and Energy Programs, Pipeline Act*, by adding a new section to article 7 exempting a pipeline subject to regulation under 42.08 from regulation under 42.06.

Section 29 (RCA regulation) adds a new chapter to *A.S. 42, Public Utilities and Carriers and Energy Programs*, to create Chapter 08, In-state Pipeline Contract Carrier. Chapter 08 applies to an instate natural gas pipeline expressly authorized to provide contract carriage; and exempts an in-state natural gas pipeline subject exclusively to federal jurisdiction.

Section 30 (property tax exemption during construction) adds a new subsection to *A.S. 43.56.020, Revenue and Taxation, Oil and Gas Exploration, Production and Pipeline Transportation Property Tax, Exemptions,* exempting an AGDC project from state and local property taxes during construction.

Section 31 (repealer) repeals seven statutes. Repeals *A.S. 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 32 (repealer) repeals Section 1 of the 2002 Ballot Measure No. 3, the findings of which are no longer necessary with ANGDA's revised authority.

Section 33 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 6 of HB 9. (The Alaska Constitution bars the Legislature from passing laws that apply retroactively to contracts in place)

Section 34 is revisor's instructions.

Section 35 sets an immediate effective date.

Analysis of CS HB 9 (FIN) am (Q.A) Section 29: New Chapter 08: In-state Pipeline Contract Carrier

New Chapter 42.08: In-state Pipeline Contract Carrier

Section 42.08.010 Application of chapter; exemption. This chapter applies to an instate natural gas pipeline authorized by law to operate as a contract carrier. Exempts an instate natural gas pipeline subject exclusively to federal jurisdiction.

Section 42.08.020 Qualification of the Alaska Gasline Development Corporation; findings. Determines that AGDC is financially and managerially fit, willing and able to provide service under 42.08. States that an instate natural gas pipeline is required by public convenience and necessity. Directs the RCA to determine whether an entity applying under 42.08 is technically fit, willing and able.

Section 42.08.220 General powers and duties. Provides enabling direction for the RCA under 42.08. Requires permits for construction, interconnections, expansions and abandonment. Enables the RCA to intervene in disputes that are between the carrier and a public utility, and that are unable to be resolved by contractual dispute resolution methods, and that threaten the public safety and welfare. Directs the RCA to not require rates or tariff regulations, and not to conduct further review of contracts approved under 42.08.

Section 42.08.230 Commission decision-making procedures. Directs the RCA to follow its standard decision-making procedures, and to expeditiously adjudicate matters.

Section 42.08.240 Publication of reports, orders, decisions and regulations. Standard RCA direction for publishing reports, orders, decisions and regulations.

Section 42.08.250 Application of Administrative Procedure Act. Standard RCA exemption from Administrative Procedure Act adjudication procedures; the RCA's adjudication procedures would apply.

Section 42.08.260 Annual report. Requires the RCA to include in its annual report activities related to 42.08.

Section 42.08.300 Review of certain contracts by the commission. AGDC or its successors will submit all precedent agreements to the RCA; precedent agreements with other than a public utility may be kept under seal. The RCA will have 180 days to approve or disprove precedent agreements as just and reasonable, based on whether contracts were negotiated at arm's length and whether there was unlawful activity or unfair dealing. Approved contracts are not subject to further review. A contract is arm's length if it is made between two unaffiliated parties; or, if parties are affiliated, they have followed the standards of conduct for transmission providers adopted by the Federal Energy Regulatory Commission.

Section 42.08.310 Contract carriage certificate. The owner of an instate natural gas pipeline must have a certificate of public convenience and necessity (CPCN) to construct a pipeline and

to transport gas. The RCA has 180 days to issue a CPCN once application is made, providing that the applicant is found fit, willing and able to perform the services proposed. The RCA may attach conditions to and amend, suspend or revoke a CPCN. Operating authority may not be transferred without RCA approval.

Section 42.08.320 Tariffs, contracts, filing, and public inspection. Requires an instate natural gas pipeline carrier to file all rules, regulations, terms and conditions pertaining to service, and all contracts with shippers. Requires changes in tariff rates/rules and service conditions to be filed with the RCA.

Section 42.08.330 Expansion, dispute resolution. Contracts may provide for expansion, unless an expansion would violate the terms of the Alaska Gasline Inducement Act. Requires contracts to include procedures for resolving disputes.

Section 42.08.340 Regulatory cost charge. Implements standard RCA assessment of a user fee on regulated entities; includes a cap and directs administration of the user fee.

Section 42.08.350 Nothing to alter the calculation of taxes and royalty. Nothing in 42.08 will change the calculation of production taxes or of royalties due the state.

Section 42.08.400 Public records. RCA records are available to the public, except when classified by the RCA as privileged; precedent agreements will be kept confidential.

Section 42.08.410 Investigations. Allows the RCA to investigate matters in 42.08.

Section 42.08.510 Designation of service agents. Requires an instate natural gas pipeline carrier to file a named, permanent resident as its agent (standard RCA provision).

Section 42.08.520 Effect of regulations. Regulations adopted by the RCA under 42.08 have the effect of law (standard RCA provision).

Section 42.08.530 Judicial review and enforcement. RCA final orders are subject to the judicial review provisions in Section 13, HB 9.

Section 42.08.540 Joinder of actions. Appeals may be joined under applicable court rules (standard RCA provision).

Section 42.08.900 Definitions. Defines terms standard to the RCA (commission, commissioner, record) and includes HB9 terms (instate natural gas pipeline, instate natural gas pipeline carrier).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HCS CS HB 009 (FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB009HCSCS(FIN)-DOR-AHFC-03-26-12
Title: In-State Gasline Development Corp.
Sponsor: Representative Chenault
Requester: (S) CRA

Dept. Affected: Revenue
Appropriation: Alaska Housing Finance Corp.
Allocation: Alaska Gasline Development Corp.
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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services		1,207.2					
Travel							
Services		2,422.2					
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**3,629.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

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

CHANGE IN REVENUES							

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

Estimated CAPITAL (FY13) costs 286,357.5 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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

This fiscal note incorporates the fiscal impact of all state agencies affected by its implementation. Updated for CS in House Finance.

Prepared by: Joe Dubler, Vice President and Chief Financial Officer
Division: Alaska Gasline Development Corporation
Phone: 907.330.6303
Date/Time: 3/26/12 1:00 PM

Approved by: Dan Fauske, President, AGDC
Department of Revenue
Date: 3/26/2012

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HCS CS HB 009 (FIN)

Analysis

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

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

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

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

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

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

Department of Transportation & Public Facilities
- Statewide Engineering & Design

See attachment for budget details for each agency.

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

Fiscal Note
Attachment

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

Alaska Gasline Development Corporation

Component Number

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	2,414.0	1,207.2	4,828.8	4,828.8	4,828.8	4,828.8	4,828.8
Travel							
Services	3,600.0	2,422.2	6,202.9	6,202.9	6,202.9	6,202.9	6,202.9
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**6,014.0**	**3,629.4**	**11,031.7**	**11,031.7**	**11,031.7**	**11,031.7**	**11,031.7**
Positions	**14**	**7**	**28**	**28**	**28**	**28**	**28**

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

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

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

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

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

Total expenditures are budgeted in the following categories:

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

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

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

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

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

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

Alaska Natural Gas Development Authority

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	436.7		436.7	436.7	436.7	436.7	436.7
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**436.7**	**0.0**	**436.7**	**436.7**	**436.7**	**436.7**	**436.7**
Positions:	**3**		**3**	**3**	**3**	**3**	**3**

Acquisition of natural gas

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

North Slope propane for use in rural and coastal Alaska

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

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

Alaska Stand Alone Pipeline - Open Season

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

Royalty Gas

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

Department of Natural Resources

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

1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes.

2) DGGS cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.

3) Schedule assumptions are based on AGDC's currently proposed schedule.

4) Construction oversight begins in FY 2014 and continues through FY 2015 and FY 2016. Operational oversight begins in FY 2017. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.).

5) Assume SPCO will administer material sales and the material sites after initial sale.

6) Assume a two and one half-year construction schedule segregated into four geographic areas.

7) DMLW has concluded that costs after FY 2013 are indeterminate. This budget does not include any funding for DMLW for fiscal years 2014-2018.

STATE PIPELINE COORDINATORS OFFICE

State Pipeline Coordinators Office
Component Number 1191

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	473.2		1,782.8	2,051.7	2,051.7	299.6	299.6
Travel	10.0		200.0	250.0	250.0	25.0	25.0
Services	4.0		70.0	76.5	76.5	15.0	15.0
Commodities	2.0		10.0	10.0	10.0	2.0	2.0
Capital Outlay							
Grants, Benefits							
Miscellaneous	5.0		10.0	10.0	10.0	5.0	5.0
TOTAL OPERATING	**494.2**	**0.0**	**2,072.8**	**2,398.2**	**2,398.2**	**346.6**	**346.6**

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

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

Positions:

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

FY 2013

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

FY 2014

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

FY 2015

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

SPCO FY 2016

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

FY 2017 and FY 2018

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

OFFICE OF HISTORY & ARCHAEOLOGY

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

Positions

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

DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS

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

Positions in Fairbanks for management of geological hazards project related studies and review of existing information.
1 Geologist IV (range 21)
1 LTNP Geologist III (range 19)
1 Graduate Intern

DIVISION OF MINING, LAND AND WATER

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

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

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

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

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

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

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

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

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

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

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

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

Natural Resource Specialist (NRS) II – (Range 16) – At a rate of approximately $87,500 per year for issuance of land use permits (within and without the ROW), and material sales (outside the ROW) during the construction phase for gasline construction and maintenance (Beyond FY12). Indeterminate as the necessity, number and size of the permits or material sales are not know at this time - FY 14 and beyond.

DNR/DMLW - TRAVEL. CONTRACTUAL. SUPPLIES

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

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

DNR - EXCEPT DMLW - TRAVEL. CONTRACTUAL. SUPPLIES

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

Department of Environmental Conservation

Summary of Cost for DEC

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	244.9	0.0	229.3	689.8	1,966.9	2,124.9	2,096.0
Travel	8.2	0.0	14.2	24.4	109.4	119.4	117.0
Services	22.7	0.0	159.6	71.3	230.9	351.1	352.4
Commodities	15.0	0.0	7.5	22.5	129.0	9.0	61.5
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**290.8**	**0.0**	**410.6**	**808.0**	**2,436.2**	**2,604.4**	**2,626.9**
Positions:	**2.0**	**0.0**	**3.0**	**6.0**	**19.0**	**20.0**	**20.0**

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

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

Division of Environmental Health - Air Quality

Division of Environmental Health - Air Quality
Component Number 2061

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

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

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

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

Division of Environmental Health - Drinking Water

Component Number **2066**

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services					100.5	120.7	120.7
Travel					15.0	15.0	15.0
Services					8.0	9.2	9.2
Commodities					8.0	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**131.5**	**145.4**	**145.4**
Positions:	**0**	**0**	**0**	**0**	**1**	**1**	**1**

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

Contractual services include costs for training registrations and small contracts.

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

Division of Environmental Health - Food Safety & Sanitation

Component Number 2343

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services					89.8	107.8	107.8
Travel					15.0	15.0	15.0
Services					7.4	8.5	8.5
Commodities					8.0	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**120.2**	**131.8**	**131.8**
Positions:	**0**	**0**	**0**	**0**	**1**	**1**	**1**

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

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

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

Services:
Contractual services include costs for training registrations and small contracts.

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

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

Component Number 2344

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services					89.8	107.8	107.8
Travel					15.0	15.0	15.0
Services					7.4	8.5	8.5
Commodities					8.0	0.5	0.5
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**120.2**	**131.8**	**131.8**
Positions:	**0**	**0**	**0**	**0**	**1**	**1**	**1**

The Department will add one position to this component, an Environmental Program Specialist III, to inspect solid waste treatment facilities and landfills. This position will be filled for 10 months in the first year to allow for classification and recruitment time, and for 12 months each year thereafter.

Travel will be required to inspect, provide technical assistance and compliance monitoring to the labor camps as well as training and certification for staff.

Contractual services include costs for training registrations and small contracts.

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

Division of Spill Prevention & Response - Contaminated Sites

The Contaminated Sites component of the Division of Spill Prevention and Response would be required to research sites located within the proposed pipeline right-of-way and participate in the development of the Environmental Impact Statement. During construction of the pipeline, the program would conduct inspections, assessments and possibly cleanup oversight activities associated with contaminated soil and groundwater which may occur as a result of oil and hazardous substance releases at construction camps and other pipeline support infrastructure. This fiscal note assumes that construction of an in-state gasline would begin in FY16.

The program needs an Environmental Program Specialist II, Range 16, to research sites located within the proposed pipeline right-of-way, prepare input to the Environmental Impact Statements and conduct inspections.

Component Number 2386

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services			11.8	87.7	87.7	87.7	87.7
Travel				6.0	6.0	6.0	6.0
Services			0.7	5.3	5.3	5.3	5.3
Commodities			7.5				
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**20.0**	**99.0**	**99.0**	**99.0**	**99.0**
Positions:	**0**	**0**	**1**	**1**	**1**	**1**	**1**

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

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

Component Number 1922

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services				278.7	278.7	364.4	364.4
Travel				5.0	6.0	6.0	6.0
Services				16.7	22.7	22.7	22.7
Commodities				15.0		7.5	
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**315.4**	**307.4**	**400.6**	**393.1**
Positions:	**0**	**0**	**0**	**2**	**2**	**3**	**3**

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

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

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

The Department of Law would be consulted as needed.

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

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

Component Number 2064

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services				95.5	869.4	869.4	869.4
Travel			6.0	6.0	30.0	40.0	40.0
Services			2.8	35.7	133.0	216.9	251.9
Commodities				7.5	90.0		60.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**8.8**	**144.7**	**1,122.4**	**1,126.3**	**1,221.3**
Positions:	**0**	**0**	**0**	**1**	**9**	**9**	**9**

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

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

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

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

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

Division of Water - Water Quality

Component Number 2062

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

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

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

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

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

Contractual Services:
Department of Law would be consulted as needed.

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

Department of Transportation and Public Facilities

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

Statewide Engineering and Design Component Number **2357**

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	356.6		356.6	356.6	356.6		
Travel	45.0		45.0	45.0	45.0		
Services	1,007.5		1,010.0	1,010.0	10.0		
Commodities	22.5						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**1,431.6**	**0.0**	**1,411.6**	**1,411.6**	**411.6**	**0.0**	**0.0**
Positions:	**3**		**3**	**3**	**3**		

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

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

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

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

Department of Law

The fiscal impact for the Department of Law is indeterminateHB009 provides the test for measuring if an agreement submitted to the RCA under either AS 42.08.300(a) or AS 42.05.433 (set out in Sec. 26 of the bill) is just and reasonable. Should an investigation of any claims of "unlawful market activity", or "unfair dealing" be requested by the Commission, or initiated by the AG/RAPA under AS 44.23.020(e), on a case by case adjudicatory basis, the use of outside experts would be required.

Component Number 2091

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

Positions:

HB 9 In-State Gasline Development Corporation Fiscal Analysis

	Included in FY13 Governor's Request	FY13 Appropriation Request	FY13 TOTAL	FY14 Base	FY14 New	FY14 TOTAL	FY15 Base	FY15 New	FY15 TOTAL	FY16 Base	FY16 New	FY16 TOTAL	FY17 Base	FY17 New	FY17 TOTAL	FY18 Base	FY18 New	FY18 TOTAL
DEPARTMENT OF REVENUE																		
Alaska Gasline Development Corporation	3,629.4	6,014.0	9,643.4	9,643.4	1,388.3	11,031.7	11,031.7		11,031.7	11,031.7		11,031.7	11,031.7		11,031.7	11,031.7		11,031.7
Alaska Natural Gas Development Authority		436.7	436.7	436.7		436.7	436.7		436.7	436.7		436.7	436.7		436.7	436.7		436.7
TOTAL	**3,629.4**	**6,450.7**	**10,080.1**	**10,080.1**	**1,388.3**	**11,468.4**	**11,468.4**	**0.0**	**11,468.4**	**11,468.4**	**0.0**	**11,468.4**	**11,468.4**	**0.0**	**11,468.4**	**11,468.4**	**0.0**	**11,468.4**
Commercial Operations	3	0	3	3		3	3		3	3		3	3		3	3		3
Pipeline & Facilities Engineering		4	4	4		4	4		4	4		4	4		4	4		4
Support Activities	7	10	17	17	7	24	24		24	24		24	24		24	24		24
TOTAL	**10**	**14**	**24**	**24**	**7**	**31**	**31**	**0**	**31**	**31**	**0**	**31**	**31**	**0**	**31**	**31**	**0**	**31**
DEPARTMENT OF ENVIRONMENTAL CONSERVATION																		
Environmental Health - Air Quality		54.6	54.6	54.6	106.0	160.6	160.6	-132.9	27.7	27.7	-11.7	16.0	16.0	49.0	65.0	65.0	-65.0	0.0
Environmental Health - Drinking Water		0.0	0.0	0.0		0.0	0.0		0.0	0.0	131.5	131.5	131.5	13.9	145.4	145.4		145.4
Environmental Health - Food Safety & Sanitation		0.0	0.0	0.0		0.0	0.0		0.0	0.0	120.2	120.2	120.2	11.6	131.8	131.8		131.8
Environmental Health - Solid Waste Management		0.0	0.0	0.0		0.0	0.0		0.0	0.0	120.2	120.2	120.2	11.6	131.8	131.8		131.8
Spill Prevention & Response		0.0	0.0	0.0	20.0	20.0	20.0	79.0	99.0	99.0		99.0	99.0		99.0	99.0		99.0
Spill Prevention & Response		0.0	0.0	0.0		0.0	0.0	315.4	315.4	315.4	-8.0	307.4	307.4	93.2	400.6	400.6	-7.5	393.1
Spill Prevention & Response		0.0	0.0	0.0	8.8	8.8	8.8	135.9	144.7	144.7	977.7	1,122.4	1,122.4	3.9	1,126.3	1,126.3	95.0	1,221.3
Division of Water		236.2	236.2	236.2	-15.0	221.2	221.2		221.2	221.2	298.3	519.5	519.5	-15.0	504.5	504.5		504.5
TOTAL	**0.0**	**290.8**	**290.8**	**290.8**	**119.8**	**410.6**	**410.6**	**397.4**	**808.0**	**808.0**	**1,628.2**	**2,436.2**	**2,436.2**	**168.2**	**2,604.4**	**2,604.4**	**22.5**	**2,626.9**
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities			2	2	1	3	3	3	6	6	13	19	19	1	20	20		20
TOTAL	**0**	**0**	**2**	**2**	**1**	**3**	**3**	**3**	**6**	**6**	**13**	**19**	**19**	**1**	**20**	**20**	**0**	**20**
DEPARTMENT OF LAW																		
Personal Services	***	***	***	***		***	***		***	***		***	***		***	***		***
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Support Activities	***		***	***		***	***		***	***		***	***		***	***		***
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
DEPARTMENT OF NATURAL RESOURCES																		
State Pipeline Coordinators Office		494.2	494.2	494.2	1578.6	2,072.8	2,072.8	325.4	2,398.2	2,398.2		2,398.2	2,398.2	-2051.6	346.6	346.6		346.6
Office of History and Archaeology		27.5	27.5	27.5		27.5	27.5		27.5	27.5		27.5	27.5		27.5	27.5		27.5
Division of Geological and Geophysical Surveys		0	0.0	0.0	137.3	137.3	137.3		137.3	137.3		137.3	137.3	-137.3	0.0	0.0		0.0
Division of Mining, Land and Water		88	88.0	88.0	-88	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
TOTAL	**0.0**	**609.7**	**609.7**	**609.7**	**1,627.9**	**2,237.6**	**2,237.6**	**325.4**	**2,563.0**	**2,563.0**	**0.0**	**2,563.0**	**2,563.0**	**-2,188.9**	**374.1**	**374.1**	**0.0**	**374.1**
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities		2	2	2	6	8	8		8	8		8	8	-5	3	3		3
TOTAL	**0**	**2**	**2**	**2**	**6**	**8**	**8**	**0**	**8**	**8**	**0**	**8**	**8**	**-5**	**3**	**3**	**0**	**3**
DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES																		
Statewide Engineering & Design		1,431.6	1,431.6	1,431.6	-20.0	1,411.6	1,411.6		1,411.6	1,411.6	-1,000.0	411.6	411.6	-411.6	0.0	0.0		0.0
TOTAL	**0.0**	**1,431.6**	**1,431.6**	**1,431.6**	**-20.0**	**1,411.6**	**1,411.6**	**0.0**	**1,411.6**	**1,411.6**	**-1,000.0**	**411.6**	**411.6**	**-411.6**	**0.0**	**0.0**	**0.0**	**0.0**
Commercial Operations			0	0		0	0		0	0		0	0		0	0		0
Pipeline & Facilities Engineering			0	0		0	0		0	0		0	0		0	0		0
Support Activities		3	3	3		3	3		3	3		3	3	-3	0	0		0
TOTAL	**0**	**3**	**3**	**3**	**0**	**3**	**3**	**0**	**3**	**3**	**0**	**3**	**3**	**-3**	**0**	**0**	**0**	**0**
GRAND TOTAL	**3,629.4**	**8,782.8**	**12,412.2**	**12,412.2**	**3,116.0**	**15,528.2**	**15,528.2**	**722.8**	**16,251.0**	**16,251.0**	**628.2**	**16,879.2**	**16,879.2**	**-2,432.3**	**14,446.9**	**14,446.9**	**22.5**	**14,469.4**
CUMULATIVE TOTAL			**12,412.2**			**27,940.4**			**44,191.4**			**61,070.6**			**75,517.5**			**89,986.9**
Commercial Operations	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3	3	0	3
Pipeline & Facilities Engineering	0	4	4	4	0	4	4	0	4	4	0	4	4	0	4	4	0	4
Support Activities	7	15	22	24	14	38	38	3	41	41	13	54	54	-7	47	47	0	47
POSITION GRAND TOTAL	**10**	**19**	**29**	**31**	**14**	**45**	**45**	**3**	**48**	**48**	**13**	**61**	**61**	**-7**	**54**	**54**	**0**	**54**

Good morning. Welcome to today's C&RA hearing. With me here today is:

Senator Ellis

Senator Kookesh?

On today's agenda, we will consider

- HB 9, IN-STATE GASLINE DEVELOPMENT CORP
- We have had previous hearings on the bill, and adopted a committee substitute, which is version J of the bill.
- Today we will invite the sponsors to the table to discuss the CS that was adopted, and will hold the bill for another hearing tomorrow.

With that, ...

If you need more time, you can recess until 1 and come back here to Fahrenkamp to continue the hearing then.

The C&RA Committee will probably meet again tomorrow. Will post schedule later today.

Denise Liccioli

From: Ken Alper
Sent: Wednesday, April 18, 2012 8:21 PM
To: Denise Liccioli; David Scott
Cc: Rep. Beth Kerttula
Subject: briefing doc on HB9
Attachments: notes on hb9 j vs q for sen olson.doc

Denise / Dave-
I'm sorry that this is long than I'd like, but I wanted something we could walk through to explain the changes in our meeting tomorrow morning.
The three-page document is organized as follows:

p.1 What is in the work draft CRA bill "J"
p.2 What powers from the House version "Q.A" are not in the CRA bill
p.3 What changes were offered in the "P" version that was released on adjournment night

I will be in by 8:30 tomorrow and look forward to the opportunity to meet with Sen. Olson.
Best
-Ken

Ken Alper
Office of Representative Beth Kerttula
District 3- Juneau
Capitol Room 404
Juneau, AK 99811
(907) 465-4766
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What Is and Is Not in CSHB 9(CRA) \ "J"

This CS was designed to meet the goal of empowering AGDC to do the necessary work in advance of their open season scheduled for 2013. It lines up with what the Governor has publicly stated they need to do, and offers far more than a "neutering" of the bill.

Many key elements of the House version of HB9 remain in this bill. These are:

- Create the "fund" allowing AGDC to spend the $200 million that was appropriated in 2011 but was in limbo awaiting the fund
- Reorganize AGDC's governing structure as they desire, making them a direct subsidiary of the Alaska Housing Financing Corporation (AHFC) and eliminating the "Joint In-state Gasline Development Team" created in 2010 by HB 369.
- Authorize AGDC to purchase land and other property, obtain state rights of way, or capacity in another pipeline system
- Authorize AGDC to obtain and keep confidential information from state agencies, contractors, or other private companies
- Authorize AGDC to seek commitments of firm transportation capacity at an open season, and report the results to the legislature and the public
- Moves ANGDA under the management of AHFC alongside AGDC. AGDC is empowered to build and own a pipeline; ANDGA's powers are limited to shipping and marketing gas within a pipeline

Two important provisions not in the House version of HB9 were added to this bill:

- The legislature, by passing a law, must give their authorization before AGDC can begin construction
    - In 1998, Gov. Knowles introduced the Stranded Gas Act. The legislature added a similar provision, which prevented Gov. Murkowski from signing the 2006 contract. This would have also prevented ACES, costing us $10 billion to date.
- If AGDC signs a contract to sell, operate, or manage the pipeline, that contract must be public information

Important elements of the House version "Q.A" that were not included are:

- Findings that declare up front that this project is in the public convenience and necessity, and in the best interest of the state
- Commitment to advance the specific project described in the July 2011 report
- Authority to determine the form of ownership of the pipeline
- Eminent domain power
- Authority to issue debt via bonds and notes, "without limit as to principal amount"
- Priority in state permitting decisions
- Authority to operate as a contract carrier, with waiver from key provisions of the right-of-way leasing act that require common carrier access
    - Also eliminated a major (12-page) section that adds an entire new chapter to the Regulatory Commission of Alaska's statutes specifically for a contract carrier
    - Within that section were numerous problems that essentially exempted AGDC from any real regulation
- Right-of-way leases at no appraisal or rental cost, which could pass through to a private company also at no cost
- Mandatory access to municipal water, sand, and water resources
- Waiver from judicial review of any right-of-way, permit, lease, license, or other authorization issued by a state agency
    - The only recourse is to challenge the section of the bill granting the waiver within 60 days, or to claim that constitutional rights are being violated
    - If in court, the court would not be authorized to grant an injunction against the permit or action prior to final judgment
- ANGDA is not given the authority to pledge state royalty gas
    - This is an issue that needs to be explored in much greater depth due to provisions of the Pt. Thomson settlement, which say that Exxon will make royalty gas available to the state under certain circumstances
- Property tax waiver for all property owned by AGDC, prior to gas flowing

On Adjournment Night, the House Majority released a new draft CS "P" as a link to a press release. The major changes offered by this version are:

- If state funds are needed to build the project, AGDC must come to the state for an appropriation. This is a transparently inadequate attempt to resolve the "approve by law" issue
- Authorizes AGDC to plan and build a "Cook Inlet to Fairbanks" pipeline if there is adequate supply in Cook Inlet. This option is not given priority, and would require 20-year shipping contracts
- Creates a new set of "covenants" for state rights of way, if a contract carrier. These offer several improvements to the bill but are lacking in two key ways:
    - They don't provide a "utility preference" where in-state users would get gas before export customers in event of a supply or capacity shortfall
    - They offer expansion terms that are a much more difficult hurdle to overcome than what is in AGIA, and without the possibility of any tariff increase due to rolled-in rates, also as in AGIA
- The RCA section specifies more explicitly what information must be provided at an open season. The open season must include a recourse tariff. Sections provide for holding additional open seasons to fill uncommitted capacity or, when requested, for the purpose of expansion
- The RCA section allows for pre-subscription agreements, as well as the ability of offer interruptible service if there is unused capacity in the line
- The RCA section offers slightly more opportunity for parts of some contracts, but not precedent agreements, to become public information

State Revenue Issue

It's important to remember that there will be very little state revenue if a 500 mmcf/day bullet line is built. Assuming all the gas is consumed in-state; such a pipe would only generate about $60 million in royalties and $30 million in production taxes per year.

- HB 9 is a proposal to create a very powerful state agency (AGDC) that would facilitate extraction of a non-replenishable resource to give the most urban region of the state cheaper energy costs.

- This resource is held "in common" and belongs to all Alaskans. Rural Alaska will not benefit one bit from this. Therefore, Alaska's first priority should be getting NS gas to market in order to create a revenue stream to the state treasury. Then, and only then, should Alaska work towards getting that gas to the stove tops & hot-water heaters of Anchorage (most likely via a Spur Line).

- The Big 3 (BP, Conoco, & Exxon) have announced a settlement to Pt. Thompson. That settlement includes a timeline with certain prescribed deadlines that the companies must meet or lose their leases. This should create movement on a major export line. Therefore, a "bullet-line" is premature and would be redundant once the Big 3 builds a much bigger line (the tariff on a three-hundred mile spur line is a lot less than a 750 mile line). Let's wait & see what happens with NS gas.

- What about the Cook Inlet "renaissance"? We need to talk about this. This is a viable option. It's a lot cheaper to build a line from Cook Inlet to Fairbanks than the NS all the way to tidewater. Also, this line could be the eventual Spur-Line.

- AGDC should be given enough power & latitude to move forward and continue their work until next January (after the elections) & reevaluate with the "advice and consent of the Legislature" what

the next-step should be. Maybe our CS went too far: we are willing to listen to ideas to make it better bill - that is the legislative process. But, I believe we should hold firm on our CS being the working document.

- We also need to hold firm on legislative approval, by law, before AGDC issues bonds or incurs debt.

- We need to add to AGDC's duties: line from Cook Inlet to Fairbanks and Spur Line. This is why I removed from the bill: AGDC shall move forward on its July 1, 2011 report to the legislature. We need to stand firm on this.

- If they cry about importing LNG to Southcentral: WHO CARES? It might make bad headlines for a while, but we need to look into the costs to the consumer. Is it cheaper to import LNG or build a pipeline?

27-LS0075\J
Bullock
4/12/12

SENATE CS FOR CS FOR HOUSE BILL NO. 9(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

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

SENATORS Huggins, Giessel, McGuire, Menard, Meyer

A BILL

FOR AN ACT ENTITLED

"An Act relating to the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation; requiring legislative approval before construction of an in-state natural gas pipeline by the Alaska Gasline Development 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 Gasline Development Team; relating to the Alaska Natural Gas Development Authority; and providing for an effective date."

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

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

Sec. 18.56.087. Alaska Gasline Development Corporation. (a) The Alaska Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall have all powers granted to it by the corporation. The Alaska Gasline Development

Corporation shall, to the fullest extent possible,

(1) construct, own, operate, manage, or participate in natural gas pipelines and associated facilities and operations for the purpose of making natural gas available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rate possible for a natural gas pipeline that operates in a manner consistent with safe and prudent standards;

(2) endeavor to develop natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of the state to which the natural gas may be delivered at commercially reasonable rates; and

(3) endeavor to develop natural gas pipelines to provide shippers access to natural gas produced in the state for transport at commercially reasonable rates.

(b) The Alaska Gasline Development Corporation may not begin to construct an in-state natural gas pipeline before project sanction and before receiving authorization by law to proceed with the construction. In this subsection,

(1) "authorization by law" means a law passed by the legislature and enacted into law or an appropriation for the construction of the pipeline that is not entirely vetoed;

(2) "sanction" means having financial commitments that are adequate to proceed with the construction of the in-state natural gas pipeline.

(c) In addition to the powers granted to it by the corporation, the Alaska Gasline Development Corporation may acquire, by purchase, lease, or gift, land, structures, real or personal property, an interest in property, a right-of-way, a franchise, an easement, other interest in land, or an interest in or right to capacity in any pipeline system determined to be necessary or convenient for the development, financing, construction, or operation of an in-state natural gas pipeline project or part of an in-state natural gas pipeline project.

(d) The in-state natural gas pipeline fund is established in the Alaska Gasline Development Corporation and consists of money appropriated to it. Unless otherwise provided by law, money appropriated to the fund lapses into the general fund on the day this subsection is repealed. The Alaska Gasline Development Corporation shall

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

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

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

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

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

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

(a) The **Alaska Gasline Development Corporation** [JOINT IN-STATE GASLINE DEVELOPMENT TEAM] may have access to information of all state agencies that is directly related to the planning, design, construction, or operation of the in-state natural gas pipeline. **If a state agency finds that the information to be transferred under this subsection is confidential, the state agency may require the Alaska Gasline Development Corporation to enter into a confidentiality agreement before the transfer of that information, or, if the state agency**

determines that a law or provision of a contract to which the state agency is a party requires the state agency to preserve the confidentiality of the information and that delivering the information to the Alaska Gasline Development Corporation would violate the confidentiality provision of that law or contract, the state agency shall identify the applicable law or contract provision to the Alaska Gasline Development Corporation and may require the Alaska Gasline Development Corporation to obtain the consent of the person who has the right to waive the confidentiality of the information under the applicable law or contract provision before the state agency transfers the information to the Alaska Gasline Development Corporation.

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

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

* **Sec. 5.** AS 38.34.050 is amended by adding a new subsection to read:

(e) Information in the possession of the Alaska Gasline Development Corporation may be disclosed to the public, except that information that discloses the particulars of the business or affairs of a private enterprise, an investor, or a person entering into a contract with the Alaska Gasline Development Corporation or information subject to a confidentiality agreement with a state agency under (a) of this section is confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140. A contract to sell all or a portion of an in-state natural gas pipeline or a contract to operate or manage an in-state natural gas pipeline is public information and may be disclosed to the public.

* **Sec. 6.** AS 38.34.099 is amended by adding new paragraphs to read:

(3) "Alaska Gasline Development Corporation" means the corporation created under AS 18.56.086 that is authorized to exercise the powers and take the

actions described in AS 18.56.087;

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

*** Sec. 7.** AS 40.25.120(a) is amended to read:

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

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

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

(3) medical and related public health records;

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring security in the state, or to a 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 in the possession of the Alaska Gasline Development Corporation that may not be disclosed to the public under AS 38.34.050(e).

*** Sec. 8.** 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 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.

*** Sec. 9.** AS 41.41.010(d) is amended to read:

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

*** Sec. 10.** AS 41.41.020 is repealed and reenacted to read:

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

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

*** Sec. 11.** AS 41.41.060 is amended to read:

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

*** Sec. 12.** AS 41.41.070(d) is amended to read:

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

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

(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. 14.** AS 41.41.150(a) is amended to read:

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

*** Sec. 15.** AS 41.41.200 is amended to read:

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

(1) sue and be sued;

(2) adopt a seal;

(3) adopt, amend, and repeal bylaws and regulations;

(4) make and execute contracts and other instruments;

(5) in its own name acquire property, lease, rent, convey, or acquire real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE MAY BE ACQUIRED BY EMINENT DOMAIN];

(6) acquire natural gas supplies;

(7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

(8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;

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

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

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

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

* **Sec. 16.** 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. 17.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, 41.41.050, and 41.41.990(4) are repealed.

* **Sec. 18.** Section 1, 2002 Ballot Measure No. 3, is repealed.

* **Sec. 19.** This Act takes effect immediately under AS 01.10.070(c).

Begin TTR minimum

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

Session
Alaska State Capitol, Rm. 508
Juneau, AK 99801
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Senator_Donny_Olson@legis.state.ak.us

Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

HB 9 – IN-STATE GASLINE DEVELOPMENT CORP.
27-LS0075\J

SECTION 1

- Adds new section to AS 18.56, AHFC, relating to AGDC duties and abilities.
  - Empowered to construct, own, operate, and manage pipelines throughout the state, while removing the specific reference to the project in the July 2011 report from AGDC
  - Added legislation authorization prior to construction
  - Authorization to acquire land and other interest in property
  - Creates the in-state gas pipeline fund, which enables AGDC to use the $200 million appropriated by the legislature in 2011
  - Shipping commitments resulting from an open season shall be reported to both presiding officers and published online within 10 days
  - Removed authorization to operate as a contract carrier
  - Removed authorization to issue bonds and incur debt

SECTION 2

- Adds a new section to 36.30 to exempt ANGDA from the state procurement code when contracting for professional services.

SECTION 3

- Amends 38.34.050(a) to provide ADGC access to information of state agencies that is directly related to designing, constructing, and operating an in-state gasline and to protect existing confidentiality of information held by state agencies.

SECTION 4

- Amends 38.34.050(b), which in current statute directs state agencies to cooperate with and give priority to information requests from the Joint In-State Gasline Development Team. The section replaces the reference to JIGDT with a direct reference to AGDC, to reflect the reorganization of the agency.

SECTION 5

- Adds a new section to 38.34.050 to allow AGDC to disclose information unless that info discloses particular business or private information.
- Specifies that any agreement to sell or manage a pipeline is public information.

SECTION 6

- Definitions

SECTION 7

- Amends 40.25.120(a) to exempt information covered by an AGDC confidentiality agreement from the state public records act.

SECTION 8

- Amends 41.41.010(a) to enable ANGDA to act as a gas marketer instead of a transporter. Removes authorization for ANGDA to design, construct, or operate pipelines.

SECTION 9

- Amends 41.41.010(d) to clarify ANGDA as a gas marketer both in-state and for export.

SECTION 10

- Repeals and reenacts 41.41.020 to state that AHFC's board is now the board of ANGDA.

SECTION 11

- Amends 41.41.060 to conform to section 10, relates to per diem and travel expenses.

SECTION 12

- Amends 41.41.070(d) to allow ANGDA to contract for legal counsel and exempts this from the state procurement code.

SECTION 13

- Amends 41.41.090(b) to remove involvement with a 'project' from the circumstances requiring disclosure. Conforms with section 8.

SECTION 14

- Amends 41.41.150(a) to expand ANGDA's existing confidential records authority to include info in a confidential agreement between AGDC & ANGDA

SECTION 15

- Amends 41.41.200 to remove ANGDA's authority to exercise eminent domain. Conforms with section 8.

SECTION 16

- Amends 41.41.990(2) to confirm that AHFC's board is the board of ANGDA. Conforms with section 10.

SECTION 17

- Repealers to conform with restructuring the AGDC governance by removing the JIGDT, and removing statutes related to ANGDA board elections

SECTION 18

- Repeals section 1 of the 2002 Ballot Measure 3, which are the findings that are no longer necessary with ANGDA's new & limited authority.

SECTION 19

- Immediate effective date.



March 21, 2012

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

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

Dear Representative Stoltze:

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

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

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

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

P.O. Box 649 – Glennallen, Alaska 99588
Phone: (907) 822-3476 – Fax: (907) 822-3495

I. Exercise eminent domain and acquire private property rights necessary or convenient for owning or operating the pipeline without consultation and negotiation. Approximately 33-miles or 264 acres of the Alaska Gasline Development Corporation (AGDC) Alaska Stand Alone Pipeline project will directly impact Ahtna conveyed or selected ANCSA lands.

II. All State agencies and entities, i.e. Alaska State legislature, will be burdened with giving priority to AGDC requests for information.

III. The AS 38.34.050(c) amendment, besides transferring the right from AHFC to AGDC, would specify that the real property lease be given at no cost or rental fee and that the lease is not subject to the lease requirements contained in AS 38.35.120(a)(1), (2), (5), and (7). These paragraphs of current law would require that AGDC operate the pipeline as a common carrier and that it be subject to regulation by the Regulatory Commission of Alaska. With this change, these paragraphs of current law would not apply to AGDC's lease.

IV. HB-9 adds a new subsection to AS 38.35.200, judicial review of decisions of commissioner on an application. This subsection is modeled after the Trans-Alaska Pipeline Authorization Act provision to foreclose lawsuits against any phase of development and/or construction. This subsection only allows those who have standing to bring about an action alleging that an action will deny rights under the state Constitution or challenging the invalidity of this section. The complaint must be filed in a state Superior Court and the court may not grant injunctive relief with the exception of a final judgment. It also exempts an appeal of a permitting decision by the Department of Environmental Conservation under AS 46.03 (Environmental Conservation) and AS 46.14 (Air Quality Control) that is delegated to the department by the Environmental Protection Agency. We recommend that this subsection be deleted in its entirety to allow for reasonable public due process and judicial review.

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

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

Thank you for your consideration of these comments,

Michelle Anderson

Michelle Anderson, President
Ahtna, Incorporated

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

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM April 11, 2012

SUBJECT: Appropriations to the renewable energy fund based on appropriations for an in-state natural gas pipeline (CSHB 9(FIN) am; Work Order No. 27-LS0075\Q.A)

TO: Senator Donald Olson
Attn: David Scott

FROM: Donald M. Bullock Jr.
Legislative Counsel

You asked whether the state constitution prohibits amending CSHB 9(FIN) am (HB 9) to require an appropriation to the renewable energy grant fund[1] equal to appropriations to the in-state natural gas pipeline project addressed in the bill.[2] You also asked whether such an appropriation would constitute a dedicated fund.

Answering the second question first, there is no dedicated fund issue raised by matching appropriations to the in-state natural gas pipeline project and the renewable energy grant fund. There is no source of funds which could be dedicated or appropriated exclusively to the renewable energy grant fund.

The confinement clause in the Alaska Constitution limits appropriations to appropriation bills. That clause, in art. II, sec. 13, Constitution of the State of Alaska, states, "Bills for appropriations shall be confined to appropriations." An amendment to HB 9 that would effectively appropriate one dollar to the renewable energy grant fund for every dollar appropriated for the in-state natural gas pipeline project would violate the confinement clause. Of course, HB 9 does not directly appropriate funds for a gas line either, rather, it creates a natural gas pipeline fund.

---

[1] Your request referred to the renewable energy fund; however, I could not find a reference to the fund in statute. This memorandum refers to the renewable energy grant fund in AS 42.45.045, a fund managed by the Alaska Energy Authority.

[2] The in-state natural gas pipeline fund would be established in AS 18.56.087(g) in sec. 2 of CSHB 9(FIN) am. Money is appropriated into that fund and may be used by the Alaska Gasline Development Corporation "for the planning, designing, financing, development, construction, and operation of an in-state natural gas pipeline."

To avoid a confinement clause issue, appropriations to the renewable energy grant fund should be made in an appropriations bill, not a substantive bill such as HB 9.

If HB 9 were amended to include a provision requiring that appropriations to the natural gas pipeline fund be matched, dollar for dollar, with appropriations to the renewable energy fund, it would avoid a confinement clause problem, but create a conflict with the idea of an annual budget process. Furthermore, it is axiomatic that one legislature cannot bind a future legislature, see *Mount Juneau Enterprises Inc. v. City and Borough of Juneau*, 923 P.2d 768, 776 (Alaska 1996), so such a provision might not achieve its intended effect.

If I may be of further assistance, please advise.

DMB:ljw
12-274.ljw

Denise Liccioli

From: Jay Livey
Sent: Thursday, April 19, 2012 12:01 PM
To: Denise Liccioli
Subject: FW: HB 9

again

From: Jay Livey
Sent: Thursday, April 19, 2012 11:56 AM
To: Denice_Liccioli@legis.state.ak.us
Subject: FW: HB 9

This came back so am trying again. jl

From: Jay Livey
Sent: Thursday, April 19, 2012 11:55 AM
To: denice_liccioli@legis.state.ak.us
Subject: HB 9

Hi Denice: Here is an issue regarding HB 9 that I wanted to share with you.

The issue is to make sure that AGDC has the same charge as ANGDA to pursue the production and distribution of natural gas and natural gas liquids (such as propane) through rural Alaska. I asked legislative legal if efforts undertaken by ANGDA to develop propane for rural Alaska are understood to also be the responsibility of AGDC if ANGDA is transferred to AGDC. They said that basically, yes this is the case.

Even so I think it might be worthwhile to assure that the definition of "natural gas pipeline" (Sec 6 – page 4) in HB 9 includes the continued support (both monetarily and administratively) for natural gas liquids (propane) in rural Alaska. Also, can the fund established in HB 9 (starting at line 28, page 2) be used for natural gas liquids distribution and use in rural Alaska.

So with that background – here are a couple of questions:

1. Given the administrative reorganization proposed in HB 9, does the AGDC have the same responsibility and interest in supporting and developing natural gas liquid projects in rural Alaska.
2. Does the mention of "pipe" in the definition of Sec. 6, preclude the development of other kinds of facilities that might be necessary for propane development.
3. Can the pipeline fund be used for natural gas liquid projects in rural Alaska.
4. Given the administrative structure proposed in HB 9, what influence does the legislature, especially rural legislators, have over the use of the fund once money is appropriated to it.

Denise Liccioli

From: Apache <apache@wwwjnu02.legis.state.ak.us>
Sent: Wednesday, April 18, 2012 3:32 PM
To: LIO Juneau; Denise Liccioli
Subject: Teleconference Order Form

Meeting: existing

Sponsor and/or Committee Name: c&ra

Date of Teleconference: 4/19/12

Start Time: 10 am

End Time: 11 am

Chairing Site: Beltz

Juneau Room:

Bill Information:

Streamed to akl.tv: yes

Executive Session: no

Contact Person: denise liccioli

Telephone Number: 3880

Email Address: denise_liccioli@legis.state.ak.us

LIO Sites:

ketchikan

May other LIO's add: yes

Offnet Name(s):

David Scott may call in.

Other Information:

Denise Liccioli

From: Apache <apache@wwwjnu02.legis.state.ak.us>
Sent: Wednesday, April 18, 2012 3:12 PM
To: LIO Juneau; Denise Liccioli
Subject: Teleconference Order Form

Meeting: new

Sponsor and/or Committee Name: Senate C & RA

Date of Teleconference: 4/19/12

Start Time: 10 am

End Time: 11 am

Chairing Site: Beltz

Juneau Room:

Bill Information:

Streamed to akl.tv: yes

Executive Session: no

Contact Person: denise liccioli

Telephone Number: 3880

Email Address: denise_liccioli@legis.state.ak.us

LIO Sites:

May other LIO's add: yes

Offnet Name(s):

none that I know of

Other Information:

From: David Scott <d_t_scott@hotmail.com>
Date: April 18, 2012 10:18:13 AKDT
To: David Scott <david_scott@legis.state.ak.us>

- HB 9 is a proposal create a very powerful state agency (AGDC) that would facilitate extraction of a non-replenishable resource to give the most urban region of the state cheaper energy costs.
- This resource is held "in common" and belongs to all Alaskans. Rural Alaska will not benefit one bit from this. Therefore, Alaska's first priority should be getting NS gas to market in order to create a revenue stream to the state treasury. Then, and only then, should Alaska work towards getting that gas to the stove tops & hot-water heaters of Anchorage (most likely via a Spur Line).
- The Big 3 (BP, Conoco, & Exxon) have announced a settlement to Pt. Thompson. That settlement includes a timeline with certain prosribed deadlines that the companies must meet or lose their leases. This should create movement on a major export line. Therefore, a "bullet-line" is premature and would be redundant once the Big 3 build a much bigger line (the tarrif on a three-hundred mile spur line is a lot less than a 750 mile line). Lets wait & see what happens with NS gas.
- What about the Cook Inlet "renaissance"? We need to talk about this. This is a viable option. It's alot cheaper to build a line from Cook Inlet to Fairbanks than the NS all the way to tidewater. Also, this line could be the eventual Spur-Line.
- AGDC should be given enough power & latitude to move forward and continue their work until next January (after the elections) & reevaluate with the "advise and consent of the Legislature" what the next-step should be. Maybe our CS went to far: we are willing to listen to ideas to make it better bill - that is the legislative process. But, I believe we should hold firm onour CS being the working document.
- We also need to hold firm on legislative approval, by law, before AGDC issues bonds or incurs debt.
- We need to add to AGDC's duties: line from Cook Inlet to Fairbanks and Spur Line. This is why I removed from the bill: AGDC shall move forward on it's July 1, 2011 report to the legislature. We need to stand firm on this.
- If they cry about importing LNG to SouthCentral: WHO CARES? It might make bad headlines for a while, but we need to look into the costs to the consumer. Is it cheaper to import LNG or build a pipeline?

Thanks,

Dave

David Scott
Ketchikan, Alaska
d_t_scott@hotmail.com

Denise Liccioli

From: David Scott
Sent: Wednesday, April 18, 2012 1:37 PM
To: Denise Liccioli
Subject: Fwd: nice

These are bullets I put together for Donny.

David Scott
Office of Sen. Donny Olson

Sent from my iPhone.
Please excuse any typos.

Begin forwarded message:

> **From:** Ken Alper <Ken_Alper@legis.state.ak.us>
> **Date:** April 18, 2012 13:19:20 AKDT
> **To:** David Scott <David_Scott@legis.state.ak.us>
> **Subject: RE: nice**
>
> I think that's dead on right.
> In what I'm putting together, I'm talking a bit more about the powers granted this agency and how premature they are, and the sort of things that could result from it.
>
> The sponsors have actually said that all Alaskans benefit from this because they go to Anchorage for business and health care.
>
> **Ken Alper**
> Office of Representative Beth Kerttula
> District 3- Juneau
> Capitol Room 404
> Juneau, AK 99811
> (907) 465-4766
> direct line 465-4875
>
> ---
>
> **From:** David Scott
> **Sent:** Wednesday, April 18, 2012 1:13 PM
> **To:** Ken Alper
> **Subject:** Fwd:
>
> Here are some thoughts I've given to Donny.
>
> David Scott
> Office of Sen. Donny Olson
>
> Sent from my iPhone.
> Please excuse any typos.
>
> Begin forwarded message:

Denise Liccioli

From: Rena Delbridge
Sent: Wednesday, April 18, 2012 4:22 PM
To: Denise Liccioli; David Scott
Cc: Rep. Mike Hawker; Tom Wright
Subject: HB 9 materials
Attachments: HB9 Version P.pdf; CS summary of changes D to P.pdf

Denise,
As discussed, attached are the work draft version P we would appreciate the committee adopting and a summary of changes. I'd like the opportunity to give that a last once-over before it is distributed or posted.
We hope to have a redline between the version D that passed the House and the work draft P within the hour, and I will send that when we have it.
I am still working on a sectional of P, in case the committee chooses to consider it, but that will not be ready until morning.
David, we are all sending condolences for the loss of your grandfather.
Best,
Rena

Summary of Changes

from CSHB 9(FIN) Version Q.A to Senate CS for CS for House Bill 9 Version P

Title:

Page 1, Line 7: Deletes "by the Alaska Gasline Development Corporation or a successor in interest"

Page 1, Line 8-9: Adds "including a corridor for a natural gas pipeline that is a contract carrier"

Section 2, Duties and Abilities

Page 3, line 24: Technical; changes "rate" to "rates"

Page 4, line 17: Technical; changes "by contract carriage" to "as a contract carrier"

Page 4, lines 18-21: Added a requirement for legislative sanctioning; specifically, that "AGDC shall not commit to any project requiring state financial participation unless that project commitment is made contingent upon sanctioning through legislative appropriation of necessary funds."

Page 4, lines 22-29: Adds a requirement that AGDC shall, subject to appropriation, plan, finance and build a pipeline delivering gas from Cook Inlet to Fairbanks, providing that an adequate supply of marketable gas exists in Cook Inlet as evidenced by the willingness and ability of shippers to sign firm transportation agreements for contracts at least 20 years in duration.

Section 4

Page 7, lines 15-22: Conforming; Section 4 amends *AS 38.05.180, Public Land, Alaska Land Act, Oil and gas and gas only leasing*, to conform to changes in the CS in Section 13, related to the Right-of-Way Leasing Act, AS 38.35.

Section 7, Right-of-Way Lease

Page 8, line28: Conforms to changes in the CS in Section 13, related to the Right-of-Way Leasing Act, AS 38.35. Instead of exempting AGDC from common carriage covenants, requires that AGDC be bound to contract carrier covenants

Sections 10, 11 and 12, right-of-way leases

Sections 10, 11 and 12 are conforming; instead of exempting AGDC from covenants, these now reflect the addition of contract carrier covenants under AS 38.35.121

Pages 10, line 22-23: Conforming

Page 11, line 5: Conforming

Page 14, lines 19-20, line 22, and lines 23-24: Conforming

Section 13, Contract carrier covenants

Section 13 is a new section amending AS 38.35, state Right-of-Way Leasing Act, to include covenants specific to a contract carrier gas pipeline, applicable to any entity applying for a state right-of-way lease under those terms. Covenants for common carriage remain unchanged from existing statute.

Page 14, line 27, through page 16, line 5: Creates a new section of covenants to be included in a right-of-way lease, pertaining to a carrier applying for a right-of-way lease as a contract carrier. Covenants applicable to a contract carrier include meeting the requirements of 38.35.120, except for covenants (a)(1), (2) and (5); and interchanging natural gas and providing connections and facilities, per shipping contracts; conducting service without unreasonable discrimination; expanding when presented with commercially reasonable terms that, when possible, encourage exploration and development of gas resources in Alaska, providing expansions do not increase shipping rates except as provided in contract.

Section 31, RCA regulation for a contract carrier pipeline

Section 31, RCA regulation for an in-state pipeline contract carrier, is substantially amended to add open season rules for a natural gas pipeline operating as a contract carrier, and to add heightened RCA scrutiny of shipping contracts between affiliated parties.

Page 23, line 15: Deleted application to pipelines authorized by law to provide contract carriage, conforming to the right-of-way leasing act changes in Section 13.

Page 23, lines 30-32: Clarifies that only an AGDC pipeline (as a state-supported project) is deemed required by the present and future public convenience and necessity. Other pipelines would have to establish that finding before the RCA.

Page 24, line 12: Conforming change as a pipeline would no longer have to be expressly authorized by law to provide contract carriage.

Page 24, line 16: Conforming change.

Page 25, line 4: Removed term "and irreparable" in between "immediate" and" injury"

Page 25, line 25: Technical; removed the word "or" in between approved and considered

Page 26, line 8: Technical change to remove capitalization of "administrative procedures act"

Page 26, line 21: Conforming; added "Open seasons" to Article 3 title

Page 26, line 22, through page 27, line 29: New sections creating basic parameters a pipeline carrier must follow in holding an open season, to ensure fairness and openness for all interested potential shippers. Requires open seasons when capacity is available. Provides noticing mechanism for short-term capacity.

Page 27, line 30-31: Conforming change to make contract review applicable to any instate natural gas pipeline carrier, and not only to an AGDC pipeline.

Page 28, line 8: Technical; changes "and" to or" before "a related contract."

Page 28, line 21, through Page 29, line 3: Restructures subsection setting the standards for an arm's length transaction. A transaction is arm's length if it includes the recourse tariff; or if it does not include the recourse rate but is between two state entities and between unaffiliated parties; or, if parties are affiliated, the transaction is substantially similar to a transaction between unaffiliated parties. For transactions that are not at arm's length, provides the RCA direction on determining just and reasonableness using a cost-of-service study. Requires the commission to consider the consequences of failing to approve the contract.

Page 30, line 24: Adds term "recourse tariffs" to the items a carrier must file with the RCA.

Page 31, lines 10-13: Adds new section requiring carriers use a uniform system of accounting as required under the Federal Energy Regulatory Commission.

Page 33, line 8: Removes "or relates to" between "is" and "a". Removes "or other contract" between "agreement" and "between".

Page 33, lines 10-15: Provides that information that could adversely affect the competitive position of a shipper shall be confidential in information filed with the RCA.

Page 33, line 31: Adds "subject to AS 44.23.020(e)", related to the public advocate for regulatory affairs.

Page 35, line 6: Conforming; deletes reference to a pipeline authorized by law to provide contract carriage.

Page 35, line 12: Conforming; deletes reference to a pipeline authorized by law to provide contract carriage.

Section 35, right-of-way lease amended

Section 35, transition language, conformed to Section 13 right-of-way leasing act changes

Section 36, Revisor's instructions

Section 36, revisor's instructions, conformed to Section 13 changes

* Other sections renumbered accordingly

Unchanged except for renumbering:

Section 1, Findings and Intent

Section 3, ANGDA procurement code

Section 4, Access to state agency information with confidential agreements as required

Section 6, State agencies give priority to AGDC

Section 8, confidentiality agreements; field studies and technical data to be confidential; state and local resources at usual and customary costs; right-of-way lease transferability

Section 9, Definitions

Section 14, right-of-way lease at no appraisal or rental cost

Section 15, Judicial Review

Section 16, Exemption of confidential agreements and information from Public Records Act

Section 17, ANGDA purpose as gas marketer

Section 18, ANGDA purpose as gas marketer

Section 19, State royalty gas may be available

Section 20, AHFC board as ANGDA governing body

Section 21, ANGDA governing body, conforming to Section 20

Section 22, ANGDA professional and legal services procurement

Section 23, ANGDA conflict of interest, conforming to Section 17

Section 24, ANGDA confidential agreements with AGDC

Section 25, ANGDA powers, conforming to Section 17

Section 26, ANGDA board definition, conforming to Section 20

Section 27, RCA regulation of public utilities, conforming to Section 31

Section 28, RCA regulation of certain public utility contracts, conforming to Section 31

Section 29, Exemption from regulation under 42.05, Public Utilities Act, for a pipeline regulated under 42.08, In-state Pipeline Contract Carrier

Section 30, Exemption from regulation under 42.06, Pipeline Act, for a pipeline regulated under 42.08, In-state Pipeline Contract Carrier

Section 32, state and local property tax waiver during pipeline construction

Section 33, repealer

Section 34, repealer

Section 37, immediate effective date

27-LS0075\~~Q~~.AP

Bullock
4/15/12

SENATE CS FOR CS FOR HOUSE BILL NO. 9(~~FIN) am~~)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

~~**BY THE HOUSE FINANCE COMMITTEE**~~

~~**Amended: 3/27/12**~~
BY

Offered: ~~**3/23/12**~~
Referred:

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

SENATORS Huggins, Giessel, McGuire, Menard, Meyer

A BILL

FOR AN ACT ENTITLED

"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 Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to 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 or a successor in interest~~ for a gas pipeline transportation corridor, including a corridor for a natural gas pipeline that is a contract carrier; 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 regulation by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; 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."

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

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

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

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

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

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

(4) to the maximum extent permitted by law, in developing a natural gas pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products, and natural resources from qualified businesses located in the state, including organizations owned by Alaska Natives and municipal organizations directly affected by the project, if those persons are competitive; and

(5) the Alaska Gasline Development Corporation shall, to the maximum extent permitted by law,

(A) hire qualified residents from throughout the state for management, engineering, construction, operations, maintenance, and other positions for a natural gas pipeline project;

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

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

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

Sec. 18.56.087. Alaska Gasline Development Corporation. (a) The Alaska Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall have all powers granted to it by the corporation. The Alaska Gasline Development Corporation shall, to the fullest extent possible,

(1) advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development Corporation and the Joint In-State Gasline Development Team, with modifications determined by the Alaska Gasline Development Corporation to be necessary to construct and operate an in-state natural gas pipeline in a safe and economic manner;

(2) construct, own, operate, manage, or participate in natural gas pipelines and associated facilities and operations for the purpose of making natural gas available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest ~~rate~~rates possible for a natural gas pipeline that operates in a manner consistent with safe and prudent standards;

(3) endeavor to develop natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of the state to which the natural gas may be delivered at commercially reasonable rates; and

(4) endeavor to develop natural gas pipelines to provide shippers access to natural gas produced in the state for transport at commercially reasonable rates.

(b) In addition to the powers granted to it by the corporation, the Alaska Gasline Development Corporation may

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

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

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

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

(5) provide transportation of natural gas ~~by~~as a contract ~~carriage~~carrier.

~~(c~~(c) The Alaska Gasline Development Corporation may not commit to a project that requires state financial participation unless the commitment to the project is made contingent on sanctioning of the project by the legislature through the appropriation of necessary funds.

(d) If there is an adequate supply of marketable natural gas in the Cook Inlet sedimentary basin to meet natural gas demands in the Railbelt, the Alaska Gasline Development Corporation shall, subject to appropriation, plan, finance, and construct a natural gas pipeline to deliver natural gas from Cook Inlet to Fairbanks and to communities between Cook Inlet and Fairbanks that do not have access to a natural

gas pipeline. For the purposes of this subsection, there is an adequate supply of marketable natural gas when shippers of natural gas are willing and able to sign firm transportation commitments for contracts of not less than 20 years in duration.

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

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

(~~e~~g) No debt, obligation, or liability of the Alaska Gasline Development Corporation shall become a debt, obligation, or liability of the state or any part or subdivision of the state or of the corporation or a subsidiary corporation of the corporation other than the Alaska Gasline Development Corporation, except as

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

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

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

(~~h~~j) An executed pipeline operating agreement between the Alaska Gasline Development Corporation and the operator of the pipeline developed by the Alaska Gasline Development Corporation shall be disclosed to the public to the extent the disclosure would not divulge trade secrets or other proprietary business information of the Alaska Gasline Development Corporation or the operator.

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

(~~j~~l) In this section, "in-state natural gas pipeline" and "natural gas pipeline" have the meanings given in AS 38.34.099.

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

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

*** Sec. 4.** AS 38.05.180(bb)(1) is amended to read:

(1) "gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05; provided that, if the contract gas is transmitted to consumers through a pipeline and the gas utility either owns the pipeline or is related in ownership to the owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within the meaning of this paragraph only if it is bound or agrees to be bound by the covenants set out in AS 38.35.120 **or 38.35.121, as applicable;**

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

(a) The **Alaska Gasline Development Corporation** [JOINT IN-STATE GASLINE DEVELOPMENT TEAM] may have access to information of all state agencies that is directly related to the planning, design, construction, or operation of

the in-state natural gas pipeline. **If a state agency finds that the information to be transferred under this subsection is confidential, the state agency may require the Alaska Gasline Development Corporation to enter into a confidentiality agreement under (e) of this section before the transfer of that information, or, if the state agency determines that a law or provision of a contract to which the state agency is a party requires the state agency to preserve the confidentiality of the information and that delivering the information to the Alaska Gasline Development Corporation would violate the confidentiality provision of that law or contract, the state agency shall identify the applicable law or contract provision to the Alaska Gasline Development Corporation and may require the Alaska Gasline Development Corporation to obtain the consent of the person who has the right to waive the confidentiality of the information under the applicable law or contract provision before the state agency transfers the information to the Alaska Gasline Development Corporation.**

*** Sec. ~~56~~ 56.** AS 38.34.050(b) is amended to read:

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

*** Sec. ~~67~~ 67.** AS 38.34.050(c) is amended to read:

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

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

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

(3) the corporation **that submits the application for the right-of-way lease** agrees to be bound by the right-of-way lease covenants set out in **AS** ~~38.35.120, except for the covenants in AS 38.35.120(a)(1), (2), and (5); notwithstanding AS 38.35.120(b), a right-of-way lease subject to this paragraph is valid and of legal effect.~~ **38.35.121** [AS 38.35.120].

*** Sec. ~~7~~8.** AS 38.34.050 is amended by adding new subsections to read:

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

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

(g) Upon request by the Alaska Gasline Development Corporation, a municipality or a state entity shall provide water, sand and gravel, other nonhydrocarbon natural resources, and a permit or a lease to the Alaska Gasline

Development Corporation at the usual and customary rates, except as provided in (c) of this section. In this subsection, "state entity" means a state department, authority, or other administrative unit of the executive branch of state government, a public university, or a state public corporation.

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

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

*** Sec. ~~8~~9.** AS 38.34.099 is repealed and reenacted to read:

Sec. 38.34.099. Definitions. In this chapter,

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

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

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

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

(d) The commissioner shall include in a conditional lease each requirement and condition of the covenants established under AS ~~38.35.120, except that, for a lease entered into under AS 38.34.050(c), the covenants in AS 38.35.120(a)(1), (2), and (5) may not be included.~~ 38.35.120 **or 38.35.121, as applicable.** The

commissioner may also require that the lessee agree to additional conditions that the commissioner finds to be in the public interest. In place of the covenant established under AS 38.35.120(a)(9), the commissioner shall require the lessee to agree that it will not transfer, assign, pledge, or dispose of in any manner, directly or indirectly, its interest in a conditional right-of-way lease or a pipeline subject to the conditional lease, unless the commissioner, after considering the public interest and issuing written findings to substantiate a decision to allow the transfer, authorizes the transfer. The commissioner shall also require the lessee to agree not to allow the transfer of control of the lessee without the approval of the commissioner; as used in this subsection, "transfer of control of the lessee" means the transfer of 30 percent or more, in the aggregate, of ownership interest in the lessee in one or more transactions to one or more persons by one or more persons.

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

(a) **Except as provided ~~in~~for a natural gas pipeline subject to AS 38.~~34.050(c),~~35.121, 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.

* **Sec. ~~11~~12.** AS 38.35.120(b) is amended to read:

(b) **Except as provided ~~in~~for a natural gas pipeline subject to AS 38.~~34.050(c),~~35.121, for** [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. ~~Except as provided in AS 38.34.050(e), an~~ ~~[AN]~~An oil or natural gas pipeline right-of-way lease granted under this chapter **and subject to this section** 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.

*** Sec. ~~12~~13.** AS 38.35 is amended by adding a new section to read:

Sec. 38.35.121. Covenants required to be in a lease to a natural gas pipeline that is a contract carrier. (a) For a lease of state land for a right-of-way for which an applicant has applied as a contract carrier under AS 42.08, a noncompetitive lease of state land for a right-of-way for a natural gas pipeline valued at $1,000,000 or more may be granted only on the condition that the lessee expressly covenants in the lease, in consideration of the rights acquired by it under the lease, that

(1) except for the covenants in AS 38.35.120(a)(1), (2), and (5), it will meet the requirements of AS 38.35.120;

(2) it will interchange natural gas and provide connections and facilities for the interchange of natural gas at every locality reached by both pipelines when the necessity exists, as provided in contracts on file with the Regulatory Commission of Alaska;

(3) it assumes the status of and will perform all of its functions undertaken under the lease as a contract carrier and, subject to contracts with shippers, will accept, convey, and transport, without discrimination, natural gas 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; subject to its contracts with shippers, it will accept, convey, and transport natural gas without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another but will take the natural gas delivered or offered without unreasonable discrimination;

(4) it will expand the natural gas pipeline on commercially reasonable terms that, when possible, encourage exploration and development of gas resources in this state and without an increase in transportation costs for a shipper except as provided in the contract with the shipper; in this paragraph, "commercially reasonable terms" means that revenue from transportation contracts covers the cost of the

expansion, including increased fuel costs and a reasonable return on capital, and the ability of the pipeline to recover the costs of existing facilities is not impaired;

(5) it will not require a shipper to pay a rate in excess of the rates provided for in the contract with that shipper.

(b) A contract carrier may offer to a shipper firm transportation service, interruptible transportation service, or both.

(c) Expansion under (a) of this section may not cause a pipeline to be a competing natural gas pipeline project. In this subsection, "competing natural gas pipeline project" has the meaning given in AS 43.90.440.

(d) In this section, "firm transportation service" means service by a natural gas pipeline carrier that is not subject to a prior claim by another shipper or another class of service and is not subject to reduction unless the overall capacity of the pipeline is diminished; service is "firm transportation service" if the service requires the same priority as any other class of firm transportation service.

*** Sec. 14.** AS 38.35.140 is amended by adding a new subsection to read:

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

*** Sec. ~~13~~15.** AS 38.35.200 is amended by adding new subsections to read:

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

complaint under this subsection must be filed in superior court, and the superior court has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction with a final judgment on a claim filed under this subsection, the superior court may not grant injunctive relief, including a temporary restraining order, preliminary injunction, permanent injunction, or stay against the issuance of a necessary right-of-way, permit, lease, certificate, license, or other authorization for the development, construction, or initial operation of a natural gas pipeline by the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing Finance Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the meaning given in AS 38.34.099.

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

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

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

* **Sec. ~~14~~16.** AS 40.25.120(a) is amended to read:

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

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

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

(3) medical and related public health records;

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring security in the state, or to a 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. ~~15~~17.** 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 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.

* **Sec. ~~16~~18.** AS 41.41.010(d) is amended to read:

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

* **Sec. ~~17~~19.** AS 41.41.010 is amended by adding a new subsection to read:

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

* **Sec. ~~18~~20.** AS 41.41.020 is repealed and reenacted to read:

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

* **Sec. ~~19~~21.** AS 41.41.060 is amended to read:

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

* **Sec. ~~20~~22.** AS 41.41.070(d) is amended to read:

(d) In addition to its employees, the authority may contract for and engage the services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors**, and legal counsel, including bond counsel,** the authority considers necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings. **The procurement of services under**

this subsection is exempt from AS 36.30, including AS 36.30.015(d) and (f).

*** Sec. ~~21~~23.** AS 41.41.090(b) is amended to read:

(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. ~~22~~24.** AS 41.41.150(a) is amended to read:

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

*** Sec. ~~23~~25.** AS 41.41.200 is amended to read:

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

(1) sue and be sued;

(2) adopt a seal;

(3) adopt, amend, and repeal bylaws and regulations;

(4) make and execute contracts and other instruments;

(5) in its own name acquire property, lease, rent, convey, or acquire real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE MAY BE ACQUIRED BY EMINENT DOMAIN];

(6) acquire natural gas supplies;

(7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

(8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;

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

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

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

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

*** Sec. ~~24~~26.** 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. ~~25~~27.** AS 42.04.080(a) is amended to read:

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

*** Sec. ~~26~~28.** 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 contract entered into by a public utility with the Alaska Gasline Development Corporation (AS 18.56.087) or its successors or assigns may contain a covenant for the public utility to establish, charge, and collect rates sufficient to meet its obligations under the contract. If the contract is approved by the commission under AS 42.08, the rate covenant is valid and enforceable.

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

(c) A public utility negotiating to contract for the storage of natural gas related

to (b) of this section shall submit the contract to the commission before the contract takes effect.

(d)_ The commission shall review and may conduct an investigation and hearing to determine whether a contract submitted under (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 a contract is unjust or unreasonable, disapprove the contract. If the commission has not acted within 180 days after the contract is submitted, the contract shall be considered approved and shall take effect immediately. A contract that is approved or considered approved under this section is not subject to further review by the commission. The commission may, by order, extend the 180-day review period by the duration of any delay caused by a failure of the public utility to submit supplemental information that is available to the public utility.

*** Sec. ~~27~~29.** AS_42.05.711 is amended by adding a new subsection to read:

(s) An in-state natural gas pipeline subject to AS_42.08 and an in-state natural gas pipeline carrier subject to AS_42.08 are exempt from this chapter.

*** Sec. ~~28~~30.** AS_42.06 is amended by adding a new section to article 7 to read:

Sec. 42.06.601. Exemption. An in-state natural gas pipeline subject to AS _42.08 and an in-state natural gas pipeline carrier subject to AS_42.08 are exempt from this chapter.

*** Sec. ~~29~~31.** AS_42 is amended by adding a new chapter to read:

Chapter 08. In-state Pipeline Contract Carrier.

Article 1. Application of Chapter; Purpose.

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

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

Sec. 42.08.020. Qualification of the Alaska Gasline Development Corporation; findings. (a) The Alaska Gasline Development Corporation, a subsidiary created under AS_18.56.086 and authorized to exercise the powers and take the actions described in AS_18.56.087, is financially fit, willing, and able to take the

actions, properly to perform the service, and to conform to the requirements of this chapter.

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

(c) The proposed service, construction, and operation of an in-state natural gas pipeline for which the Alaska Gasline Development Corporation applies for a certificate under this chapter is required by present and future public convenience and necessity.

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

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

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

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

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

(2) require permits for the construction, enlargement in size or operating capacity, extension, connection and interconnection, operation, or abandonment of an in-state natural gas pipeline facility, under the provisions of this chapter and subject to the same standards as certification in AS 42.08.~~310~~330;

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

(b) The commission may

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

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

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

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

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

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

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

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

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

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

(c) The commission may not

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

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

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

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

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

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

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

Article 3. Contract Review; Contract Carriage Certificate; Open Seasons.

~~**Sec. 42.08.300. Review of certain contracts by the commission.** (a) The Alaska Gasline Development Corporation or its successors or assigns~~**Sec. 42.08.300. Open seasons.** (a) An in-state natural gas pipeline carrier shall publish reasonable public notice in advance of an open season. The notice shall contain the proposed recourse tariff, precedent agreement, firm transportation service agreement, and other information sufficient to show the proposed route, capacity, operating pressures, in-service date, quality specifications, and other operating conditions that the pipeline carrier determines are relevant to an evaluation of the proposed service. The notice shall also state the methods for awarding capacity and whether presubscription agreements have been executed. An in-state natural gas pipeline carrier shall provide a mechanism for providing additional relevant information requested by potential shippers.

(b) An open season shall be conducted and firm transportation service shall be awarded without undue discrimination or preference.

(c) An in-state natural gas pipeline carrier shall conduct an open season for firm transportation service when it has existing uncommitted firm transportation capacity and has received a request for firm transportation capacity from one or more potential shippers that meet the pipeline's creditworthiness requirements.

(d) An in-state natural gas pipeline carrier shall conduct an open season for an expansion of its pipeline system when it has received one or more requests for firm transportation service from potential shippers that meet the pipeline's creditworthiness requirements and that, in the aggregate, would enable the expansion of the pipeline's system on a commercially reasonable basis. An expansion of the pipeline system is not commercially reasonable if the expansion would cause the pipeline to be a competing natural gas pipeline or project as defined in AS 43.90.440.

(e) A natural gas pipeline carrier may enter into presubscription agreements before the start of an open season.

Section 42.08.310. Transportation service. (a) Firm transportation service shall be made available only through a presubscription agreement or an open season conducted in accordance with section AS 42.08.300.

(b) The pipeline carrier shall offer a recourse tariff for firm transportation service. The rates included in the recourse tariff shall be determined on a cost of service basis. The recourse tariff may not preclude the pipeline carrier from collecting rolled-in rates so long as the resulting rate for prior shippers does not exceed the initial maximum rate allowable under agreements for capacity.

(c) An in-state natural gas pipeline carrier may contract to provide firm transportation service on terms and for rates different than those in the recourse tariff.

(d) An in-state natural gas pipeline carrier shall provide interruptible transportation service through capacity not used for firm transportation service. An in-state natural gas pipeline carrier shall establish means for routinely advising potential shippers of the availability of interruptible transportation service.

Sec. 42.08.320. Review of certain contracts by the commission. (a) An in-state natural gas pipeline carrier shall submit each of its precedent agreements for firm transportation service to the commission. A precedent agreement negotiated with an entity that is not a public utility regulated by the commission may be filed under seal. Under AS 42.08.400, the commission shall keep confidential a precedent agreement filed under seal. Submission of precedent agreements to the commission is permissible before construction of an in-state natural gas pipeline and before a request for certification under this chapter.

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

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

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

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

(c) For ~~the~~ purposes of (b)(1) of this section, a transaction is arm's length

(1) if it incorporates the recourse tariff; or

(2) if it does not incorporate the recourse tariff,

(A) the transaction is between two state-owned parties;

(B) the parties are unaffiliated ~~parties~~; or~~,~~

(C) if the parties are affiliated, the ~~parties have followed~~transaction is substantially similar to a transaction between unaffiliated parties.

(d) If a transaction is not arm's length, the commission shall determine whether the transaction is just and reasonable using the standards normally applied under AS 42.06.140. The natural gas pipeline carrier shall provide a cost of ~~conduct~~service study to the commission that shall be used solely for ~~transmission providers adopted by the Federal Energy Regulatory Commission~~the purpose of this subsection. When considering whether the approval of a contract is just and reasonable under this subsection, the commission shall consider the consequences of failing to approve the contract.

Sec. 42.08.~~310~~330. Contract carriage certificate. (a) The owner of an in-state natural gas pipeline subject to this chapter may not engage in the transportation of natural gas or undertake the construction of a natural gas pipeline facility for that purpose, or acquire or operate an in-state natural gas pipeline facility, unless a certificate of public convenience and necessity by the commission authorizing contract carriage is in force with respect to that owner. A certificate shall describe the nature and extent of the authority granted, including, as appropriate for the services involved, a description of the authorized area and scope of operation for the in-state natural gas pipeline facility.

(b) Application for a certificate shall be made in writing to the commission and verified under oath. The commission by regulation shall establish the requirements for the form of the application and the information to be contained in the

application. Notice of the application shall be provided to interested parties in the manner provided by regulation.

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

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

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

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

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

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

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

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

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

Sec. 42.08.~~320~~340. Tariffs, contracts, filing, and public inspection. (a) An in-state natural gas pipeline carrier shall file with the commission all recourse tariffs, rules, regulations, terms, and conditions pertaining to service provided under the certificate, and copies of all contracts with shippers that in any way affect or relate to the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and conditions to service provided under the certificate. The in-state natural gas pipeline carrier shall maintain copies on file at its principal business office and at places designated by the commission and make the copies available to, and subject to inspection by, the general public on demand. Rules, regulations, terms, and conditions not included in the tariff of an in-state natural gas pipeline carrier shall be included in the contract with each shipper.

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

Sec. 42.08.~~330~~350. Uniform system of accounts. An in-state natural gas pipeline carrier operating under this chapter shall maintain its records and accounts in accordance with the uniform system of accounts for class A natural gas pipelines in 18 C.F.R. 201 (Federal Energy Regulatory Commission regulations, as amended).

Sec. 42.08.360. Expansion; dispute resolution. (a) A contract entered into by an in-state natural gas pipeline carrier may provide for expansion unless the expansion

would cause the pipeline to be a competing natural gas pipeline or project as defined in AS 43.90.440.

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

Sec. 42.08.~~340~~370. Regulatory cost charge. (a) An in-state natural gas pipeline operating under this chapter shall pay to the commission an annual regulatory cost charge in an amount not to exceed the sum of the following percentages of gross revenue derived from operations in the state: (1) not more than 0.7 percent to fund the operations of the commission, and (2) not more than 0.17 percent to fund operations of the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be assessed on a pipeline under this chapter unless the pipeline is subject to this chapter and has used the commission's services under this chapter in the prior fiscal year.

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

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

collected for that fiscal year by a comparable amount.

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

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

Sec. 42.08.~~350~~380. Nothing to alter the calculation of taxes and royalty. Nothing in this chapter shall alter the calculation of production taxes under AS 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under AS 38.05.180.

Article 4. Records; Investigations.

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

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

(c) A record filed with the commission that is ~~or relates to~~ a precedent agreement ~~or other contract~~ between an in-state natural gas pipeline carrier and an unregulated entity is a privileged record that is not open to the public for inspection. For a record that is or relates to a precedent agreement, or is or relates to a contract other than a precedent agreement between an in-state natural gas pipeline carrier and an unregulated entity, an in-state natural gas pipeline carrier shall identify the provisions of the record that contain information that, if disclosed, could adversely

affect the competitive position of the shipper, and the information shall be treated by the commission as confidential.

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

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

Sec. 42.08.410. Investigations. The commission may investigate any matter set out in AS 42.08.220(b)(2). An investigation may be public, nonpublic, or both. In conducting an investigation, the commission may compel the attendance and testimony of witnesses and the production of records and testimony before the commission or its designee. In the course of an investigation, the commission may, subject to AS 44.23.020(e), exclude from attendance at the taking of investigative testimony all persons except a person compelled to attend, that person's attorney, members of the commission or the commission's staff, and a person authorized to transcribe the proceedings.

Article 5. General Provisions.

Sec. 42.08.510. Designation of service agents. An in-state natural gas pipeline carrier shall file with the commission a written appointment of a named permanent resident, which may be a corporation, of this state as its registered agent in this state upon whom service of all notices, regulations, and requests of the commission may be made. The appointment shall specify the address in this state of the appointed agent. The address may be changed from time to time by filing a new address in the state with the commission. If an in-state natural gas pipeline carrier fails to appoint a registered agent, service of notices, regulations, and requests may be made by posting a copy in the main office of the commission and filing a copy in the office of the

lieutenant governor.

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

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

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

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

Sec. 42.08.900. Definitions. In this chapter,

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

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

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

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

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

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

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

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

*** Sec. ~~30~~32.** AS 43.56.020 is amended by adding a new subsection to read:

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

*** Sec. ~~31~~33.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050, and 41.41.080 are repealed.

*** Sec. ~~32~~34.** Section 1, 2002 Ballot Measure No. 3, is repealed.

*** Sec. ~~33~~35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a right-of-way lease subject to AS 38.34.050(c), as amended by sec. ~~6~~7 of this Act, AS 38.35.100(d), as amended by sec. ~~9~~10 of this Act, AS 38.35.120(a), as amended by sec. ~~10~~11 of this Act, ~~and~~ AS 38.35.120(b), as amended by sec. ~~11~~12 of this Act, and AS 38.35.121, as enacted by sec. 13 of this Act, that is entered into between the commissioner of natural resources and the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086, before the effective dates of secs. ~~6~~7 and ~~9—11~~10 - 12 of this Act be amended as soon as practicable after the effective dates of secs. ~~6~~7 and ~~9—11~~10 - 12 of this Act to conform to the requirements of AS 38.34.050(c), as amended by sec. ~~6~~7 of this Act, AS 38.35.100(d), as amended by sec. ~~9~~10 of this Act, AS

AS 38.35.120(a), as amended by sec. ~~10~~11 of this Act, ~~and~~ AS 38.35.120(b), as amended by sec. ~~11~~12 of this Act, and AS 38.35.121, as enacted by sec. 13 of this Act.

*** Sec. ~~34~~36.** The uncodified law of the State of Alaska is amended by adding a new section to read:

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

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

~~(2) AS~~ (2) AS 38.35.120 from "Covenants required to be included in lease" to "Covenants required to be included in lease to a pipeline that is not a natural gas pipeline contract carrier"; and

(3) AS 38.35.200 from "Judicial review of decisions of commissioner on application" to "Judicial review."

*** Sec. ~~35~~37.** This Act takes effect immediately under AS 01.10.070(c).

Denise Liccioli

From: Rena Delbridge
Sent: Thursday, April 19, 2012 7:46 AM
To: Denise Liccioli; David Scott
Cc: Rep. Mike Hawker; Tom Wright
Subject: RE: HB 9 materials
Attachments: CS summary of changes D to P.pdf

A revision to Section 4 change; my apologies.
Thanks,
Rena

From: Rena Delbridge
Sent: Wednesday, April 18, 2012 4:22 PM
To: Denise Liccioli; David Scott
Cc: 'Rep. Mike Hawker'; Tom Wright
Subject: HB 9 materials

Denise,
As discussed, attached are the work draft version P we would appreciate the committee adopting and a summary of changes. I'd like the opportunity to give that a last once-over before it is distributed or posted.
We hope to have a redline between the version D that passed the House and the work draft P within the hour, and I will send that when we have it.
I am still working on a sectional of P, in case the committee chooses to consider it, but that will not be ready until morning.
David, we are all sending condolences for the loss of your grandfather.
Best,
Rena

Summary of Changes

from CSHB 9(FIN) Version Q.A to Senate CS for CS for House Bill 9 Version P

Title:

Page 1, Line 7: Deletes "by the Alaska Gasline Development Corporation or a successor in interest"

Page 1, Line 8-9: Adds "including a corridor for a natural gas pipeline that is a contract carrier"

Section 2, Duties and Abilities

Page 3, line 24: Technical; changes "rate" to "rates"

Page 4, line 17: Technical; changes "by contract carriage" to "as a contract carrier"

Page 4, lines 18-21: Added a requirement for legislative sanctioning; specifically, that "AGDC shall not commit to any project requiring state financial participation unless that project commitment is made contingent upon sanctioning through legislative appropriation of necessary funds."

Page 4, lines 22-29: Adds a requirement that AGDC shall, subject to appropriation, plan, finance and build a pipeline delivering gas from Cook Inlet to Fairbanks, providing that an adequate supply of marketable gas exists in Cook Inlet as evidenced by the willingness and ability of shippers to sign firm transportation agreements for contracts at least 20 years in duration.

Section 4

Page 7, lines 15-22: Section 4 was added to conform to changes in the CS in Section 13, related to the Right-of-Way Leasing Act, AS 38.05

Section 7, Right-of-Way Lease

Page 8, line28: Conforms to changes in the CS in Section 13, related to the Right-of-Way Leasing Act, AS 38.05. Instead of exempting AGDC from common carriage covenants, requires that AGDC be bound to contract carrier covenants

Sections 10, 11 and 12, right-of-way leases

Sections 10, 11 and 12 are conforming; instead of exempting AGDC from covenants, these now reflect the addition of contract carrier covenants under AS 38.05.121

Pages 10, line 22-23: Conforming

Page 11, line 5: Conforming

Page 14, lines 19-20, line 22, and lines 23-24: Conforming

Section 13, Contract carrier covenants

Section 13 is a new section amending AS 38.35, state Right-of-Way Leasing Act, to include covenants specific to a contract carrier gas pipeline, applicable to any entity applying for a state right-of-way lease under those terms. Covenants for common carriage remain unchanged from existing statute.

Page 14, line 27, through page 16, line 5: Creates a new section of covenants to be included in a right-of-way lease, pertaining to a carrier applying for a right-of-way lease as a contract carrier. Covenants applicable to a contract carrier include meeting the requirements of 38.35.120, except for covenants (a)(1), (2) and (5); and interchanging natural gas and providing connections and facilities, per shipping contracts; conducting service without unreasonable discrimination; expanding when presented with commercially reasonable terms that, when possible, encourage exploration and development of gas resources in Alaska, providing expansions do not increase shipping rates except as provided in contract.

Section 31, RCA regulation for a contract carrier pipeline

Section 31, RCA regulation for an in-state pipeline contract carrier, is substantially amended to add open season rules for a natural gas pipeline operating as a contract carrier, and to add heightened RCA scrutiny of shipping contracts between affiliated parties.

Page 23, line 15: Deleted application to pipelines authorized by law to provide contract carriage, conforming to the right-of-way leasing act changes in Section 13.

Page 23, lines 30-32: Clarifies that only an AGDC pipeline (as a state-supported project) is deemed required by the present and future public convenience and necessity. Other pipelines would have to establish that finding before the RCA.

Page 24, line 12: Conforming change as a pipeline would no longer have to be expressly authorized by law to provide contract carriage.

Page 24, line 16: Conforming change.

Page 25, line 4: Removed term "and irreparable" in between "immediate" and" injury"

Page 25, line 25: Technical; removed the word "or" in between approved and considered

Page 26, line 8: Technical change to remove capitalization of "administrative procedures act"

Page 26, line 21: Conforming; added "Open seasons" to Article 3 title

Page 26, line 22, through page 27, line 29: New sections creating basic parameters a pipeline carrier must follow in holding an open season, to ensure fairness and openness for all interested potential shippers. Requires open seasons when capacity is available. Provides noticing mechanism for short-term capacity.

Page 27, line 30-31: Conforming change to make contract review applicable to any instate natural gas pipeline carrier, and not only to an AGDC pipeline.

Page 28, line 8: Technical; changes "and" to or" before "a related contract."

Page 28, line 21, through Page 29, line 3: Restructures subsection setting the standards for an arm's length transaction. A transaction is arm's length if it includes the recourse tariff; or if it does not include the recourse rate but is between two state entities and between unaffiliated parties; or, if parties are affiliated, the transaction is substantially similar to a transaction between unaffiliated parties. For transactions that are not at arm's length, provides the RCA direction on determining just and reasonableness using a cost-of-service study. Requires the commission to consider the consequences of failing to approve the contract.

Page 30, line 24: Adds term "recourse tariffs" to the items a carrier must file with the RCA.

Page 31, lines 10-13: Adds new section requiring carriers use a uniform system of accounting as required under the Federal Energy Regulatory Commission.

Page 33, line 8: Removes "or relates to" between "is" and "a". Removes "or other contract" between "agreement" and "between".

Page 33, lines 10-15: Provides that information that could adversely affect the competitive position of a shipper shall be confidential in information filed with the RCA.

Page 33, line 31: Adds "subject to AS 44.23.020(e)", related to the public advocate for regulatory affairs.

Page 35, line 6: Conforming; deletes reference to a pipeline authorized by law to provide contract carriage.

Page 35, line 12: Conforming; deletes reference to a pipeline authorized by law to provide contract carriage.

Section 35, right-of-way lease amended

Section 35, transition language, conformed to Section 13 right-of-way leasing act changes

Section 36, Revisor's instructions

Section 36, revisor's instructions, conformed to Section 13 changes

* Other sections renumbered accordingly

Unchanged except for renumbering:

Section 1, Findings and Intent

Section 3, ANGDA procurement code

Section 4, Access to state agency information with confidential agreements as required

Section 6, State agencies give priority to AGDC

Section 8, confidentiality agreements; field studies and technical data to be confidential; state and local resources at usual and customary costs; right-of-way lease transferability

Section 9, Definitions

Section 14, right-of-way lease at no appraisal or rental cost

Section 15, Judicial Review

Section 16, Exemption of confidential agreements and information from Public Records Act

Section 17, ANGDA purpose as gas marketer

Section 18, ANGDA purpose as gas marketer

Section 19, State royalty gas may be available

Section 20, AHFC board as ANGDA governing body

Section 21, ANGDA governing body, conforming to Section 20

Section 22, ANGDA professional and legal services procurement

Section 23, ANGDA conflict of interest, conforming to Section 17

Section 24, ANGDA confidential agreements with AGDC

Section 25, ANGDA powers, conforming to Section 17

Section 26, ANGDA board definition, conforming to Section 20

Section 27, RCA regulation of public utilities, conforming to Section 31

Section 28, RCA regulation of certain public utility contracts, conforming to Section 31

Section 29, Exemption from regulation under 42.05, Public Utilities Act, for a pipeline regulated under 42.08, In-state Pipeline Contract Carrier

Section 30, Exemption from regulation under 42.06, Pipeline Act, for a pipeline regulated under 42.08, In-state Pipeline Contract Carrier

Section 32, state and local property tax waiver during pipeline construction

Section 33, repealer

Section 34, repealer

Section 37, immediate effective date

27-LS0075\P
Bullock
4/15/12

SENATE CS FOR 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, Pruitt, Johnson, Costello

SENATORS Huggins, Giessel, McGuire, Menard, Meyer

A BILL

FOR AN ACT ENTITLED

"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 Gasline Development Team; relating to the judicial review of a right-of-way lease or an action or decision related to the development or construction of an oil or gas pipeline on state land; relating to the lease of a right-of-way for a gas pipeline transportation corridor, including a corridor for a natural gas pipeline that is a contract carrier; 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 regulation

by the Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly authorized to provide transportation as a contract carrier; 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."

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

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

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

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

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

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

(4) to the maximum extent permitted by law, in developing a natural gas pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products, and natural resources from qualified businesses located in the state, including organizations owned by Alaska Natives and municipal organizations directly affected by the project, if those persons are competitive; and

(5) the Alaska Gasline Development Corporation shall, to the maximum extent permitted by law,

(A) hire qualified residents from throughout the state for management, engineering, construction, operations, maintenance, and other positions for a natural gas pipeline project;

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

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

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

Sec. 18.56.087. Alaska Gasline Development Corporation. (a) The Alaska Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall have all powers granted to it by the corporation. The Alaska Gasline Development Corporation shall, to the fullest extent possible,

(1) advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development Corporation and the Joint In-State Gasline Development Team, with modifications determined by the Alaska Gasline Development Corporation to be necessary to construct and operate an in-state natural gas pipeline in a safe and economic manner;

(2) construct, own, operate, manage, or participate in natural gas pipelines and associated facilities and operations for the purpose of making natural gas available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rates possible for a natural gas pipeline that operates in a manner consistent with safe and prudent standards;

(3) endeavor to develop natural gas pipelines to deliver natural gas to public utility and industrial customers in areas of the state to which the natural gas may be delivered at commercially reasonable rates; and

(4) endeavor to develop natural gas pipelines to provide shippers access to natural gas produced in the state for transport at commercially reasonable rates.

(b) In addition to the powers granted to it by the corporation, the Alaska Gasline Development Corporation may

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

operation or both of the in-state natural gas pipeline;

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

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

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

(5) provide transportation of natural gas as a contract carrier.

(c) The Alaska Gasline Development Corporation may not commit to a project that requires state financial participation unless the commitment to the project is made contingent on sanctioning of the project by the legislature through the appropriation of necessary funds.

(d) If there is an adequate supply of marketable natural gas in the Cook Inlet sedimentary basin to meet natural gas demands in the Railbelt, the Alaska Gasline Development Corporation shall, subject to appropriation, plan, finance, and construct a natural gas pipeline to deliver natural gas from Cook Inlet to Fairbanks and to communities between Cook Inlet and Fairbanks that do not have access to a natural gas pipeline. For the purposes of this subsection, there is an adequate supply of marketable natural gas when shippers of natural gas are willing and able to sign firm transportation commitments for contracts of not less than 20 years in duration.

(e) Upon commencement of construction of an in-state natural gas pipeline, the Alaska Gasline Development Corporation shall analyze additional natural gas

pipelines connecting to industrial, residential, or utility customers in other regions of the state. If the Alaska Gasline Development Corporation finds that a natural gas pipeline analyzed under this subsection is in the best interest of the state and can meet the needs of industrial, residential, or utility customers at commercially reasonable rates, the Alaska Gasline Development Corporation shall finance, construct, or operate the natural gas pipeline as necessary, subject to appropriation. When developing or constructing an additional natural gas pipeline, the Alaska Gasline Development Corporation shall, to the maximum extent feasible, use existing land, structures, real or personal property, rights-of-way, easements, or other interests in land acquired by the Alaska Gasline Development Corporation or the Alaska Natural Gas Development Authority.

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

(g) No debt, obligation, or liability of the Alaska Gasline Development Corporation shall become a debt, obligation, or liability of the state or any part or subdivision of the state or of the corporation or a subsidiary corporation of the corporation other than the Alaska Gasline Development Corporation, except as provided in this subsection. This subsection applies to all debt, obligations, and liabilities of the Alaska Gasline Development Corporation regardless of how the debt, obligations, or liabilities are created, including by contract, tort, or bond or note issuance. Except as provided in this subsection, a person may not bring suit against the state or any part or subdivision of the state or against the corporation or a subsidiary

corporation of the corporation other than the Alaska Gasline Development Corporation in the courts of the state to enforce or seek a remedy with respect to a debt, obligation, or liability of the Alaska Gasline Development Corporation. The corporation may waive, in whole or in part, the application of the provisions of this subsection to the corporation with respect to a debt, obligation, or liability of the Alaska Gasline Development Corporation. To be effective, a waiver by the corporation must be in writing and shall only have effect to the extent provided in the writing.

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

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

(j) An executed pipeline operating agreement between the Alaska Gasline Development Corporation and the operator of the pipeline developed by the Alaska Gasline Development Corporation shall be disclosed to the public to the extent the disclosure would not divulge trade secrets or other proprietary business information of the Alaska Gasline Development Corporation or the operator.

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

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

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

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

*** Sec. 4.** AS 38.05.180(bb)(1) is amended to read:

(1) "gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05; provided that, if the contract gas is transmitted to consumers through a pipeline and the gas utility either owns the pipeline or is related in ownership to the owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within the meaning of this paragraph only if it is bound or agrees to be bound by the covenants set out in AS 38.35.120 **or 38.35.121, as applicable**;

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

(a) The **Alaska Gasline Development Corporation** [JOINT IN-STATE GASLINE DEVELOPMENT TEAM] may have access to information of all state agencies that is directly related to the planning, design, construction, or operation of the in-state natural gas pipeline. **If a state agency finds that the information to be transferred under this subsection is confidential, the state agency may require the Alaska Gasline Development Corporation to enter into a confidentiality agreement under (e) of this section before the transfer of that information, or, if the state agency determines that a law or provision of a contract to which the**

state agency is a party requires the state agency to preserve the confidentiality of the information and that delivering the information to the Alaska Gasline Development Corporation would violate the confidentiality provision of that law or contract, the state agency shall identify the applicable law or contract provision to the Alaska Gasline Development Corporation and may require the Alaska Gasline Development Corporation to obtain the consent of the person who has the right to waive the confidentiality of the information under the applicable law or contract provision before the state agency transfers the information to the Alaska Gasline Development Corporation.

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

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

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

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

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

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

(3) the corporation **that submits the application for the right-of-way lease** agrees to be bound by the right-of-way lease covenants set out in **AS 38.35.121** [AS 38.35.120].

* **Sec. 8.** AS 38.34.050 is amended by adding new subsections to read:

(e) The Alaska Gasline Development Corporation may enter into

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

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

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

(h) That part of the cost of providing, under (g) of this section, water, sand and gravel, or other nonhydrocarbon natural resources, or of entering into a lease or issuing a permit, that is borne by the Alaska Gasline Development Corporation for an

in-state natural gas pipeline project that is owned in whole or in part by the Alaska Gasline Development Corporation may not be included in the rate base in a proceeding under AS 42 or before the Federal Energy Regulatory Commission.

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

*** Sec. 9.** AS 38.34.099 is repealed and reenacted to read:

Sec. 38.34.099. Definitions. In this chapter,

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

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

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

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

(d) The commissioner shall include in a conditional lease each requirement and condition of the covenants established under AS 38.35.120 **or 38.35.121, as applicable**. The commissioner may also require that the lessee agree to additional conditions that the commissioner finds to be in the public interest. In place of the covenant established under AS 38.35.120(a)(9), the commissioner shall require the lessee to agree that it will not transfer, assign, pledge, or dispose of in any manner, directly or indirectly, its interest in a conditional right-of-way lease or a pipeline subject to the conditional lease, unless the commissioner, after considering the public interest and issuing written findings to substantiate a decision to allow the transfer, authorizes the transfer. The commissioner shall also require the lessee to agree not to allow the transfer of control of the lessee without the approval of the commissioner; as

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

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

(a) **Except as provided for a natural gas pipeline subject to AS 38.35.121, 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.

* **Sec. 12.** AS 38.35.120(b) is amended to read:

(b) **Except as provided for a natural gas pipeline subject to AS 38.35.121, for** [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 **and subject to this section** 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.

* **Sec. 13.** AS 38.35 is amended by adding a new section to read:

Sec. 38.35.121. Covenants required to be in a lease to a natural gas pipeline that is a contract carrier. (a) For a lease of state land for a right-of-way for which an applicant has applied as a contract carrier under AS 42.08, a noncompetitive lease of state land for a right-of-way for a natural gas pipeline valued at $1,000,000 or

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

(1) except for the covenants in AS 38.35.120(a)(1), (2), and (5), it will meet the requirements of AS 38.35.120;

(2) it will interchange natural gas and provide connections and facilities for the interchange of natural gas at every locality reached by both pipelines when the necessity exists, as provided in contracts on file with the Regulatory Commission of Alaska;

(3) it assumes the status of and will perform all of its functions undertaken under the lease as a contract carrier and, subject to contracts with shippers, will accept, convey, and transport, without discrimination, natural gas 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; subject to its contracts with shippers, it will accept, convey, and transport natural gas without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another but will take the natural gas delivered or offered without unreasonable discrimination;

(4) it will expand the natural gas pipeline on commercially reasonable terms that, when possible, encourage exploration and development of gas resources in this state and without an increase in transportation costs for a shipper except as provided in the contract with the shipper; in this paragraph, "commercially reasonable terms" means that revenue from transportation contracts covers the cost of the expansion, including increased fuel costs and a reasonable return on capital, and the ability of the pipeline to recover the costs of existing facilities is not impaired;

(5) it will not require a shipper to pay a rate in excess of the rates provided for in the contract with that shipper.

(b) A contract carrier may offer to a shipper firm transportation service, interruptible transportation service, or both.

(c) Expansion under (a) of this section may not cause a pipeline to be a competing natural gas pipeline project. In this subsection, "competing natural gas pipeline project" has the meaning given in AS 43.90.440.

(d) In this section, "firm transportation service" means service by a natural gas pipeline carrier that is not subject to a prior claim by another shipper or another class of service and is not subject to reduction unless the overall capacity of the pipeline is diminished; service is "firm transportation service" if the service requires the same priority as any other class of firm transportation service.

*** Sec. 14.** AS 38.35.140 is amended by adding a new subsection to read:

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

*** Sec. 15.** AS 38.35.200 is amended by adding new subsections to read:

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

meaning given in AS 38.34.099.

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

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

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

*** Sec. 16.** AS 40.25.120(a) is amended to read:

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

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

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

(3) medical and related public health records;

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

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

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

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

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

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

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

(E) would disclose confidential techniques and procedures for

law enforcement investigations or prosecutions;

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

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

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

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

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

(10) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring security in the state, or to a 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. 17.** 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 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.

*** Sec. 18.** AS 41.41.010(d) is amended to read:

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

*** Sec. 19.** AS 41.41.010 is amended by adding a new subsection to read:

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

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

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

* **Sec. 21.** AS 41.41.060 is amended to read:

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

* **Sec. 22.** AS 41.41.070(d) is amended to read:

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

* **Sec. 23.** AS 41.41.090(b) is amended to read:

(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. 24.** AS 41.41.150(a) is amended to read:

(a) Information in the possession of the authority is a public record, except

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

*** Sec. 25.** AS 41.41.200 is amended to read:

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

(1) sue and be sued;

(2) adopt a seal;

(3) adopt, amend, and repeal bylaws and regulations;

(4) make and execute contracts and other instruments;

(5) in its own name acquire property, lease, rent, convey, or acquire real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE MAY BE ACQUIRED BY EMINENT DOMAIN];

(6) acquire natural gas supplies;

(7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

(8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;

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

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

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

(12) purchase insurance to protect its assets, services, and employees

against liabilities that may arise from authority operations and activities.

*** Sec. 26.** 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. 27.** AS 42.04.080(a) is amended to read:

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

*** Sec. 28.** 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 contract entered into by a public utility with the Alaska Gasline Development Corporation (AS 18.56.087) or its successors or assigns may contain a covenant for the public utility to establish, charge, and collect rates sufficient to meet its obligations under the contract. If the contract is approved by the commission under AS 42.08, the rate covenant is valid and enforceable.

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

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

(d) The commission shall review and may conduct an investigation and hearing to determine whether a contract submitted under (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 a contract is unjust or unreasonable, disapprove the contract. If the commission has not acted within 180 days after the contract is submitted, the contract shall be considered approved and shall take effect immediately. A contract that is approved or considered approved under this section is not subject to

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

* **Sec. 29.** AS 42.05.711 is amended by adding a new subsection to read:

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

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

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

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

Chapter 08. In-state Pipeline Contract Carrier.

Article 1. Application of Chapter; Purpose.

Sec. 42.08.010. Application of chapter; exemption. (a) This chapter applies to the regulation of in-state natural gas pipelines that provide transportation by contract carriage.

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

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

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

(c) The proposed service, construction, and operation of an in-state natural gas pipeline for which the Alaska Gasline Development Corporation applies for a certificate under this chapter is required by present and future public convenience and

necessity.

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

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

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

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

(1) regulate, under the provisions of this chapter, an in-state natural gas pipeline that provides transportation by way of contract carriage;

(2) require permits for the construction, enlargement in size or operating capacity, extension, connection and interconnection, operation, or abandonment of an in-state natural gas pipeline facility, under the provisions of this chapter and subject to the same standards as certification in AS 42.08.330;

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

(b) The commission may

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

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

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

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

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

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

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

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

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

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

(c) The commission may not

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

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

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

Sec. 42.08.240. Publication of reports, orders, decisions, and regulations. All reports, orders, decisions, and regulations of the commission shall be in writing. The commission shall notify all affected operators of in-state natural gas pipeline

facilities and interested parties of reports, orders, decisions, and regulations as they are issued and adopted, and, when appropriate, publish them in a manner that will reasonably inform the public or the affected consumers of the services of an in-state natural gas pipeline facility. The commission may set charges for costs of printing or reproducing and furnishing copies of reports, orders, decisions, and regulations. The publication requirement, as it pertains to regulations, does not supersede the requirements of AS 44.62 (Administrative Procedure Act).

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

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

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

Article 3. Contract Review; Contract Carriage Certificate; Open Seasons.

Sec. 42.08.300. Open seasons. (a) An in-state natural gas pipeline carrier shall publish reasonable public notice in advance of an open season. The notice shall contain the proposed recourse tariff, precedent agreement, firm transportation service agreement, and other information sufficient to show the proposed route, capacity, operating pressures, in-service date, quality specifications, and other operating conditions that the pipeline carrier determines are relevant to an evaluation of the proposed service. The notice shall also state the methods for awarding capacity and whether presubscription agreements have been executed. An in-state natural gas pipeline carrier shall provide a mechanism for providing additional relevant information requested by potential shippers.

(b) An open season shall be conducted and firm transportation service shall be awarded without undue discrimination or preference.

(c) An in-state natural gas pipeline carrier shall conduct an open season for firm transportation service when it has existing uncommitted firm transportation capacity and has received a request for firm transportation capacity from one or more potential shippers that meet the pipeline's creditworthiness requirements.

(d) An in-state natural gas pipeline carrier shall conduct an open season for an expansion of its pipeline system when it has received one or more requests for firm transportation service from potential shippers that meet the pipeline's creditworthiness requirements and that, in the aggregate, would enable the expansion of the pipeline's system on a commercially reasonable basis. An expansion of the pipeline system is not commercially reasonable if the expansion would cause the pipeline to be a competing natural gas pipeline or project as defined in AS 43.90.440.

(e) A natural gas pipeline carrier may enter into presubscription agreements before the start of an open season.

Section 42.08.310. Transportation service. (a) Firm transportation service shall be made available only through a presubscription agreement or an open season conducted in accordance with section AS 42.08.300.

(b) The pipeline carrier shall offer a recourse tariff for firm transportation service. The rates included in the recourse tariff shall be determined on a cost of service basis. The recourse tariff may not preclude the pipeline carrier from collecting rolled-in rates so long as the resulting rate for prior shippers does not exceed the initial maximum rate allowable under agreements for capacity.

(c) An in-state natural gas pipeline carrier may contract to provide firm transportation service on terms and for rates different than those in the recourse tariff.

(d) An in-state natural gas pipeline carrier shall provide interruptible transportation service through capacity not used for firm transportation service. An in-state natural gas pipeline carrier shall establish means for routinely advising potential shippers of the availability of interruptible transportation service.

Sec. 42.08.320. Review of certain contracts by the commission. (a) An in-state natural gas pipeline carrier shall submit each of its precedent agreements for firm

transportation service to the commission. A precedent agreement negotiated with an entity that is not a public utility regulated by the commission may be filed under seal. Under AS 42.08.400, the commission shall keep confidential a precedent agreement filed under seal. Submission of precedent agreements to the commission is permissible before construction of an in-state natural gas pipeline and before a request for certification under this chapter.

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

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

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

(c) For purposes of (b)(1) of this section, a transaction is arm's length

(1) if it incorporates the recourse tariff; or

(2) if it does not incorporate the recourse tariff,

(A) the transaction is between two state-owned parties;

(B) the parties are unaffiliated; or

(C) if the parties are affiliated, the transaction is substantially similar to a transaction between unaffiliated parties.

(d) If a transaction is not arm's length, the commission shall determine whether the transaction is just and reasonable using the standards normally applied under AS 42.06.140. The natural gas pipeline carrier shall provide a cost of service study to the commission that shall be used solely for the purpose of this subsection.

When considering whether the approval of a contract is just and reasonable under this subsection, the commission shall consider the consequences of failing to approve the contract.

Sec. 42.08.330. Contract carriage certificate. (a) The owner of an in-state natural gas pipeline subject to this chapter may not engage in the transportation of natural gas or undertake the construction of a natural gas pipeline facility for that purpose, or acquire or operate an in-state natural gas pipeline facility, unless a certificate of public convenience and necessity by the commission authorizing contract carriage is in force with respect to that owner. A certificate shall describe the nature and extent of the authority granted, including, as appropriate for the services involved, a description of the authorized area and scope of operation for the in-state natural gas pipeline facility.

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

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

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

(e) Operating authority may not be transferred by sale or lease of the contract carriage certificate or by the sale of substantially all of the stock or assets of a pipeline

carrier holding a certificate without prior approval by the commission. A transfer not involving a substantial change in ownership shall be summarily approved. The commission's decision under this subsection shall be based on the best interest of the public.

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

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

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

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

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

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

Sec. 42.08.340. Tariffs, contracts, filing, and public inspection. (a) An in-state natural gas pipeline carrier shall file with the commission all recourse tariffs, rules, regulations, terms, and conditions pertaining to service provided under the certificate, and copies of all contracts with shippers that in any way affect or relate to the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and conditions to service provided under the certificate. The in-state natural gas pipeline carrier shall maintain copies on file at its principal business office and at places designated by the commission and make the copies available to, and subject to inspection by, the general public on demand. Rules, regulations, terms, and conditions

not included in the tariff of an in-state natural gas pipeline carrier shall be included in the contract with each shipper.

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

Sec. 42.08.350. Uniform system of accounts. An in-state natural gas pipeline carrier operating under this chapter shall maintain its records and accounts in accordance with the uniform system of accounts for class A natural gas pipelines in 18 C.F.R. 201 (Federal Energy Regulatory Commission regulations, as amended).

Sec. 42.08.360. Expansion; dispute resolution. (a) A contract entered into by an in-state natural gas pipeline carrier may provide for expansion unless the expansion would cause the pipeline to be a competing natural gas pipeline or project as defined in AS 43.90.440.

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

Sec. 42.08.370. Regulatory cost charge. (a) An in-state natural gas pipeline operating under this chapter shall pay to the commission an annual regulatory cost charge in an amount not to exceed the sum of the following percentages of gross revenue derived from operations in the state: (1) not more than 0.7 percent to fund the operations of the commission, and (2) not more than 0.17 percent to fund operations of the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the Department of Law. A regulatory cost charge may not be assessed on a pipeline under this chapter unless the pipeline is subject to this chapter and has used the commission's services under this chapter in the prior fiscal year.

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

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

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

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

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

Sec. 42.08.380. Nothing to alter the calculation of taxes and royalty. Nothing in this chapter shall alter the calculation of production taxes under AS 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under AS 38.05.180.

Article 4. Records; Investigations.

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

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

(c) A record filed with the commission that is a precedent agreement between an in-state natural gas pipeline carrier and an unregulated entity is a privileged record that is not open to the public for inspection. For a record that is or relates to a precedent agreement, or is or relates to a contract other than a precedent agreement between an in-state natural gas pipeline carrier and an unregulated entity, an in-state natural gas pipeline carrier shall identify the provisions of the record that contain information that, if disclosed, could adversely affect the competitive position of the shipper, and the information shall be treated by the commission as confidential.

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

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

Sec. 42.08.410. Investigations. The commission may investigate any matter set out in AS 42.08.220(b)(2). An investigation may be public, nonpublic, or both. In conducting an investigation, the commission may compel the attendance and testimony of witnesses and the production of records and testimony before the commission or its designee. In the course of an investigation, the commission may, subject to AS 44.23.020(e), exclude from attendance at the taking of investigative

testimony all persons except a person compelled to attend, that person's attorney, members of the commission or the commission's staff, and a person authorized to transcribe the proceedings.

Article 5. General Provisions.

Sec. 42.08.510. Designation of service agents. An in-state natural gas pipeline carrier shall file with the commission a written appointment of a named permanent resident, which may be a corporation, of this state as its registered agent in this state upon whom service of all notices, regulations, and requests of the commission may be made. The appointment shall specify the address in this state of the appointed agent. The address may be changed from time to time by filing a new address in the state with the commission. If an in-state natural gas pipeline carrier fails to appoint a registered agent, service of notices, regulations, and requests may be made by posting a copy in the main office of the commission and filing a copy in the office of the lieutenant governor.

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

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

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

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

Sec. 42.08.900. Definitions. In this chapter,

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

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

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

(4) "in-state natural gas pipeline" or "in-state natural gas pipeline facility" means a natural gas pipeline that transports natural gas in the state by way of contract carriage;

(5) "in-state natural gas pipeline carrier" means the owner, including a corporation, company, or other entity organized under the laws of the United States or of any state, of an in-state natural gas pipeline or an interest in it, or any person, including a corporation, company, or other entity organized under the laws of the United States or of any state, that transports natural gas as a contract carrier;

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

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

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

*** Sec. 32.** AS 43.56.020 is amended by adding a new subsection to read:

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

*** Sec. 33.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050, and 41.41.080 are repealed.

*** Sec. 34.** Section 1, 2002 Ballot Measure No. 3, is repealed.

*** Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a right-of-way lease subject to AS 38.34.050(c), as amended by sec. 7 of this Act, AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted by sec. 13 of this Act, that is entered into between the commissioner of natural resources and the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086, before the effective dates of secs. 7 and 10 - 12 of this Act be amended as soon as practicable after the effective dates of secs. 7 and 10 - 12 of this Act to conform to the requirements of AS 38.34.050(c), as amended by sec. 7 of this Act, AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted by sec. 13 of this Act.

*** Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to read:

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

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

(2) AS 38.35.120 from "Covenants required to be included in lease" to "Covenants required to be included in lease to a pipeline that is not a natural gas pipeline contract carrier"; and

(3) AS 38.35.200 from "Judicial review of decisions of commissioner on application" to "Judicial review."

*** Sec. 37.** This Act takes effect immediately under AS 01.10.070(c).

26th Legislature(2009-2010)

Journal Text for HB369 in the 26th Legislature

Full Journal

HB 369

CS FOR HOUSE BILL NO. 369(FIN) am "An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, 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 gasline 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; and providing for an effective date" which had been moved to the bottom of the calendar (page 2487), was read the second time.

Senator Stedman, Cochair, moved and asked unanimous consent for the adoption of the Finance Senate Committee Substitute offered on page 2509. Without objection, SENATE CS FOR CS FOR HOUSE BILL NO. 369(FIN) "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" (Title Change SCR 21) was adopted.

Senator French offered Amendment No. 1:

Page 7, line 28, through page 8, line 7:
Delete all material.
Insert "facilitating the project developer's commitment to negotiate, to the maximum extent permitted by law, before construction of the project begins, a project labor agreement; if, in consideration of complying with the project labor agreement, the development team determines that the project may be constructed by a private pipeline construction company or companies, the development team shall direct that this requirement be incorporated into any construction contract agreement as a binding commitment applicable to the corporation's contractors; for this purpose, "project labor agreement" means a comprehensive collective bargaining agreement between the project developer or, if construction is to be undertaken by one or more private pipeline construction companies, the project

Thomas, Wielechowski

Nays: Bunde, Coghill, Dyson, Wagoner

and so, SENATE CS FOR CS FOR HOUSE BILL NO. 369(FIN)
passed the Senate.

Senator Ellis moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered and the bill was referred to the Secretary for engrossment.

Denise Liccioli

From: Ken Alper
Sent: Wednesday, April 18, 2012 8:21 PM
To: Denise Liccioli; David Scott
Cc: Rep. Beth Kerttula
Subject: briefing doc on HB9
Attachments: notes on hb9 j vs q for sen olson.doc

Denise / Dave-
I'm sorry that this is long than I'd like, but I wanted something we could walk through to explain the changes in our meeting tomorrow morning.
The three-page document is organized as follows:

p.1 What is in the work draft CRA bill "J"
p.2 What powers from the House version "Q.A" are not in the CRA bill
p.3 What changes were offered in the "P" version that was released on adjournment night

I will be in by 8:30 tomorrow and look forward to the opportunity to meet with Sen. Olson.
Best
-Ken

Ken Alper
Office of Representative Beth Kerttula
District 3- Juneau
Capitol Room 404
Juneau, AK 99811
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What Is and Is Not in CSHB 9(CRA) \ "J"

JAN 2013

This CS was designed to meet the goal of empowering AGDC to do the necessary work in advance of their open season scheduled for 2013. It lines up with what the Governor has publicly stated they need to do, and offers far more than a "neutering" of the bill.

Many key elements of the House version of HB9 remain in this bill. These are:

- Create the "fund" allowing AGDC to spend the $200 million that was appropriated in 2011 but was in limbo awaiting the fund
- Reorganize AGDC's governing structure as they desire, making them a direct subsidiary of the Alaska Housing Financing Corporation (AHFC) and eliminating the "Joint In-state Gasline Development Team" created in 2010 by HB 369.
- Authorize AGDC to purchase land and other property, obtain state rights of way, or capacity in another pipeline system
- Authorize AGDC to obtain and keep confidential information from state agencies, contractors, or other private companies
- Authorize AGDC to seek commitments of firm transportation capacity at an open season, and report the results to the legislature and the public
- Moves ANGDA under the management of AHFC alongside AGDC. AGDC is empowered to build and own a pipeline; ANDGA's powers are limited to shipping and marketing gas within a pipeline

Two important provisions not in the House version of HB9 were added to this bill:

- The legislature, by passing a law, must give their authorization before AGDC can begin construction
    - In 1998, Gov. Knowles introduced the Stranded Gas Act. The legislature, added a similar provision, which prevented Gov. Murkowski from signing the 2006 contract. This would have also prevented ACES, (costing us $10 billion to date.)

ELF vs PPT vs ACES

- If AGDC signs a contract to sell, operate, or manage the pipeline, that contract must be public information

Sell Confidentiality

→ Public Contract

Tom Williams (1981) Revenue Neutral.

separate accting vs Combined Accting

Trans Canada: 5 years w/ FERC

Important elements of the House version "Q.A" that were not included are:

- Findings that declare up front that this project is in the public convenience and necessity, and in the best interest of the state
- Commitment to advance the specific project described in the July 2011 report
- Authority to determine the form of ownership of the pipeline
- Eminent domain power
- Authority to issue debt via bonds and notes, "without limit as to principal amount"
- Priority in state permitting decisions
- Authority to operate as a contract carrier, with waiver from key provisions of the right-of-way leasing act that require common carrier access
    - Also eliminated a major (12-page) section that adds an entire new chapter to the Regulatory Commission of Alaska's statutes specifically for a contract carrier
    - Within that section were numerous problems that essentially exempted AGDC from any real regulation
- Right-of-way leases at no appraisal or rental cost, which could pass through to a private company also at no cost
- Mandatory access to municipal water, sand, and water resources
- Waiver from judicial review of any right-of-way, permit, lease, license, or other authorization issued by a state agency
    - The only recourse is to challenge the section of the bill granting the waiver within 60 days, or to claim that constitutional rights are being violated
    - If in court, the court would not be authorized to grant an injunction against the permit or action prior to final judgment
- ANGDA is not given the authority to pledge state royalty gas
    - This is an issue that needs to be explored in much greater depth due to provisions of the Pt. Thomson settlement, which say that Exxon will make royalty gas available to the state under certain circumstances
- Property tax waiver for all property owned by AGDC, prior to gas flowing

On Adjournment Night, the House Majority released a new draft CS "P" as a link to a press release. The major changes offered by this version are:

- If state funds are needed to build the project, AGDC must come to the state for an appropriation. This is a transparently inadequate attempt to resolve the "approve by law" issue
- Authorizes AGDC to plan and build a "Cook Inlet to Fairbanks" pipeline if there is adequate supply in Cook Inlet. This option is not given priority, and would require 20-year shipping contracts
- Creates a new set of "covenants" for state rights of way, if a contract carrier. These offer several improvements to the bill but are lacking in two key ways:
    - They don't provide a "utility preference" where in-state users would get gas before export customers in event of a supply or capacity shortfall
    - They offer expansion terms that are a much more difficult hurdle to overcome than what is in AGIA, and without the possibility of any tariff increase due to rolled-in rates, also as in AGIA
- The RCA section specifies more explicitly what information must be provided at an open season. The open season must include a recourse tariff. Sections provide for holding additional open seasons to fill uncommitted capacity or, when requested, for the purpose of expansion
- The RCA section allows for pre-subscription agreements, as well as the ability of offer interruptible service if there is unused capacity in the line
- The RCA section offers slightly more opportunity for parts of some contracts, but not precedent agreements, to become public information

State Revenue Issue

It's important to remember that there will be very little state revenue if a 500 mmcf/day bullet line is built. Assuming all the gas is consumed in-state; such a pipe would only generate about $60 million in royalties and $30 million in production taxes per year.

- HB 9 is a proposal to create a very powerful state agency (AGDC) that would facilitate extraction of a non-replenishable resource to give the most urban region of the state cheaper energy costs.

- This resource is held "in common" and belongs to all Alaskans. Rural Alaska will not benefit one bit from this. Therefore, Alaska's first priority should be getting NS gas to market in order to create a revenue stream to the state treasury. Then, and only then, should Alaska work towards getting that gas to the stove tops & hot-water heaters of Anchorage (most likely via a Spur Line).

- The Big 3 (BP, Conoco, & Exxon) have announced a settlement to Pt. Thompson. That settlement includes a timeline with certain prescribed deadlines that the companies must meet or lose their leases. This should create movement on a major export line. Therefore, a "bullet-line" is premature and would be redundant once the Big 3 builds a much bigger line (the tariff on a three-hundred mile spur line is a lot less than a 750 mile line). Let's wait & see what happens with NS gas.

- What about the Cook Inlet "renaissance"? We need to talk about this. This is a viable option. It's a lot cheaper to build a line from Cook Inlet to Fairbanks than the NS all the way to tidewater. Also, this line could be the eventual Spur-Line.

- AGDC should be given enough power & latitude to move forward and continue their work until next January (after the elections) & reevaluate with the "advice and consent of the Legislature" what

the next-step should be. Maybe our CS went too far: we are willing to listen to ideas to make it better bill - that is the legislative process. But, I believe we should hold firm on our CS being the working document.

- We also need to hold firm on legislative approval, by law, before AGDC issues bonds or incurs debt.

- We need to add to AGDC's duties: line from Cook Inlet to Fairbanks and Spur Line. This is why I removed from the bill: AGDC shall move forward on its July 1, 2011 report to the legislature. We need to stand firm on this.

- If they cry about importing LNG to Southcentral: WHO CARES? It might make bad headlines for a while, but we need to look into the costs to the consumer. Is it cheaper to import LNG or build a pipeline?

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USGS boosts estimate of Cook Inlet natural gas reserves

RECOVERABLE: Tapping resources aided by better technology, equipment.

By ERIKA BOLSTAD
ebolstad@adn.com

(06/29/11 12:55:00)

Cook Inlet holds far greater natural gas reserves than government scientists estimated 16 years ago, the last time they studied the region's potential, the U.S. Geological Survey announced Tuesday.

The USGS estimates that the Inlet holds 600 million undiscovered barrels of oil, 19 trillion cubic feet of natural gas and 46 million barrels of natural gas liquids.

That's up from the 1995 USGS estimates, which suggested there were about 2.14 trillion cubic feet of recoverable gas in an area that's seen steadily declining commercial interest until recently.

The government attributes the new, higher numbers to more current geologic information and data, but new technology also plays a role. The amount of technically recoverable gas is greater simply because there's better equipment and technology for tapping it, particularly the unconventional resources.

"Our resource estimates are for undiscovered, technically recoverable" resources, said USGS spokesman Alex Demas. "So what is technically recoverable has changed."

The USGS conducted the survey to address what it described in its report as "increased public concern about possible shortages of natural gas supplies in Anchorage and nearby communities."

Natural gas from Cook Inlet is Southcentral Alaska's principal source of energy for heating and electrical power generation, the report notes. Because of declining exploration and production in the Inlet, the region faces a depletion of the natural gas supply used by utilities for electricity and home heating.

U.S. Sen. Lisa Murkowski, the top Republican on the Senate Energy and Natural Resources Committee, said if the estimates prove correct, and companies continue to invest in the region, Alaska will have a "reliable, long-term supply of natural gas to meet local power needs."

She also said it was good news that the potential reserves were in state waters and on state lands, rather than on federal property.

"That means Alaska residents can expect the jobs, revenues and energy security benefits from these resources within just a few years, compared to the endless delays that plague development in federally held areas," she said.

Federal officials canceled a Cook Inlet lease sale this year for lack of interest. But the state of Alaska, which oversees the area covered in the USGS report, last week saw unusually high interest in leases it offered on 613,000 acres.

The state received just five bids for Cook Inlet tracts in 2009, and 37 in 2010. The number jumped to 110 in the recent sale, however, with Apache Alaska Corp. submitting 91 of the bids. Bids were valued at a total of $11 million.

Sen. Mark Begich, D-Alaska, called it "great news" for the state's energy industry.

"Of course, like all estimates, this one will take millions of dollars of investment and years of effort to capitalize on the enormous potential," he said. "For now, Southcentral utilities and their customers facing the prospect of dwindling gas supply may have reason to breathe a little easier."

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print

Opinions differ in Legislature on Cook Inlet gas availability

by Matt Buxton/mbuxton@newsminer.com
03.21.12 - 11:53 pm

FAIRBANKS — Cook Inlet has more than enough natural gas to fill a pipeline from Anchorage to Fairbanks and meet demand in Southcentral for decades, a gas explorer told the Senate on Wednesday.

Jim Watt, the CEO of oil and gas production and exploration company Buccaneer Energy Limited, made the statement during a presentation on his company's Cook Inlet projects to the Senate Resources Committee. Even if reserves turn out to be just half of what they expect, he said, it could yield as much as 40 years of gas.

Buccaneer Energy is one of two companies planning drilling exploratory wells in Cook Inlet this summer in hopes of finding part of the 19 trillion cubic feet of natural gas the U.S. Geological Survey, in a January report, said probably remains undiscovered. When asked by a member of the Resource Committee if there are enough reserves for a pipeline to Fairbanks, he said "yes."

"Well, obviously I probably have a biased opinion on that, but the answer is yes," he said. "Just on our opportunities, we can see a half of a trillion cubic feet of gas or more. When you take a look at the demand of Fairbanks over the longer term, I think there's more than enough gas to satisfy the Fairbanks requirements as well as the Southcentral demand."

The USGS report is a major improvement from the last report released in 1995, which estimated just 2.15 trillion cubic feet of natural gas remained in the Cook Inlet. Fairbanks, with a full distribution system, could require about 60 million cubic feet per day.

The previously shrinking reserve estimate for Cook Inlet caused fear among state lawmakers the gas field would run empty. The updated estimate, paired with exploration by companies such as Buccaneer, has reinvigorated discussions of piping Cook Inlet gas north to Fairbanks.

Fairbanks Democratic Rep. Bob Miller recently introduced a bill that would update a pipeline proposed by the Alaska Natural Gas Development Authority. It considered piping gas from Beluga to Fairbanks but was mothballed in 2010 amid fears Cook Inlet gas was running low.

Miller's study proposal was followed by a bill by Fairbanks Democratic Sens. Joe Paskvan and Joe Thomas that would prompt the state to pursue any line from Cook Inlet to Fairbanks. Miller, who welcomes the Senate's approach, said the investment by Barracuda and other companies shows they're on the right track.

"I would certainly have to say when someone is willing to make the kind of investment, that speaks volumes," Miller said. "That they're paying to have the jackup rig brought up here shows they have enormous confidence it's going to be profitable."

Buccaneer's message conflicts with that of House Speaker Mike Chenault, R-Nikiski, who is pitching an in-state line from the North Slope to Southcentral to shore up what he feels are dwindling Cook Inlet reserves.

At the same time Watt was telling the Senate there was enough gas in Cook Inlet to justify a pipeline to Fairbanks, Chenault painted a different picture to the House Finance Committee.

"The simple fact is that the Cook Inlet is running low on gas," he said. "I hope they find gas, but anyone who is living on the gas distribution system is living on a possible rolling brownout."

Chenault focused on guaranteed reserves, which only make up enough supply for two to three years, and was skeptical about betting on what could come out of this summer's exploration. He panned the idea of building a pipeline from Cook Inlet to Fairbanks, saying it could worsen a Cook Inlet shortage.

But Cook Inlet drying up is far from Watt's mind. In fact, the Buccaneer CEO said, Cook Inlet might have too much gas.

"With the two jackup rigs moving off shore, we're going to find a lot more gas, so the concern was, well, if you have a local market that could be satisfied with 50 million to 75 million a day, what are you going to do if you make a large discovery?" he asked. "That's where you need additional markets to sell that gas to. The advent of Fairbanks … will encourage oil and gas companies to invest for the longer term."

The renewed prospect of a Cook Inlet-to-Fairbanks line is catching hold with lawmakers because it provides a well-studied, cheaper and faster way to deliver natural gas to Fairbanks that would not only incentivize Cook Inlet exploration but would lay the groundwork for a later pipeline from the North Slope to Southcentral.

Gov. Sean Parnell said he's interested reviving the work done by ANGDA on the line to Fairbanks to help lower energy prices.

"I'm open to any possibility that brings gas to Fairbanksans and the Interior sooner," he said.

Thomas estimated it would cost between $1 billion and $1.5 billion to build a line from Cook Inlet to Fairbanks, while Chenault's bullet line from the North Slope to Southcentral would cost at least $7 billion.

A fiscal note with a cost estimate for the Cook Inlet-to-Fairbanks natural gas pipeline is expected at the end of the week.

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ALASKA
GASLINE
DEVELOPMENT CORP.
GAS FOR ALASKANS

ALASKA STAND ALONE GAS PIPELINE/*ASAP*

Cost to Consumer

Project Plan
July 1, 2011



EXECUTIVE SUMMARY

This document presents the findings and recommendations of the Alaska Gasline Development Corporation (AGDC) regarding how an in-state natural gas pipeline to deliver North Slope natural gas to Fairbanks, the Southcentral region of the state, and other communities whenever practicable can be designed, financed, constructed, and made operational. House Bill 369, passed by the 26th Alaska Legislature in April 2010, tasked the Alaska Housing Finance Corporation (AHFC) with developing a project plan, and AHFC established AGDC as a subsidiary corporation to pursue the project. AGDC built on previous work completed in July 2010 by the Alaska Department of Natural Resources under House Bill 113.

The Alaska Stand Alone Pipeline/***ASAP*** is a proposed 737-mile-long, 24-inch-diameter pipeline meant to supply natural gas to the Railbelt region of Alaska and meet the requirements of its enabling legislation.

This document recommends a plan to execute the commercial, financial, engineering, and permitting aspects of the ASAP Project and provides analyses to support the findings and recommendations related to the explicit and implicit work required under House Bill 369.

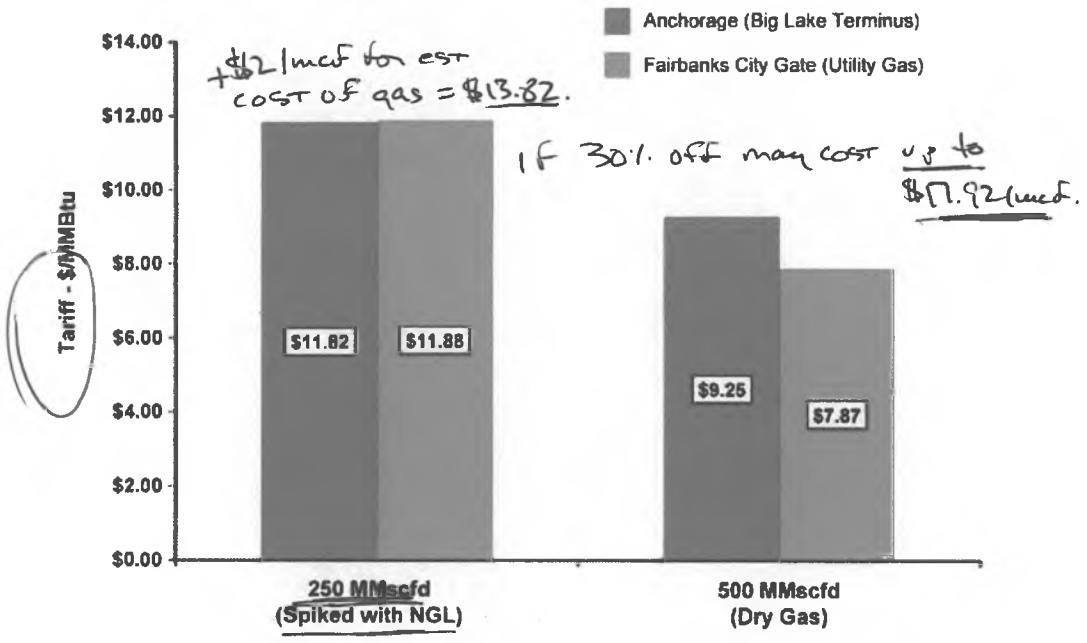
AGDC FINDINGS

- Using a reasonable set of economic assumptions, the project is likely to be commercially feasible with an un-inflated consumer cost in Anchorage of about $9.63 per million Btu (MMBtu)[1]. This cost is less than the next most practical alternative, imported liquefied natural gas (LNG), which would cost about $16 to $21/MMBtu (about $14 to $19/MMBtu plus local distribution charges of $2/MMBtu). The current cost of gas to Anchorage consumers is $8.85/MMBtu.[2]
- The un-inflated estimate of the cost of gas to Fairbanks consumers using the same set of reasonable assumptions as for Anchorage is $10.45/MMBtu. The current published natural gas cost for Fairbanks is $23.35/MMBtu.
- No other single project alternative is likely to address the same Cook Inlet energy-supply shortfall in a comparable timeframe; gas storage and hydroelectric projects are complementary to ASAP.
- The project, as described in this project plan, will cost $7.52 billion (in 2011 dollars) with an uncertainty range of ±30%.

→ $11B

[1] The Anchorage Bowl consumer cost of $9.63/MMBtu assumes a $2/MMBtu netback and a $2/MMBtu LDC and local pipeline cost.
[2] Source: http://enstarnaturalgas.com/ratesregulatory.aspx. See graph entitled "Commodity Cost vs. ENSTAR Charge."

250 mcf costs



NOTE: Tariffs for the 250 MMscfd (Spiked with NGL) case were derived from respective tariffs listed on p. 8 of *Alaska Stand Alone Gas Pipeline - Tariff Report* by Black & Veatch Corporation, July 2010, by subtracting the portion associated with NGL processing and adjusting for 2019 start-up.

Figure 3-5. Estimated Nominal-Dollar Tariffs for Alternative Design Options (Option 4 and Option 7)

* Plus possible cost of rebuild/expansion of Nikiski LNG plant

3.1.4 Lowest-Cost Alternative to ASAP Gas

3.1.4.1 Imported LNG Alternative

AGDC assumes that imported LNG is the only practical commercial alternative that can deliver gas to the Cook Inlet area in a timeframe that materially addresses the forecast natural gas supply shortfall. The technology exists to bring imported LNG to Cook Inlet via tankers that are able to re-gasify LNG and pump it into Cook Inlet storage.[21] In addition, permanent facilities could be built onshore to re-gasify LNG, or a floating LNG re-gasification facility could be moored in Cook Inlet to provide the same service.

A study undertaken by SAIC on behalf of AGDC[22] forecasts that imported natural gas will cost from $14 to $19/MMBtu (2011$) depending on the period over which the facility investors are allowed to recover capital costs. In nominal dollars, LNG imports will cost, assuming 3% infla-

[21] See SAIC: *Greenfield Liquefied Natural Gas (LNG) Economic Feasibility*, prepared for AGDC, June 2011, pp. 2-10 through 2-20.
[22] Ibid., p. 4-20.

Rep. Les Gara

From: Joe Dubler <jdubler@agdc.us>
Sent: Friday, March 23, 2012 2:30 PM
To: Rep. Les Gara
Cc: Rep. Mike Chenault; Rep. Mike Hawker
Subject: Fwd: ASAP LNG Pricing Detail
Attachments: image001.jpg

Representative Gara,

Our Commercial Manager's response to your LNG export value chain question is included below. If you have an other questions, feel free to contact me.
Thank you.

Sent from my IPad, so please pardon typos...

Joe Dubler | Alaska Gasline Development Corp | 907.330.6303 phone | 907.330.6309 fax

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ASAP LNG Pricing Detail
For Brownfield LNG Plant of 240 MMSCFD of LNG (500 MMSCFD Pipeline thruput) ($$/MMBTU in 2011$$)

Sales Price	$13.15
- Shipping	$0.73
- Liquefaction	$2.28
- ASAP tariff	$5.78
North Slope Netback	$4.36

(report assumes estimates possibly 30% off – As high as $17.05/mcf

Call if Qs.

Regards,

Daryl

AGDC Commercial Mgr
Email: dkleppin@agdc.us<mailto:dkleppin@agdc.us>

[cid:image001.jpg@01CD08F8.C9D36B40]<http://www.gasline.us.com/>
Daryl Kleppin<mailto:dkleppin@agdc.us> | Alaska Gasline Development Corp<http://www.gasline.us.com/> | 907.330.6312 phone | 907.227.4949 cell | Privileged and Confidential Communication: This electronic mail

(5)

Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

Prepared for:
Alaska Gasline Port Authority

Bill Walker

McDowell GROUP
Research-Based Consulting
Juneau
Anchorage

January 2012

(6)

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Approximate Current AK Consumer Costs		Anchorage - $8.85/MMBtu (natural gas) Fairbanks - $23.35/MMBtu (natural gas) Source: ASAP Project Plan. July 2011. Bethel – $40/MMBtu (diesel)	
Predicted Energy Prices (for Alaska consumers unless otherwise noted)	Fairbanks - $5.29/MMBtu wholesale natural gas cost at a city gate take-off (compared to a predicted diesel fuel wholesale cost of $27.23 per million BTU in 2021). Bethel - $25.31/MMBtu in 2021 (predicted diesel retail price of $52/MMBtu in 2021) according to medium case model. These predicted prices represent an approximate 50 percent reduction in energy price for Bethel. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.70/MMBtu for spur line from Glennallen. Source: Harris Group study 11/11, ISER, Heinze ANGDA 9/12/11.	Predicted Fairbanks off-take price as low as $4.19/MMBtu at city gate. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.95/MMBtu for spur off Alberta line at Delta Junction. This price predicts an approximate 33 percent reduction in Cook Inlet natural gas prices. Roger Marks estimates $6.75/MMBtu (slipping + liquefaction) Source: Heinze ANGDA 9/12/11 (Cook Inlet). Roger Marks (Fairbank).	Un-inflated 2011 consumer cost Anchorage - $9.63/MMBtu. (Inflated cost to 2021: $12.21/MMBtu). Un-inflated 2011 consumer cost Fairbanks $10.45/MMBtu (Inflated cost to 2021: $13.25/MMBtu). Source: ASAP Project Plan. July 2011, Heinze ANGDA 9/12/11. Inflation rate estimate based on Wood Mackenzie study for AGPA.
	According to the Office of the Federal Coordinator, a large volume pipeline is the likely source for the most affordable gas for Alaska consumers.		

It's committed to the project begun under the Palin administration in which TransCanada, working with partner Exxon Mobil, holds an exclusive state license to collect up to $500 million in state reimbursements for work toward a large-diameter, 48-inch pipeline. It could transport up to 4.5 billion cubic feet of natural gas a day.

TransCanada has favored a route through Alberta, tying in with the pipeline grid already serving the Lower 48. But with new technology generating massive amounts of gas from shale formations in the Lower 48, U.S. gas prices are low. TransCanada hasn't announced any commitments from oil producers to ship gas. Such shipping commitments are essential collateral for pipeline financing.

Late last year, fearing the project through Alberta had stalled, the governor directed TransCanada to look at a liquefied natural gas project with a pipeline ending at tidewater in Alaska. That's what he wants the players to agree on now.

At the same time, the state is investing in Chenault's 24-inch in-state pipeline project, sometimes called a bullet line. The law that creates the framework for the big pipeline, the Alaska Gasline Inducement Act, or AGIA, bars the state from putting state money into a competing big pipeline. So Chenault's state-backed line can transport no more than 500 million cubic feet of North Slope gas a day.

Work began two years ago under legislation also sponsored by Chenault. His new bill is intended to carry the project forward. Among other things, the Alaska Natural Gas Development Authority, a separate agency created 10 years ago through a voter initiative, would become folded into the housing corporation, where its mission would change from constructing a pipeline to trying to market or ship gas through one. The new role upsets the authority's supporters.

Parnell said he sees no need to pick one project or the other at this point.

"Absolutely not. House Bill 9 remains a critical path to getting Alaska's gas to Alaskans and to markets beyond."

PROJECT NOT RATIONAL?

House Democrats call Chenault's bill a flawed idea. They say the confidentiality measures are troublesome and that oversight by the Regulatory Commission of Alaska is too sharply limited. The project could disrupt progress toward a big pipeline and put a damper on gas exploration in Cook Inlet.

"Why would we, after decades of trying, and giving major incentives to Cook Inlet to be produced, why would we be undercutting it?" said House Minority Leader Beth Kerttula, D-Juneau. "The bill is really just a bad idea."

New estimates say there's significant natural gas in Cook Inlet, enough not only for Anchorage but also for new markets in Fairbanks -- which is clamoring for an affordable heating source, said Mark Myers, a geologist who served as state oil and gas director from 2001 to 2005 and went on to head the U.S. Geological Survey. He's now a vice chancellor with the University of Alaska Fairbanks.

That mutes any urgency to ship gas so far from the North Slope, Myers said.

The project, as designed, is not "commercially rational," he said. The smaller line would have to ship far more gas than Anchorage now uses to be economic, meaning the excess would have to be exported to Asia, just as Parnell wants to do with a big line, Myers said.

But "it's not really big enough to be cost effective as an LNG export plant, and it's too big for

internal gas markets," he said.

State Rep. Les Gara, D-Anchorage, proposed a number of changes but didn't find support for most of them in the House Finance Committee, which passed House Bill 9 on Friday. One idea voted down would have halted the project unless a thorough study found it was the best option for lower-cost energy in Alaska.

Anchorage customers could be hit with bills for the most expensive natural gas ever, paying perhaps four times the cost of gas from a big pipeline, because of expected high tariffs for shipping, Gara said. Regardless, they will likely pay more than they do now, he said.

The state gas line corporation could end up on the hook for billions, Democrats contend.

"That's money we can save for the future if we give the better natural gas options we have a chance and not kill them by moving ahead with this option -- which is a car that drives like a 1980 Yugo at the cost of a 2012 Lear Jet," Gara wrote in a recent newsletter.

Two Fairbanks senators are proposing to ship Cook Inlet gas north to Fairbanks. That may be a better idea, Gara said. There are also efforts to truck more gas south from the North Slope to serve Fairbanks.

Chenault has ready answers for the critics. The recent Cook Inlet gas estimates have not been confirmed. If Cook Inlet resources run low, the state might have to import LNG, which would be more expensive. The project won't go forward unless shippers and buyers emerge for the gas, and he expects some may go to mining operations. If the pipeline is full, the price to consumers will be along the lines of what they pay for Cook Inlet gas, Chenault says.

SUPPORT FROM FAIRBANKS

While much public testimony has gone against the bill, some Alaskans welcome what Chenault wants to do.

"We'll take whatever we can get," said Fairbanks Mayor Jerry Cleworth, who spends $8,000 to $10,000 a year on fuel oil for his 2,300-square-foot ranch home. The Interior is desperate for energy relief, and Chenault's bill has traction compared with other projects, he said.

As of November, about $31 million had been spent on the smaller gas line project. The Legislature has set aside $200 million that could be tapped for it if House Bill 9 passes. In all, it would cost an estimated $440 million for the engineering, permits, design work and financial negotiations needed to get the project ready to build, according to state estimates.

Backers say the smaller line could morph into something bigger through negotiations.

The legislation "gives AGDC the flexibility and the nimbleness to produce a larger project," Hawker, the co-sponsor, told the House Finance Committee.

For now, the bullet line is a fallback.

House Bill 9 is scheduled for debate on the House floor Monday. While some senators find the project questionable, Senate President Gary Stevens, R-Kodiak, has said the Senate will look at whatever the House passes.

9

HB

9

(FILE 2)

BACKGROUND REPORTS

<TARGET><BILL>HB 9</BILL><SUBJECT>HB 9 (FILE 2) BACKGROUND REPORTS</SUBJECT><COMM>SCRA27</COMM></TARGET>

APPROPRIATENESS OF IMPOSING COMMON CARRIER STATUS ON INTERSTATE NATURAL GAS PIPELINES

*William A. Mogel**
*John P. Gregg***

I. INTRODUCTION

For every problem there is a simple solution . . .
which is usually wrong.
H. L. Mencken[1]

Natural gas, which has been called a perfect fuel,[2] currently is too expensive,[3] priced too low,[4] in excess supply,[5] but will be in demand in the future.[6] Although

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**B.A. Hobart College 1979; J.D., The Washington College of Law, American University 1982; Member of the District of Columbia Bar; Associate, Ross, Marsh & Foster, Washington, D.C. The authors acknowledge the contribution by Marilyn Anderson, a student at George Washington University Law School.

[1] *See* 128 Cong. Rec. S14,697 (daily ed. Dec. 14, 1983)(remarks of Sen. Johnston) (paraphrasing Mencken in commenting on proposed natural gas price control legislation).

[2] Natural gas has been called a perfect fuel because it burns cleanly and is produced domestically. It accounts for approximately 27% of the energy consumed in the United States, supplies energy for about 55% of all residential and commercial establishments, and provides 40% of the energy that industry and agriculture consume. Natural gas is commonly measured in million cubic feet (Mcf) or its equivalent heating value, a million British Thermal Units (MMBtu). GAO, Information on Contracts Between Natural Gas Producers and Pipeline Companies 1 (1983). *Cf.* Commoner, *A Nearly Perfect Fuel*, New Yorker, May 2, 1983, at 66 (discussion of history and future use of methane, the principal component of natural gas).

[3] Consumer interest groups view the price of natural gas as unnecessarily high because of "excessive rigidity" and lack of competition under the Natural Gas Policy Act of 1978. *See* Natural Gas Legislation Proposals: Hearings on S. 615 Before the Senate Comm. on Energy and Natural Resources, 98th Cong., 1st Sess. 3 (1983) (unpublished) (statement of Phillip R. O'Connor, Chairman of the Illinois Commerce Commission) (Mar. 12, 1983) [hereinafter cited as 1983 Senate Hearings]. In 1970, natural gas cost an average $0.91 per Mcf at the burnertip. The burnertip price includes all production, transportation, and local distribution costs. In 1978, the price had risen to $2.83. In 1982, the average cost of natural gas at the burnertip was $6.08. GAO, Natural Gas Price Increases: A Preliminary Analysis 7 (1982) (Table 2).

[4] Natural gas producers argue that the current pricing scheme provides no incentive to produce certain kinds of regulated gas and results in less than full potential reserve additions. *See* Natural Gas Legislation Proposals: Hearings Before the House Subcomm. on Fossil and Synthetic Fuels of the House Energy and Commerce Comm., 98th Cong., 1st Sess. 10-13 (1983) (unpublished) (statement of Donald G. Russell, Vice President of Production Shell Oil Company) (Apr. 14, 1983) [hereinafter cited as 1983 House Hearings]. These concerns have sparked the debate on the decontrol of "old gas" — gas produced from fields "committed or dedicated" prior to 1978. *See* 15 U.S.C. § 3431(a)(A) (Supp. V 1981) ("the Natural Gas Act . . . and the jurisdiction of the Commission . . . shall not apply to natural gas which was not committed or dedicated to interstate commerce as of November 8, 1978, solely by reason of any first sale of such natural gas.").

[5] The chief irony of the current market is that prices are rising despite an oversupply. Earlier price ceilings have become price floors that maintain natural gas prices or cause them to rise regardless of the market activity. *See, e.g.*, 129 Cong. Rec. S4260 (daily ed. Apr. 7, 1983) (remarks of Sen. Kassebaum) ("the problem is a deliverability surplus of natural gas, and — most troubling of all — sharp increases in natural gas prices"); *id.* at S4263 (remarks of Sen. Sasser) ("the poor and the elderly have become economic captives of a distorted natural gas market. . . . [S]upplies are now in a surplus, [but the cost has] . . . skyrocketed some 60 percent"). For a further discussion of rising prices and oversupply in the natural gas industry, see *infra* notes 39-44 and accompanying text.

[6] Despite the current oversupply, some observers have estimated that demand for natural gas in the industrial market may double by the year 2000. *See* Muchow, *The Future of Gas Energy*, 2 Energy L.J. 241,

natural gas has enjoyed a price advantage over alternative fuels,[7] natural gas now is more expensive than fuel oil in many parts of the United States.[8] This has caused a significant problem for interstate natural gas pipelines which find that their markets are eroding at the same time when they must take or pay for large volumes of unmarketable natural gas pursuant to contractual obligations incurred in the middle and late 1970's during the period of natural gas curtailments.[9]

As a partial solution, some[10] have argued that the existing approximately 269,000 mile natural gas pipeline transportation system[11] is a barrier to the sale, transportation, and use of natural gas unless that system is converted to one of common, or at least, contract carriage.[12] As a result, the Reagan Administration and several members of Congress recently introduced legislation to impose common carrier obligations on interstate natural gas pipelines.[13] If this occurred, large

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243 (1981). Some industrial consumers have had difficulty acquiring adequate supplies. *See* Inquiry Into Purchasing Practices of Interstate Pipelines, 48 Fed. Reg. 25,264 (1983) (Federal Energy Regulatory Commission notice of informal public conference to determine whether pipelines favor certain end-users with respect to transportation of gas).

[7] Residual fuel oil (high sulphur oil No. 6) is the primary alternative fuel to natural gas; coal, propane, and electricity are lesser alternatives. Although the typical homeowner who uses natural gas for heating cannot use two completely different sources of energy because of the expense involved, some large industrial users of energy have installed dual energy systems — usually one oil fueled boiler and one natural gas fueled boiler — to enable them to switch to the least expensive energy source for a given period of time. *See generally* Energy Information Administration, U.S. Dep't of Energy, The Natural Gas Market Through 1990 32-34 (1983) (discussing natural gas competition with other fuel sources in transportation, residential, commercial, industrial, and electric utility markets). Consumption of natural gas by industry dropped an estimated 14% in 1982, due in part to "fuel switching." *See infra* note 38.

[8] The GAO has reported, for example, the in January 1983 the price at which Illinois Power Company sold natural gas to its industrial customers was $4.44/MMBtu. The residual fuel oil price to those customers at that time was $4.17/MMBtu. *See* GAO, State and Local Responses to Natural Gas Price Increases 23 (1983). Natural gas prices have increased steadily while the OPEC collapse has caused the spot-market price of residual fuel oil to drop from $30.35 to $26.00 between October 1982 and April 1983. *Id.*

[9] When a natural gas pipeline has inadequate supplies of natural gas with which to fulfill its contractual obligations, it must necessarily curtail deliveries to certain customers. In 1970, the United States first experienced chronic natural gas shortages. *See* FPC v. Louisiana Power & Light Co., 406 U.S. 621, 626 & n.2-30 (1972). *See generally* Mogel, *Food, Fuel and Federal Curtailment Regulation* 56 Chi.-Kent L.Rev. 789 (1980). For a discussion of take-or-pay contractual obligations, see *infra* notes 46-47 and accompanying text.

[10] The Association for the Equal Access to Natural Gas Markets and Suppliers (NGEA) is a leading voice in the effort to alter the status of natural gas pipelines. NGEA claims it "is a nonprofit association for independent producers and users of natural gas which was established to promote greater access to natural gas markets for producers and greater access to natural gas suppliers for users." 1983 Senate Hearings, *supra* note 3 (statement of David W. Wilson, President NGEA) (Mar. 11, 1983).

[11] The entire network of natural gas pipelines, including local distribution companies, extends over one million miles. *See AGA Gas Facts* 59 (1981) (Table 46).

[12] The distinction between a common carrier and a contract carrier is that a common carrier by law must carry the goods of all members of the public that request his service. A contract carrier transports only goods of certain customers. This distinction is confusing because both terms are used in pending legislation. *See infra* note 181 and accompanying text. Neither term is completely appropriate. Most proposals would impose "mandatory contract carriage" such that a pipeline must allocate all available capacity. Yet pipelines are already contract carriers, in the traditional sense, because they are authorized to perform services under individual contracts. What is at stake generally is the imposition of certain, but not all, common carrier obligations. Thus, for clarity and simplicity, general references to legislative proposals in this Article are made to "common carrier proposals," although the central proposals would not require that a pipeline become a common carrier. For a more detailed discussion of this distinction, see *infra* Section III., B.

[13] *See infra* notes 151-70 and accompanying text.

end-users of natural gas, such as petrochemical companies,[14] as well as local distribution companies, could purchase natural gas directly from producers in the field, compel transportation of the gas to their plants or distribution facilities, and pay, presumably, a lower price than paid presently to their interstate pipeline supplier.[15]

This Article discusses the various proposals intended to make interstate natural gas pipelines subject to the principles of common carriage. As background, an overview is given of the existing regulatory structure of the natural gas pipeline industry. Second, the history of common carriage and contract carriage is discussed. Third, this Article analyzes past legislative attempts to impose common and/or contract carrier status on interstate natural gas pipelines. The final sections examine current attempts to subject natural gas pipelines to common or contract carriage principles. It is concluded here that imposing common carrier obligations on interstate natural gas pipelines may be appropriate in alleviating certain price distortions but would not be a great benefit to all natural gas consumers because of the established structure of the natural gas industry.

II. The Natural Gas Industry

Are you gonna get any better, or is this *it?*
Earl Weaver[16]

A. The Past

There are three major segments of the natural gas industry: production, transmission, and distribution. Essentially, interstate natural gas pipeline companies act as middlemen, buying natural gas from producers at the wellhead, transporting it, and reselling it directly to large end-users or to local distribution companies,[17] which in turn resell it for a variety of end users.[18] In addition, several interstate natural gas pipelines also have established their own production affiliates for the purpose of developing their own natural gas reserves.[19] Interstate pipelines also perform, on a limited basis, contract carriage service, for which they receive the cost of transportation plus a profit.[20]

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[14] Industry uses natural gas principally for heating, as process gas — used when alternative fuels are not technically feasible, such as for precise temperature controls — and as feedstock gas — used as raw material in the creation of an end product. 18 C.F.R. § 2.78(c) (1983). For example, the petrochemical industry uses natural gas as feedstock in its chemical processes because of natural gas' chemical properties.

[15] The Illinois Commerce Commission has estimated that a $5 to $10 billion savings per year would result nationally if Congress changed the status of interstate natural gas pipelines to common carriers. *See* 129 Cong. Rec. H2089 (daily ed. Apr. 14, 1983) (remarks of Rep. Corcoran).

[16] Will, *The Triumph of Bankers,* Wash. Post, Aug. 4, 1983, at A21, Col. 8.

[17] About 1,500 local distribution companies operate in the United States. Because these companies have natural monopolies within the industry, municipal and state agencies regulate them as public utilities. *See* R. Stobaugh & D. Yergin, Energy Future 159 (1979).

[18] *See supra* note 14.

[19] *See* Mid-Louisiana Gas Co. v. FERC, 664 F.2d 530, 533 (5th Cir. 1981), *vacated and remanded,* 103 S. Ct. 3049 (1983).

[20] The Commission has encouraged contract carriage transportation by promulgating regulations designed to facilitate such transactions. *See* Order No. 30, Transportation Certificates for Natural Gas for the Displacement of Fuel Oil, 44 Fed. Reg. 30,323 (1979) (codified at 18 C.F.R. § 284.200-.208); Order No. 27, Certification of Pipeline Transportation for Certain High Priority Uses, 44 Fed. Reg. 24,825 (1979) (codified at 18 C.F.R. § 157.100-.105); Order No. 2, Amendment to Policy Regarding Certification of Pipeline Transportation Agreements, 43 Fed. Reg. 5362 (1978) (codified at 18 C.F.R. § 2.79). Participation in these programs has been limited. In 1982, there were no ongoing Order No. 2 transportation arrangements, and 10 ongoing under Order No. 27. *See* 48 Fed. Reg. 34,875, 34,880 n.8-881. *See also infra* note 54.

The federal government's first significant involvement with the natural gas industry was in 1938 with the passage of the Natural Gas Act (NGA).[21] The NGA granted the Federal Power Commission and its successor, the Federal Energy Regulatory Commission (Commission)[22] the authority to regulate the transportation and sale of natural gas for resale in interstate commerce. The NGA further provided that natural gas pipeline facilities cannot be constructed or abandoned without prior approval of the Commission.[23] Further, no rates for natural gas transported and sold for resale in interstate commerce can be charged unless first approved by the Commission.[24]

Until 1954, the Federal Power Commission essentially regulated only the interstate natural gas companies that resold gas to local distribution companies, *i.e.*, interstate pipelines. The NGA had left ambiguous the question of whether the sale of gas from a producer to the pipeline was a "sale for resale." In *Phillips Petroleum Corp. v. Wisconsin*,[25] however, the United States Supreme Court concluded that the Commission had authority to regulate at the wellhead the sale for resale of natural gas by producers.[26] The Supreme Court's ruling created an administrative nightmare at the Commission, which subsequently adopted various ratemaking formulas by which it regulated the price of natural gas until 1978.[27]

What evolved from *Phillips* was a bifurcated natural gas market. The federal government regulated the price of natural gas destined for the interstate market, while the states left unregulated the intrastate market.[28] In the late 1960's, when natural gas first became less abundant and demand increased, its price rose. In the interstate market, however, regulation kept the price of natural gas artificially low.[29] As the price rose in the intrastate market, a two-tiered market resulted. Because

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[21] Pub. L. No. 688, 52 Stat. 821 (1938) (codified as amended at 15 U.S.C. §§ 717-717w (1976 & Supp. V 1981)).

[22] The Natural Gas Act conferred jurisdiction on the Federal Power Commission (FPC) to regulate natural gas that is sold in interstate commerce for ultimate public consumption. 15 U.S.C. § 717b (1976). In 1978, the FPC became the Federal Energy Regulatory Commission (FERC), a five-member independent regulatory agency within the Department of Energy. *See* 42 U.S.C. §§ 7171-7177 (Supp. V 1981); Exec. Order No. 12,009, 3 C.F.R. 142 (1978), *reprinted in* 42 U.S.C. § 7341, at 854-55 app. (Supp. III 1979).

[23] 15 U.S.C. § 717f (1976 & Supp. V 1981). In addition, the Act required pipelines to demonstrate holdings of massive, long-term reserves as conditions for certification and licensing. The Commission adopted this requirement in construing the meaning of a public convenience and necessity. *See generally* Kansas Pipe Line & Gas Co. and North Dakota Consumers Gas Co., 2 F.P.C. 29, 40 (1939) (discussing guidelines for applications of certificate of public convenience and necessity under NGA).

[24] 15 U.S.C. § 717c-717d (1976 & Supp. V 1981). The Commission has the authority to approve only just and reasonable rates. *Id.* § 717c(a). *See* FPC v. Hope Natural Gas Co., 320 U.S. 591, 611 (1944).

[25] 347 U.S. 672 (1954).

[26] *Id.* at 682-84.

[27] The Commission originally attempted to adjudicate each producer's rate for each well. When this proved infeasible, the Commission moved to ratemaking by rates based on area prices. *See generally In re* Permian Basin Area Rate Cases, 390 U.S. 747, 761 (1968) (Commission's adoption of area pricing within constitutional limitations); Southern Louisiana Area Rate Cases, 428 F.2d 407, 425 (5th Cir. 1970) (determination of area pricing rates may include non-cost items), *cert. denied*, 400 U.S. 950 (1971). The Commission next moved to setting rates on a national basis. *See* American Pub. Gas Ass'n v. FPC, 567 F.2d 1016, 1049 (D.C. Cir. 1977) (affirming Commission's use of nationwide ceilings during national supply emergency), *cert. denied*, 435 U.S. 907 (1978).

[28] *See generally* R. Stobaugh & D. Yergin, *supra* note 17, at 62-66.

[29] Federal regulation prohibited interstate pipelines from paying prices that exceeded a regulatory ceiling of between 16¢ and 17¢ per Mcf. *See* Breyer & MacAvoy, *The Natural Gas Shortage and the Regulation of Natural Gas Producers*, 86 Harv. L. Rev. 941, 979 (1973). Prices for new gas rose from 17¢ per Mcf in 1966 to 20.3¢ per Mcf in 1970. Intrastate pipelines could pay prices of up to 26.5¢ per Mcf while the regulated interstate pipelines could bid only 16¢ to 17¢ per Mcf as established by the regulatory ceiling. *Id.*

natural gas received a significantly higher price in the intrastate market, a surplus developed in that market and shortages were experienced in the interstate market, which included all states in which little or no production took place.[30] Thus, in the 1970's, natural gas, which traditionally had been in plentiful supply, was not available in sufficient volumes to satisfy fully the demands of markets served by interstate natural gas pipelines.

The natural gas shortages in the 1970's produced a debate in Congress that resulted in the Natural Gas Policy Act of 1978 (NGPA).[31] The NGPA effected several changes to remedy the dual market phenomenon, while abetting the creation of new problems for the 1980's. The NGPA eliminated the preference enjoyed by the intrastate market by imposing the same wellhead price controls on the intrastate market as imposed on the interstate market[32] and by imposing a scheme of gradual deregulation for some categories of gas and complete price deregulation for others.[33] Essentially, the NGPA created three major categories of natural gas: "high-cost" natural gas,[34] "new gas"[35] and "old gas."[36]

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[30]The rate of interstate reserve additions declined from 79% of all reserves added in 1968 to 17% of all reserves added in 1973. American Pub. Gas Ass'n v. FERC, 587 F.2d 1089, 1095 n.5 (D.C. Cir. 1978).

[31]Pub. L. No. 95-621, 92 Stat. 3352, 15 U.S.C. §§ 3301-3432 (Supp. V 1981). For a general discussion of NGPA, see MacAvoy, *The Natural Gas Policy Act of 1978*, 19 Nat. Resources J. 811, 819-21 (1979) (NGPA's purpose, policy problems, and policy content); Nordhaus, *Producer Regulation and the Natural Gas Policy Act of 1978*, 18 Nat. Resources J. 829, 841-43 (1979) (producer regulations under NGPA).

[32]*See* 15 U.S.C. §§ 3301, 3315 (Supp. V 1981) (providing for uniform price treatment of new natural gas whether interstate or intrastate).

[33]15 U.S.C. §§ 3331-3333 (Supp. V 1981). *See* Pierce, *Natural Gas Regulation, Deregulation, and Contracts*, 68 Va. L. Rev. 63, 87-90 (1982) (discussing statutory scheme of NGPA). Title II of NGPA required FERC to apply incremental pricing to industrial boiler fuel facilities served directly or indirectly by interstate pipelines within one year of the enactment of NGPA, and to expand that rule to apply to other industrial applications within six months of enactment. 15 U.S.C. §§ 3341-3342 (Supp. V 1981). Title III gave the President authority to declare a gas supply energy. *See id.* §§ 3361-3364. Title IV established a system of priorities during curtailment of natural gas supplies. *See id.* §§ 3391-3394.

[34]High-cost natural gas, deregulated in November 1979, is gas that is expensive to locate and produce. It includes gas from new wells producing from a depth of greater than 15,000 feet, gas from geopressured brine, occluded gas from coal seams, and gas produced from Devonian shale. NGPA § 107(c), 15 U.S.C. § 3317(c) (Supp. V 1981).

[35]New gas accounts for a much larger amount of natural gas than high-cost natural gas. It includes newly discovered natural gas, *see id.* § 102, 15 U.S.C. § 3312, for which the price ceiling was $3.34/MMBtu in March 1983, and gas from new onshore production wells, *id.* § 103, 15 U.S.C. § 3313, for which the price ceiling was 2.47/MMBtu in March 1983. Final deregulation of new gas will conclude between 1985 and 1988. Before deregulation, however, price ceilings undoubtedly will rise. The price ceiling for gas from new onshore production wells increases only at the rate of inflation, *id.* § 103(b)(1)(B), 15 U.S.C. § 3313(b)(1)(B), but the price ceiling for new natural gas increases at inflation plus four percent. *Id.* § 102(b)(2)(B)(ii), 15 U.S.C. § 3312(b)(2)(B)(ii).

New natural gas from new onshore production wells deeper than 5,000 feet not dedicated to interstate commerce before April 20, 1977, and intrastate gas not dedicated to interstate commerce prior to passage of NGPA that is sold for more than one dollar per MMBtu, will be deregulated January 1, 1985. Gas from new onshore production wells less than 5,000 feet deep that is not dedicated to interstate commerce before April 20, 1977, will be deregulated on July 1, 1987. *Id.* § 121, 15 U.S.C. § 3331. Either the president or Congress can reimpose price ceilings for a maximum period of eighteen months any time between July 1, 1985, and June 30, 1987. *Id.* § 122, 15 U.S.C. § 3332.

[36]Of the three categories, old gas has the most volumes of gas supplies. It includes: gas dedicated to interstate commerce prior to the enactment of NGPA, *id.* § 104, 15 U.S.C. § 3314, with ceiling prices varying from $0.28 to $2.27 per MMBtu in March 1983; gas sold under preexisting intrastate contracts, *id.* § 105, 15 U.S.C. § 3315, with ceiling price varying according to contract provisions; gas sold under rollover contracts, *id.* § 106, 15 U.S.C. § 3316; stripper well gas, *id.* § 108, 15 U.S.C. § 3318, with a ceiling price of $3.58 per MMBtu in March 1983; and gas not otherwise covered by the NGPA

The NGPA brought significant and unanticipated changes for the natural gas industry. In general, the NGPA is perceived as having accomplished its goal of eliminating a dual market and increasing supplies. Nevertheless, many fault the NGPA for a number of new problems.[37] The NGPA has been blamed for affecting adversely interstate pipeline purchasing practices, *i.e.,* onerous take-or-pay provisions and above market clearing prices. Prior to the NGPA, interstate pipelines faced lower risks in buying and reselling natural gas than encountered today. Under the NGPA, pipelines are exposed to significant fluctuations in field prices and a concomitant number of market decisions. Pipelines must choose carefully from the various categories of natural gas to achieve a cost-mix acceptable to its customers. Moreover, as the price of natural gas to consumers rises, demand for gas has become much more sensitive. These factors, combined with the recent warmer than normal winters and economic recession,[38] have raised questions about the possible reordering of the structure of natural gas industry pipeline industry.

B. Current Issues

The term "market disorder" has been used to describe distortions that have developed in the natural gas market.[39] After a decade of soaring oil prices and a lesser period of natural gas shortages, a natural gas surplus and declining oil prices are manifest in the early 1980's.[40] Like past natural gas shortages which partly resulted from Commission regulation that kept interstate prices at an artificially low level, the present natural surplus also results from federal regulation or "deregulation" under the NGPA. The chief anomaly is that the price of natural gas has increased steadily despite a condition of oversupply. Also, pipeline suppliers seemingly have overlooked lower cost natural gas while acquiring more expensive supplies, including imported liquefied natural gas. All these factors have combined to create a serious and possibly irreversible consequence for the natural gas industry: markets permanently lost to alternate fuels and conservation. When the price of natural gas surpasses that of fuel oil, large industrial and commercial users of natural gas have the ability and incentive to switch to the cheaper fuel, thus

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Act, *id.* § 109, 15 U.S.C. § 3319, with a ceiling price of $2.27 per MMBtu in March 1983.

Old intrastate gas sold under contracts in existence on November 8, 1978, or under intrastate rollover contracts, *id.* §§ 104, 106(b), 15 U.S.C. §§ 3314, 3316(b), will be deregulated on January 1, 1985, along with new natural gas, *see infra* note 35, if the contract price exceeds one dollar per MMBtu on December 31, 1984. Because the regulation contains the rate of price increase after deregulation, however, an indefinite escalation clause, cannot exceed inflation plus three percent per year. *Id.* § 105(b)(3), 15 U.S.C. § 3315(b)(3).

[37] *See, e.g.,* Radio Address of the President to the Nation, 129 Cong. Rec. S1733 (daily ed. Feb. 28, 1983) (prices will remain artificially high because NGPA prevents freedom to contract based on market forces); Mogel & Mapes, *Assessment of Incremental Pricing Under the Natural Gas Policy Act of 1978,* 29 Cath. L. Rev. 763, 794-98 (1978) (Title II of NGPA will advance natural gas and petroleum fuels energy crisis by discouraging conservation).

[38] The AGA reported that in 1982 U.S. industrial demand for natural gas dropped an estimated 14%, compared with an average annual decline of 1.1% during the period 1978-81. The study attributed 46% of the decline to the economic recession, 29% to fuel switching, and 25% to energy conservation. *See* Foster Rep. No. 1402 at 17 (Feb. 17, 1983). The use of electricity declined an unprecedented 2% in 1982 for some of the same reasons. Wash. Post, Sept. 11, 1982, at A1.

[39] *See* Berry, The Turmoil Over Natural Gas, Wash. Post, May 8, 1983, at L1, col. 1. *See generally* Impact of the NGPA on Current and Projected Natural Gas Markets, 47 Fed. Reg. 19,157, 19, 159-60 (1982) (Commission Notice of Inquiry into market distortions); Statement of Policy, 47 Fed. Reg. 6253, 6255-56 (1982) (codified at 18 C.F.R. § 2.300) (market-ordering problem "engendered by major structural flaws" in NGPA).

[40] *See supra* notes 5 and 8.

exacerbating the current natural gas glut.[41]

The natural gas oversupply situation creates serious consequences for the industry. First, the diminished market for new gas has caused a sharp decline in natural gas exploration.[42] Second, smaller independent producers that borrowed heavily in contemplation of sales income that is not forthcoming now may default on these loans. Third, notwithstanding their current oversupply problems, natural gas transmission companies presently have contractual obligations to buy additional supplies which they cannot sell[43] or store because they have reached or are close to reaching the capacity of their storage systems.[44]

At the center of the controversy are two legal issues. First, section 601(c) of the NGPA[45] allows interstate pipelines to pass through automatically their cost of purchased gas. Consumer interests forced to pay the higher cost of deregulated gas claim that this passthrough guarantee partially has negated the pipelines' incentive to acquire the lowest cost natural gas. The second major legal issue concerns the contracts that pipelines negotiated with producers of natural gas following the shortages in the mid-1970's. In the sellers' market that followed those natural gas shortages, producers were able to negotiate contract provisions that called for the pipeline to either take natural gas or, even if not taken, pay for it.[46] Fundamentally, pipelines may have overestimated their supply needs in light of their experience of

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[41] *See infra* note 180 and accompanying text. Because the degree of the 1983 economic recovery is uncertain, it is difficult to predict how long the oversupply situation will last. A study conducted by Merrill Lynch predicted that two-thirds of the surplus should be consumed by the end of 1983 based on a 4.5% increase in demand and 18% drop in reserve additions. Oil & Gas J., Feb. 21, 1983, at 67.

[42] Drilling activity began to drop sharply at the end of 1982. In May 1983, the FERC reported that there were 40% fewer drilling rigs in operation than in May 1982. FERC, Monthly Gas Industry Activity Report (No. 33) (May 31, 1983) at 1 (prepared by Office of Regulatory Analysis).

[43] Columbia Gas Transmission Corporation, which supplies natural gas throughout the northeast, had such a large surplus of natural gas in 1982 that it could not purchase relatively inexpensive gas produced from wells in Appalachia. Over 20,000 small wells were shut down, and thousands of dollars worth of natural gas was consequently vented in the field. *See* Wash. Post, Sept. 4, 1982, at A1, col. 2.

[44] FERC has acknowledged that over 2 trillion cubic feet (Tcf) of excess annual deliverability existed in 1982. *See* Off-System Sales by Interstate Pipelines; Statement of Policy, 48 Fed. Reg. 20,124, 20,125 (1983). FERC further reported that for the spring of 1983, "working" and "total storage" inventories for 37 interstate pipelines were 45.5% (470 Bcf) and 17.5% (594 Bcf) higher, respectively, than in the spring of 1982. *See id.* at 20,128 n.5 (concurring statement of Comm'r Richard). The storage of natural gas, primarily in underground formations, serves an important function. Demand for natural gas fluctuates dramatically according to the season. For example, in January 1979 monthly residential sales were 899.66 Bcf compared with 15.21 Bcf in July 1979. *See 1 Regulation of the Gas Industry* § 2[2][g] (AGA 1st ed. 1981). Without the ability to draw from storage, most pipelines would be unable to meet the demand for natural gas in winter months. The inability to store natural gas was a major reason behind industry opposition to efforts to make natural gas pipelines common carriers in 1914 and 1935. *See infra* notes 90-91, 102-03 and accompanying text.

[45] 15 U.S.C. § 3431(c) (Supp. V 1981). Pipelines' purchasing practices under this passthrough provision have become the source of considerable controversy because the increased cost of gas is regularly passed on to the consumers in periodic rate increase filings. Debate also has arisen over the meaning of the language of the section. *See generally* Statement of General Policy and Interpretations Under the Natural Gas Policy Act, 47 Fed. Reg. 6253 (codified at 18 C.F.R. § 2.300) (limiting consideration of NGPA's § 601(c) fraud standard to whether amounts paid by pipelines were excessive as result of first seller's misrepresentation); Columbia Gas Transmission Corp., 21 FERC (CCH) ¶ 63,100 (Dec. 30, 1982) (ALJ's initial decision holding that pipeline's practice of reducing purchases of low-cost gas in favor of high-cost deregulated gas constituted "abuse" under NGPA § 601(c)(2)).

[46] *See* Tennessee Gas Pipeline Co. v. FERC, 606 F.2d 1094, 1114-28 (D.C. Cir. 1979) (Wilkey, J., concurring), *cert. denied*, 445 U.S. 920, 447 U.S. 922 (1981). Other special contract terms included indefinite-escalator clauses, most-favored-nation clauses, minimum bills, and area rate clauses. For a discussion of pipeline contracting practices, see Pierce, *supra* note 33, at 77-82.

having been caught short before. These "take-or-pay" clauses have been the object of much debate because of the oversupply situation.[47]

Recently, most of the Nation's large natural gas pipeline companies have taken significant efforts to alleviate their oversupply problem and to retain their eroding markets. Several have tried to lower gas purchase costs by modifying long-term contracts with natural gas producers in order to take without penalty natural gas below minimum contractual levels.[48] This type of action has not been uniformly welcomed. For example, Tennessee Gas Pipeline Company's emergency gas purchase policy, under which the pipeline attempted to lower costs by reducing purchases to a percentage of contract volumes regardless of contractual terms, was immediately challenged by producers in state and federal courts.[49] Other pipelines have undertaken experimental marketing programs in order to sell surplus natural gas.[50] Transcontinental Gas Pipe Line Corporation (Transco), for example, has begun a six-month experimental Industrial Sales Program (ISP).[51] By the terms of

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[47] Faced with larger fuel bills, consumers and their representatives are outraged by the irony of take-or-pay contracts. If any natural gas legislation passes in the current session of Congress, the bill will almost certainly address take-or-pay contracts. In the last session of Congress, a group of senators from the Midwest forced the issue to the floor of the Senate in December. *See* 128 Cong. Rec. S14694-721 (daily ed. Dec. 14, 1982). Although the Senate tabled an amendment to the NGPA that would have effectively outlawed take-or-pay provisions, *id.* at S14710 (56-38 vote to table), FERC quickly responded to congressional concern. On December 16, 1982, the Commission announced a new general policy regarding prepayments for natural gas pursuant to take-or-pay provisions in natural gas contracts and to amendments that became effective after December 23, 1982. Take or Pay Provisions in Gas Purchase Contracts; Statement of Policy, 47 Fed. Reg. 57,268 (1982) (codified at 18 C.F.R. § 2.103). The policy statement provides that the Commission will apply "a rebuttable presumption in general rate increases that prepayments to [natural gas] producers will not be given rate base treatment if the prepayments are made pursuant to take or pay requirements in such gas purchase contracts or amendments to which exceed 75 percent of annual deliverability." *Id.* at 57,270.

[48] For example, on March 29, 1983, Columbia Gas Transmission Company sent a letter to each of its over 3,000 producer-suppliers, notifying them that effective April 1, 1983, the pipeline would reduce its takes of gas to the amount it could absorb, or approximately 50% of the volumes specified in the contracts. In addition, Columbia notified producers that it would pay no more than 110% of the price for No. 2 fuel oil for high-cost deregulated gas. Through these actions, Columbia hoped to reduce its rates. *See generally* Holmes, *The Implosion at Columbia Gas,* Fortune, May 2, 1983, at 185, 196 (declining gas prices force Columbia Gas to rely on force majeure clauses in contracts and stop purchasing gas); Wash. Post, Apr. 6, 1983, at Fl, col. 1 (Columbia Gas invokes force majeure clause to avoid contract inability.) Columbia has asked the Commission to issue a declaratory order ruling that a producer's withholding of lower priced natural gas in order to maximize sales of high-cost gas is an unlawful violation of the producer's obligation under the Natural Gas Act. "Petition for Declaratory Order," Columbia Gas Transmission Corp., Docket No. C183-304-000 (filed July 12, 1983).

[49] Columbia's and Tennessee's actions have been challenged in court. *See, e.g.,* Exxon Corp. v. Columbia Gas Transmission Corp., No. 83-1586 (W. D. La. filed June 22, 1983); The Superior Oil Co. v. Tenneco Inc., No. 83-3053-A (15th Dist., Lafayette Parish, La., June 24, 1983) (granting preliminary injunction against pipeline). *But see* Tennessee Gas Pipeline Co. v. Amoco Production Co., *et al.,* Docket No. RP83-109-000 (filed July 14, 1983) (complaint by pipeline requesting FERC to assert primary jurisdiction in contract suits by producers). *Cf.* Gulf Oil Corp. v. FERC, 706 F.2d 444, 452-55 (3d Cir. 1983) (narrow construction of force majeure provision in natural gas producer's warranty contract).

[50] *See, e.g.,* Texas Gas Transmission Corp., Docket No. CP83-485-000 (filed Aug. 25, 1983) ("AMFEED": one-year experimental marketing program for ammonia plant); Columbia Gas Transmission, Docket No. CP83-452-000 (filed Aug. 1, 1983) (application to transport gas sold by Exxon Corp. to industrial users on pipeline's system). *See also* "Notice of Application," Tennessee Gas Pipeline Co., et al., Docket No. CP83-502-000 (Sept. 12, 1983) ("TEMPRO"). Under TEMPRO, the pipeline would act as an agent between purchasers and sellers. Each month the pipeline would establish a posted price at a level competitive with alternative fuels. Many parties have objected to the plan on the basis of potential market raiding and discrimination. *See* Inside F.E.R.C. (Oct. 3, 1983) at 4.

[51] *See* Transcontinental Pipe Line Corp., 23 FERC (CCH) ¶ 61,999 (Apr. 28, 1983) (letter order). By the terms of the ISP, Transco will arrange, as broker, to transport portions of the surplus gas that resulted from Transco's reduction in takes under prior contracts to eligible industrial customers that

the ISP, Transco has arranged, as broker, to transport portions of surplus gas to eligible industrial customers that have contracted directly with producers for the surplus gas. Another object of the plan is to create a greater supply of lower priced natural gas available to industrial customers in order to keep such industrial users from switching their energy supply to oil.

The Commission has attempted to respond to these problems, but it is constrained by the current statutory framework. In less than eighteen months, the Commission issued policy statements on the "fraud and abuse" issue, the take-or-pay issue, and off-system sales.[52] Such policies, however, do not have the effect of law.[53] In addition, the Commission recently has issued final rules intended to encourage but not mandate transportation by interstate pipelines of natural gas owned by end-users.[54] Therefore, without any Commission power *inter alia* to mandate common carriage for the natural gas industry, and if specific *ad hoc* proposals of pipelines are not adequate, congressional action is perceived as being required.

III. Common Law History of Common Carriage

The knowledge of past times . . . is . . .
ornament and nutriment to the human mind.
Leonardo Da Vinci[55]

A. A Short History of Common Carriage

The common carrier doctrine developed under English common law during the Middle Ages. Although the exact date is not known, the term "common carrier" was first used sometime after 1300. Among the first professions to have the term applied to it were printers and boatmen.[56] An earlier reference to common carrier

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have contracted directly with producers for the surplus gas. Through retention of industrial gas users, Transco's fixed pipeline costs will be spread among more customers and will preserve lower rates. In essence, Transco's plan makes it a contract carrier. Instead of assuming the obligations and risks of taking title to natural gas purchased at the wellhead, Transco will transport natural gas only on behalf of one of its customers. The pipeline recovers a reasonable transportation fee that reflects a portion of its fixed costs.

[52]*See supra* notes 44, 45, and 47.

[53]*See* Pacific Gas & Elec. Co. v. FPC, 506 F.2d 33, 38 (D.C. Cir. 1974) (agency policy statement no binding norm).

[54]Order No. 234-B, Interstate Pipeline Blanket Certificates for Routine Transactions and Sales and Transportation by Interstate Pipelines and Distributors, 48 Fed. Reg. 34,872 (1983); Order No. 319, Sales and Transportation by Interstate Pipelines and Distributors; Expansion of Categories of Activities Authorized Under Blanket Certificate, 48 Fed. Reg. 34,875 (1983).

Order No. 234-B (RM81-19-000) extended the blanket certificate program to cover interstate pipeline transportation to all end-users, including industrial and boiler fuel users, during an experimental two-year period ending June 30, 1985. Transportation for periods up to 120 days is authorized on a self-implementing basis, while transportation for longer periods is subject to the notice and protest procedures contained in the blanket certificate regulations.

Order No. 319 (RM81-29-000) extended the Commission's blanket certificate program adopted in May 1982 to cover interstate pipeline transportation of direct sale gas to high priority end-users. To encourage such transportation, the Commission authorized pipelines electing to credit transportation revenues received in excess of 1¢/MMBtu to Account 191 (in lieu of establishing a representative level of transportation volumes or revenues to be reflected in test period rates) to collect and retain an additional charge up to 5¢/MMBtu. This additional incentive charge (AIC) will be permitted on an experimental basis for a period of about 18 months.

[55]*See* Aston, The Fifteenth Century 85 (1968).

[56]Porters and boatmen were among the first professions referred to as common carriers. *See* Adler, *Business Jurisprudence*, 28 Harv. L. Rev. 135, 147 n.31 (1914).

— *"aliis communibus cariatoribus"* — referred to "the old order of porters and creelmen."[57]

One of the most important contributions to the common carrier doctrine was made in the middle of the 17th Century by Sir Matthew Hale, Lord Chief Justice of the King's Bench.[58] In *De Portibus Maris,* he summarized the law of businesses "affected with a public interest," as follows:

> If the king or subject have a publick wharf unto which all persons that come to that port must come and unlade or lade their goods, because they are the wharfs only licensed by the queen, . . . or because there is no other wharf in that port, . . . in that case there cannot be taken arbitrary and excessive duties or cranage, wharfage, pesage, and so forth, neither can they be enhanced to an immoderate rate, but the duties must be reasonable and moderate though settled by the king's license or charter. For now the wharf and crane and other conveniences are affected with a publick interest, and they cease to be *Juris privati* only.[59]

English courts distinguished between "common callings," or "public employments," and "private employments." These "common" occupations included innkeepers, surgeons, smiths, victualers, ferrymen, carriers, bargemasters, wharfingers, teamsters, taverners, and sheriffs.[60] The most striking characteristic of a "common calling" was that it was a profession to serve the public needs. A "holding out" to the general public had to exist for a calling to be common.[61] A "common" or "public" business had to observe special duties that other businesses did not.[62]

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[57] *See* Beverly Town Documents 22 (Selden Society 1900) (covering period 1300-1600). Governments, however, regulated business practices long before the 14th century. The early Church Fathers created the ancient ideal of *justum pretium,* or "just price," to prevent economic coercion in circumstances in which a seller could obtain any price for his goods, such as time of famine. Early governments soon recognized this doctrine. For example, during the decline of the Roman Empire in the years 285 and 301, A.D., the Emperor Diocletian implemented the doctrine of just price and set prices on 700-800 articles. *See* M. Glaeser, Public Utilities in American Capitalism 196-97 (1957) (discussing history of just price doctrine).

In the medieval economy, town authorities, manorial courts, and guilds representing merchants and craftsmen regulated services and prices. These authorities typically applied the "just price" doctrine to allow a seller to charge only the customary price — cost plus a marginal profit. *See* P. Garfield & W. Lovejoy, Public Utility Economics 3 (1964).

The rise of nation-states during the sixteenth century gave birth to the economic policy of mercantilism. Under mercantilism, national governments exerted control over economic matters within their boundaries. They regulated prices, wages, and the quality and quantity of production, and granted monopolies by royal charter to trading and plantation companies. This policy of centralized control arose because governments believed they could promote the power and wealth of the monarchical state better than local economies. The modern concept of a public service corporation — a private enterprise chartered to perform certain government functions — was a collateral development of mercantilism. *See* M. Glaeser, *supra,* at 200; P. Garfield & W. Lovejoy, *supra,* at 3.

[58] Sir Matthew Hale (1609-1676) was the author of two important treatises, De Portibus Maris and De Jure Maris, which dealt with the law of businesses affected with a public interest. These works have been published in 1 F. Hargrave, A Collection of Tracts Relative to the Law of England, from Manuscripts (Dublin 1787).

[59] *Id.* at 77-78.

[60] "Common callings" or occupations included innkeepers, *see generally* J. Beale, The Law of Innkeepers and Hotels § 12 (1906) (defining public calling characteristics of innkeepers), surgeons, smiths, carriers, bargemas among many other professions. For an exhaustive list of common callings, *see* Adler, *supra* note 56, at 149-51.

[61] To be considered a "common calling," a business had to have a "holding out" of service to meet public needs. It also had to fulfill special duties not imposed on private businesses. *See* M. Glaeser, *supra* note 56, at 199; B. Wyman, The Special Law Governing Public Service Corporations and All Others Engaged in Public Employment § 1 (1911); Adler, *supra* note 56, at 152.

[62] For example, a common carrier was strictly liable for the care of goods entrusted to him. *See generally* J. Angell, A Treatise on the Law of Carriers of Goods and Passengers by Land and Water §§ 148-219 (Boston 1849) (common carriers are insurers).

> The distinction between the private callings — the rule — and the public callings — the exception — is the most consequential division in the law governing our business relation. In private businesses, one may sell or not as one pleases, manufacture what qualities one chooses, demand any price that can be gotten and give any rebates that are advantageous. All this time in public business one must serve all that apply without exclusive conditions, provide adequate facilities to meet all the demands of the consumer, exact only reasonable changes for the services that are rendered, and between customers under similar circumstances make no discriminations.[63]

In 1710, an English court proclaimed that "any man undertaking for hire to carry the goods of all persons indifferently, . . . is, as to this privilege, a common carrier."[64] Similarly, in *Lane v. Cotton,* it was observed:

> If a man takes upon him a public employment, he is bound to serve the public as far as the employment extends; and for refusal an action lies, as against a farrier refusing to shoe a horse, against an innkeeper refusing a guest, when he has room, against a carrier refusing to carry goods when he has convenience, his waggon not being full.[65]

In sum, the essence of common carriage is the duty to serve all a reasonable rate[66] and the strict liability for the care of goods entrusted to it.[67]

Toward the end of the eighteenth century many "common" callings in common law countries ceased to hold that status. The mercantilistic concepts of public interest and common carriage lost favor to laissez-faire economics. These economic principles elevated the institutions of private property and contract and advocated freedom from legal restraints.[68]

Despite the influence of laissez-faire principles on American economic development, the common carrier doctrine re-emerged in the United States after the Civil War.[69] The expansion of the railroads across America led to competitive practices that were abusive to shippers. For example, railroads charged very low rates to eliminate competition. Once a monopoly was established, however, they would raise the rates.[70] Consequently, Congress regulated the railroads, making them common carriers, by passing the Act to Regulate Commerce of 1887,[71] now known as the Interstate Commerce Act. For the first time, a federal statute incorporated the common law obligations of common carriers.[72]

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[63] Wyman, *The Law of the Public Callings as a Solution of the Trust Problem,* 17 Harv. L. Rev. 156 (1904).

[64] Gisbourn v. Hurst, 1 Salk. 249, 91 Eng. Rep. 220 (1710). The case involved an action in trover for goods taken from the wagon of a carrier transporting cheese to London. Such carriers usually held themselves out to carry goods for all indifferently.

[65] 1 Ld. Raym. 646, 654, 91 Eng. Rep. 1332 (1701).

[66] A private calling was not subject to government regulation and could sell whatever it pleased to whomever it pleased at any price. *See* Adler, *supra* note 56, at 140-41.

[67] *See supra* note 62.

[68] *See* A. Smith, The Wealth of Nations 650-52 (Random House ed. 1937) (1st ed. 1776).

[69] *See* M. Glaeser, *supra* note 56, at 205; D. Pegrum, Transportation Economics and Public Policy 260-61 (1968).

[70] L. Gorton, The Concept of the Common Carrier in Anglo-American Law 43 (1971).

[71] Ch. 104, 24 Stat. 379 (codified as amended by the Interstate Commerce Act at 49 U.S.C. §§ 10101-11917 (1976 & Supp. V 1981); *see infra* notes 85-86.

[72] *See* D. Pegrum, *supra* note 69, at 275-79. The author notes that the Act also required that all rates by just and reasonable, and prohibited discrimination or undue preference. The Act applied to all common carriers who moved goods by railroad in interstate or foreign commerce. It also included common carriers who transported goods partly by rail and partly by water if both modes of transport were under common control. *Id.*

Congress subsequently has regulated other common carriers in addition to railroads. For a discussion of the Shipping Act of 1916, which regulated common carriers over waters in foreign commerce, the Motor Carrier's Act of 1935, and The Federal Aviation Act of 1958, see L. Gorton, The Concept of the Common Carrier in Anglo-American Law 178-213 (1971).

Several years before, in *Munn v. Illinois*,[73] the United States Supreme Court upheld an Illinois statute that designated grain elevators as public warehouses. *Munn* represents the origin in this country of the principle that certain businesses are "affected with a public interest."[74] In 1871, *Munn* arose when Illinois passed a law licensing warehouses and elevators and setting maximum rates for them. Two Chicago elevator owners refused to obtain a license and continued charging rates above the statutory maximum. The Supreme Court upheld the Illinois statute, citing in support Lord Chief Justice Hale's work *De Portibus Maris*.[75] The Supreme Court concluded in *Munn:*

> [W]e find that when private property is affected with a public interest, it ceases to be *juris privati* only. This was said by Lord Chief Justice Hale more than two hundred years ago, . . . and been accepted without objection as an essential element in the law of property ever since. Property does become clothed with a public interest when used in a manner to make it of public consequence, and affect the community at large. When therefore, one devotes his property to a use in which the public has an interest, he, in effect, grants to the public an interest in that use, and must submit to be controlled by the public for the common good, to the extent of the interest he has thus created. He may withdraw his grant by discontinuing the use; but so long as he maintains the use, he must submit to the control."[76]

Today, principles of common carriage are found, *inter alia,* in such industries as rail, motor, air, water, pipeline carriers, and communications.[77]

B. Contract Carrier – A Form of Common Carriage

At common law the only two classes of carriage recognized were common and private. In *Niagara v. Cordes* the Supreme Court in 1858 stated:

> A common carrier is one who undertakes for hire to transport the goods of those who may choose to employ him from place to place. He is, in general, bound to take the goods of all who offer, unless his complement for the trip is full, or the goods be of such a kind as to be liable to extraordinary danger, or such as he is unaccustomed to convey . . . .[78]

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[73]94 U.S. 113 (1877). In 1871, Illinois passed a law licensing warehouses and elevators and setting maximum rates. *Id.* at 115. Two Chicago elevator owners refused to obtain a license and continued charging rates above the statutory maximum. *Id.* at 117-18. The Supreme Court held that one who uses his property for a use in which the public has an interest grants the public an interest in the property's use and is required to acquiesce to public control for the common good. *Id.* at 125.

[74]*Id.* at 125. For information on other state statutes designating certain businesses as public utilities, see M. Hunter, The Early Regulation of Public Service Corporations, 7 Amer. Econ. Rev. 569, 569-71 (1917).

[75]*See supra* notes 58-59.

[76]94 U.S. at 125-26.

[77]Since the late 1800's, American courts have recognized that various businesses enjoy common carrier status. *See, e.g.,* The Pipe Line Cases, 234 U.S. 548, 559-60 (1914) (upholding federal statute making interstate oil pipelines common carriers); German Alliance Ins. Co. v. Kansas, 233 U.S. 389, 414-15 (1914) (fire insurance business recognized as common carrier); Liverpool Steam Co. v. Phenix Ins. Co., 129 U.S. 397, 437 (1889) (ship carrying goods for hire is common carrier); Arrow Aviation, Inc. v. Moore, 255 F.2d 488, 490 (8th Cir. 1959) (air carrier who holds self out to public as willing to transport all passengers for hire indiscriminately is common carrier); Fort Street Union Depot Co. v. Hillen, 119 F.2d 307, 312 (6th Cir.) (terminal company that provides public with railroad transportation service is common carrier), *cert. denied,* 314 U.S. 642 (1941); Weiner v. May Dept. Stores Co., 35 F. Supp. 895, 896 (S.D. Cal. 1940) (escalator operators are common carriers); United States v. Sioux City Stock Yards Co., 162 F. 556, 560 (C.C.N.D. Iowa 1908) (beltline companies moving cattle from main rail lines to stockyards deemed common carriers), *aff'd,* 167 F. 126 (8th Cir. 1909); Illinois Highway Transp. Co. v. Hantel, 323 Ill. App. 364, 370-71, 55 N.E.2d 710, 714-15 (1944) (bus companies deemed common carriers); Railway Express Agency v. Kessler, 189 Va. 301, 305, 52 S.E.2d 102, 103 (1949) (express and messenger companies are common carriers). *See also* FCC v. Midwest Video Corp., 440 U.S. 689, 700-01 (1979) (discussing Section 3(h) of the Federal Communications Act of 1934, 47 U.S.C. § 157(h), in context of cable television).

[78]The Propeller Niagara v. Cordes, 62 U.S. 7, 22 (1858).

Although a common carrier cannot select its customers, it may limit its service by restricting the nature of the items it transports, as long as it holds itself out to serve that entire class without discrimination.[79]

In contrast, a private carrier has no duty to serve the public and may accept or reject offers even if it has available capacity to carry the goods.[80] A contract carrier also differs from a common carrier in that it provides transportation services subject to contracts with one or a limited number of persons of its choosing.[81] The concept of the contract carrier arose in the 1920's in the trucking industry, which was later regulated by the Motor Carrier Act of 1935.[82] Certain truck operators, whose services did not fit neatly into either category of common or private carriage, were termed contract carriers because their services were "individual and specialized."[83]

Most fixed-rate interstate transport systems existing today have common carrier status, at least nominally, and are subject to government regulations. This common carrier status promotes two important goals. First, it ensures equal access to transportation facilities for industries in which production activity and end-use markets are far apart. Second, common carriage regulations prevent ruinous competition between carriers in industries with substantial fixed costs, such as the railroad industry, by granting quasi-franchises for specific routes.

Natural gas pipeline companies, despite characteristics quite similar to other common carriers, have avoided common carrier regulation. Although natural gas pipelines are heavily regulated, they operate as private and contract carriers because they take title to the gas that they transport and offer transportation under individualized contracts. The natural gas industry's problems, however, have presented the possibility of imposing common carrier status on natural gas pipelines.

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[79] *See* Nugent v. Smith, 1 C.P.D. 19, 27 (1875) (the English court of common pleas) (test is whether person holds out expressly or impliedly, that he will carry all persons' goods for hire). *See also* J. Story, Commentaries on the Law of Bailments § 495 (9th ed. 1878) (common carrier must exercise public employment, undertake to carry for persons generally, and hold himself out to transport goods for hire as business rather than casual occupation).

[80] At common law, persons transporting their own goods as well as those operating under contracts to transport goods for others were deemed common carriers. *See* Delz v. Winfree, 80 Tex. 400, 402, 16 S.W. 111, 112 (1891). *See also* W. MacNamara, The Law of Carriers of Merchandise and Passengers by Land 6 (1925) (defining private carrier as one who carries goods for fee on occasion, but not as public employment, and invites all to employ him as carrier, reserving the right to reject their offer of goods).

[81] United States v. Contract Steel Carriers, Inc., 350 U.S. 409, 410 n.1 (1956). *See* Florida Power & Light Co. v. FERC, 660 F.2d 668, 674 (5th Cir. 1981) (carrier not common carrier if it makes individualized decisions as to service), *cert. denied*, 103 S. Ct. 800 (1983). In *Transportation Activities of Midwest Transfer Co.*, 49 M.C.C. 383, 390 (1949), the ICC defined contract carrier as "an independent contractor whose undertaking is defined and limited by an individual contract which calls for a service specialized to meet the peculiar needs of a particular shipper or a limited number of shippers and operates to make the carrier virtually a part of each shipper's organization." *See also* ICC v. A.W. Stickle & Co., 41 F. Supp. 268, 271 (E.D. Okla. 1941), *aff'd*, 128 F.2d 155 (10th Cir.), *cert. denied*, 317 U.S. 650 (1942). This case involved a fine distinction between common and contract carriage. The ICC alleged that the defendant corporation had engaged in the transportation of lumber in interstate commerce without having complied with federal regulations. The company claimed it was a private carrier because the transportation of lumber was merely incidental to its primary business as a lumber wholesaler. The court found that the company was a common carrier, however, because it solicited business from retail lumber dealers in its territory and agreed to deliver to any customer any lumber purchased. In return, it charged and received compensation for the cost of transporting the lumber. *Id.* at 272. For additional discusison of the differences between common, private, and contract carriers, see Campbell, *The Contract Carrier: A History of the Concept*, 29 I.C.C. Pract. J. 952, 957 (1962).

[82] 49 U.S.C. §§ 301-327 (1976) (amended 1978 & 1980).

[83] 49 U.S.C. § 303(a)(15) (1976).

IV. Prior Legislative Attempts to Impose Common Carriage on Interstate Natural Gas Pipelines

Power goes to the factor which is
hardest to obtain or hardest to replace.
John Kenneth Galbraith[84]

A. Before the Natural Gas Act

Congress first considered the imposition of common carrier status on interstate natural gas pipelines when it chose in 1906 to regulate oil pipelines as common carriers under the Interstate Commerce Act.[85] Although Congress chose not to include natural gas pipelines at that time,[86] efforts to impose common carrier status on interstate natural gas pipelines were renewed. On November 3, 1913, the Senate, without debate, passed a bill, S. 3345,[87] to amend the Act of 1887 to put companies transporting natural gas by means of pipelines under the control of the Interstate Commerce Commission. The bill's intent was to make these pipelines common carriers as had been done in 1906 with regard to oil pipeline companies. The bill's proponents were motivated by the desire to compel the then federally unregulated pipelines to deliver more gas to the Midwest during the winter.[88]

In 1914, the House Committee on Interstate and Foreign Commerce held hearings on S. 3345.[89] At that time, the issue of common carriage fully was aired, and pipeline interests raised a storm of protest over the Senate's action. Representatives from the industry argued that natural gas pipelines were fundamentally different than oil pipelines because of the nature of natural gas.[90] It was asserted that natural gas could not be stored like oil, had to be used contemporaneously with its transportation, and its usage was subject to seasonal peaks. Ultimately, the pipelines' position prevailed over the contention that the "world of gas available" could be brought to market at economical prices if pipelines were common carriers.[91]

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[84] Galbraith, The New Industrial State 56 (1967).

[85] Interstate Commerce (Hepburn) Act of 1906, ch. 3591, 34 Stat. 584 (codified as amended at 49 U.S.C. § 1-27 (1976)).

[86] The Hepburn Act originally defined common carrier for the purpose of the act to be "any corporation or any persons engaged in the transportation of oil or other commodity, except water and except natural or artificial gas, by means of pipelines. . . ." Interstate Commerce Act of 1906, Pub. L. No. 59-337, 34 Stat. 584. This provision, as amended by the Interstate Commerce Act of 1920, Pub. L. No. 152, ch. 91, 41 Stat. 474 (current version at 49 U.S.C. § 1(1)(b) (1976)), retained the exception for natural gas pipelines. *Id.*

[87] S. 3345, 63d Cong., 1st Sess., 50 Cong. Rec. 5847, 5847-49 (1913).

[88] The bill's proponents noted that there was an "abundance of natural gas" ready to be marketed in Kansas and Oklahoma, but the pipeline serving the area refused to deliver it. *Id.* at 5847.

[89] *To Make Gas Pipe Lines Common Carriers: Hearings on S. 3345 Before the House Comm. on Interstate and Foreign Commerce*, 63d Cong., 2d Sess. (1914) [hereinafter cited as 1914 Hearings].

[90] Industry representatives, opponents of the bill, argued that the nature of natural gas precluded imposition of common carrier status on natural gas pipelines. *See, e.g.*, 1914 Hearings, *supra* note 89, at 75-79 (statement of S.M. Douglass, Counsel for Logan Natural Gas & Fuel Co.). For a full discussion of industry arguments against imposition of common carrier status on natural gas pipelines, see *infra* notes 101-09 and accompanying text.

[91] Proponents argued that making natural gas pipelines common carriers would allow the "world of gas available" to be brought to the market at economical prices. *See 1914 Hearings, supra* note 89, at 3-7 (statement of Rep. Borland). H.R. 5423 died in committee. *See infra* notes 111-12 and accompanying text (discussing subsequent legislation).

B. Immediately Prior to the Passage of the Natural Gas Act

Although the Congress passed the Natural Gas Act (NGA) in 1938, the Act originated ten years earlier in Senate Resolution 83.[92] That resolution authorized and directed the Federal Trade Commission (FTC) to investigate certain aspects of public utility corporations doing an interstate business in electricity or gas.[93] The FTC made monthly reports to the Congress for over seven years, making recommendations as to possible legislation to "correct any abuses that may exist in the operation of such holding companies."[94] This initial inquiry into the natural gas industry produced a recommendation that the Congress consider imposing common carrier obligations on interstate natural gas pipelines. In a portion of the report filed January 28, 1935, the FTC advised the Congress to:

> give consideration to the enactment of legislation declaring all interstate gas pipelines to be common carriers or public utilities subject to Federal control and regulation as to construction, operation, financing, and matters affecting the purchase, shipment, sale, and distribution of natural gas.[95]

Eleven months later, when the FTC submitted its final report including specific recommendations concerning the natural gas industry, no recommendation of a common carrier provision for natural gas pipelines was made.[96]

In the same year, 1935, Representative Sam Rayburn, Chairman of the House Committee on Interstate and Foreign Commerce, introduced H.R. 5423 for the control and elimination of public utility holding companies.[97] Extensive hearings were held.[98] Title III concerned the regulation of the natural gas industry, but this title was not reported out of committee. With significant amendments and alterations, however, this Title III ultimately became the NGA in 1938. Sections 303 and 304 of H.R. 5423 imposed a common carrier obligation on natural gas pipelines.[99] They provided in pertinent part:

> Section 303(a). It shall be the duty of every distributor to furnish natural gas to, exchange natural gas with, and transmit natural gas for any person upon reasonable request therefor; and to furnish and maintain such services and facilities as shall promote the safety, comfort and conveniences of all its customers, employees, and the public, and shall be in all respects adequate, efficient and reasonable.

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[92] 70th Cong., 1st Sess., 69 Cong. Rec. 3054 (1928).

[93] *Id.*

[94] *Id.* The reports fill more than 100 volumes. *See* Note, *Legislative History of the Natural Gas Act*, 44 Geo. L.J. 695, 697-98 (1956).

[95] Docket No. 12, 70th Cong., 1st Sess. pt. 73(a), 75 (filed Jan. 28, 1935).

[96] Instead, the FTC advised that interstate gas pipelines be regulated as utilities. Docket No. 92, 70th Cong., 1st Sess. pt. 84-A, 1616-17 (1936). The other principal source of congressional impetus to regulate the natural gas industry, The Splawn Report, also did not recommend that gas piplines be regulated as common carriers. *See* H.R. Rep. No. 2192, 72d Cong., 2d Sess. (1933); Note, *supra* note 94, at 698 nn.29-30.

[97] H.R. 5423, 74th Cong., 1st Sess., 79 Cong. Rec. 1624 (1935). This bill, known as the Rayburn Bill, contained three titles. Title I became the Public Utility Holding Company Act of 1935. Ch. 687, 49 Stat. 803 (1935) (current version at 15 U.S.C. §§ 79-792 (1976 & Supp. V 1981). Ch. 285, 41 Stat. 1063 (1920) (current version at 16 U.S.C.§ 791a-825r (1976 & Supp. V 1981)). Title III, which concerned the regulation of the natural gas industry, was not reported out of committee with the other two titles. After significant amendment, however, in 1938 Title III became the NGA. Ch. 445, 52 Stat. 821 (1938) (current version at 15 U.S.C. §§ 717-717w (1976 & Supp. V 1981)).

[98] *See Hearings Before the Comm. on Interstate and Foreign Commerce, House of Representatives on H.R. 5423*, 74th Cong., 1st Sess., 1646 (1935) [hereinafter cited as *Hearings on H.R. 5423*].

[99] These sections particularly aroused industry. See their comments cited *infra* note 101.

> Section 304. Whenever the Commission after notice and opportunity for hearing finds such action necessary or desirable in the public interest, it may by order direct a distributor to make additions, extensions, repairs, or improvements to or changes in its facilities, to establish physical connection with the facilities of one or more persons, to permit those of its facilities by one or more persons, or to utilize the facilities of, sell natural gas to, purchase natural gas from, transmit natural gas for, or exchange natural gas with one or more other persons. . . . [T]he Commission may prescribe the terms and conditions of the arrangement to be made between such persons, including the apportionment or reimbursement reasonably due to any of them.[100]

Thus, the original version of the NGA actually contained a comprehensive and extensive scheme to make pipelines common carriers.

During hearings held on H.R. 5423, several witnesses from the natural gas industry opposed the common carrier provision as being unrealistic and unworkable.[101] Arguments against imposing a common carrier obligation upon interstate natural gas pipelines attempted to distinguish natural gas transportation from other common carrier enterprises, such as railroads, oil pipelines, and telephones. First, it was argued significant volumes of natural gas could not be stored economically as could oil or freight.[102] Rather, natural gas had to be "used as fast as delivered and delivered as fast and only as fast as consumed."[103] Second, natural gas transmission companies claimed that they did not hold themselves out to be common carriers, whereas railroads and oil pipelines did.[104] Witnesses emphasized that the natural gas industry from wellhead to burnertip was integrated, not by ownership but physically and practically.[105] Railroads and oil pipelines, in contrast, were concerned solely with transportation. They neither purchased nor distributed their product. In the early era of natural gas usage,[106] however, a natural gas pipeline company usually secured supplies by producing gas itself, or by purchasing it from a production affiliate. It also was involved in the local distribution business. Distributors were sometimes completely dependent on one interstate gas pipeline. Moreover, the pipeline companies viewed the industry as an integrated whole since they designed a sale as a complete unit. Customers had to be assured an adequte supply of gas even on the coldest day. Because of this service obligation, pipeline companies were reluctant to assume solely a transportation function or to rely completely on independent producers for supplies of gas.[107]

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[100] H.R. 5423, 74th Cong., 1st Sess. §§ 303-304 (1935).

[101] *See Hearings on H.R. 5423, supra* note 98, at 1648, 1698-1700, 1732-33, 1740-43, 1803-04, 1813-14, 1841-42, 1867, 1874, 1907, 2282-84.

[102] *See id.* at 1733, 1741, 1803, 1813-14. Natural gas delivery was tied directly to consumption.

[103] *Id.* at 1803.

[104] *See id.* at 1732-33 (unlike gas pipelines, oil pipelines and railroads, as common carriers, must accept shipments based on capacity available and transport with due care).

[105] Today, interstate natural gas pipelines sometimes purchase all of their gas from independent producers for resale to nonaffiliated distributors. Only "rarely" did a pipeline purchase all of their gas from unaffiliated producers and deliver to unaffiliated distributors at the time of these hearings. *Id.* at 1730. One witness maintained that the perception that the transmission function was separate "belied the inherent physical characteristics of the business. *Id.*

[106] The Committee Representing the Natural Gas industry reported to the House Committee that in 1933 over 1200 companies furnished gas under this integrated system to approximately 5,000 communities in 38 states, representing an investment of over $2.3 billion. Transmission and gathering lines stretched over 75,000 miles. About five million people used natural gas in their homes. *Id.* at 1787.

[107] Floyd C. Brown, the witness for Natural Gas Pipeline Co. of America, a major supplier of Chicago, stated that: "It would not only be impractical but virtually impossible to furnish dependable service to 1,200,000 domestic consumers if the pipe-line company were dependent on the whims and fancies of independent producers to drill additional wells as required. . . ." *Id.* at 1740 (statement of Floyd C. Brown). Imposition of the obligation to "carry gas for hire, and procure a portion of line requirements from irresponsible scattered producers, with no interest other than that of selling such

Maintaining a balanced delivery system with adequate but not excess capacity was a difficult task.[108] The pipeline companies did not want the added burden of balancing and accounting for volumes of gas that they were ordered to be transported. They feared such an obligation would thoroughly confuse and handicap the growing industry. One witness concluded:

> to make natural gas pipe lines common purchasers and common carriers would disorganize the present satisfactory service to the public and increase the cost which in the end must be borne by the consumers.[109]

A common carrier provisions again appeared in 1936 during hearings on H.R. 11662,[110] which was introduced after H.R. 5423 died in committee.[111] H.R. 11662 had no common carrier provision,[112] but at least two witnesses at the hearings were asked to address specifically the issue of natural gas pipeline common carrier status.[113] The subcommittee's first witness, the Solicitor of the Federal Power Commission, Dozier DeVane, confirmed at the outset that this bill contained "no provision . . . which gives the Commission the authority to make their [pipelines] take gas . . . ."[114] Mr. DeVane also noted that natural gas pipelines were different from railroads, electric utilities, and telephone utilities because the capacity of a pipeline is limited where the capacity of the others is not. He concluded:

> if the service of the other community depending on that natural gas requires all the pipe line is able to transport, then, of course, you cannot give gas to a community that may deserve it.[115]

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gas as they might conveniently care to produce would completely paralyze the operating, control and service." *Id.* at 1742. *See also id.* at 2283 (statement of Electric Bond & Share Co.). Natural gas pipelines secured their supply of natural gas by producing gas themselves and by implementing long-term contracts with independent producers. *See id.* at 1804 (statement of Committee representing the Natural Gas Industry) (noting that ownership of production fields and long-term contracts precludes miscellaneous purchasers of supplies).

[108] A sudden change in weather necessitates the manipulation of valves regulating compression all along the pipeline. The pipelines used their own phone systems and dispatchers to order the switching of these valves, and sometimes the closing of valves in industrial plants, to protect service to individual homes and hospitals. *See id.* at 1731, 1842. A witness for the pipeline that supplied East Ohio Gas Co. explained that on one day in Cleveland, following a temperature drop from 60° to 10°, natural gas consumption jumped from 50,000,000 to 230,000,000 cubic feet. *Id.* at 1699-1700 (statement of Ralph W. Gallagher). Today there remains a dramatic difference between usage in summer and in winter that necessitates significant storage procedures by the pipelines. *See supra* note 44.

[109] *See Hearings on H.R. 5423*, *supra* note 98, at 1840 (making gas pipelines common carriers would destroy service to 4.5 million people). Gas industry representatives emphasized that a pipeline was a monumental financial undertaking. Pipelines sought to secure their investment by producing their own supplies, which was quite costly. Forcing pipelines to carry other gas might squeeze their own production out of the marketplace. Moreover, pipelines ultimately would stop producing their own gas and become dependent on independent producers. Such a result would lead to higher rates for consumers. *See id.* at 1804, 1874, 2283.

[110] H.R. 11662, 74th Cong., 2d Sess. (1936).

[111] Following hearings on H.R. 11662, a "clean" bill, H.R. 12680 was reported and introduced, but that bill failed passage in the Seventy-fourth Congress. H.R. 4008, which was substantially similar to H.R. 12680 was introduced in the next Congress however, and, following further hearings, a "clean" version of that bill ultimately passed as the NGA. *See* H.R. 6586, 75th Cong., 1st Sess. (1937). For an outline of all these proposals, see Note, *supra* note 94, at 697-98.

[112] H.R. 11662 had no common carrier provision, but did authorize the Commission to require interstate natural gas pipelines to extend their facilities to municipalities. H.R. 11662, 74th Cong., 2d Sess. § 7(a) (1936).

[113] *Hearings on H.R. 11662 Before a Subcomm. of the House Comm. on Interstate and Foreign Commerce*, 74th Cong., 2d Sess. (1936) [hereinafter cited as *Hearings on H.R. 11662*].

[114] *Id.* at 38 (statement of Dozier A. DeVane).

[115] *Id.* at 37-38.

Colonel William T. Chantland, a FTC attorney involved in an investigation of utilities, testified:

> The reasons are perhaps not so much against the idea of making the obligation as they are factual, against the legal situation. The Supreme Court has said, of course, very definitely, that you cannot make a person a common carrier by declaring him to be one. The facts are the things which control. And in the natural-gas pipe-line industry the natural-gas pipe-line company carries to a large extent its own gas, whether it is produced by the company or purchased from others, so that a large number of them are outside the field of common carriers.[116]

Although Congress initially considered the idea of treating natural gas pipelines as common carriers, strong advocacy by the pipeline industry dissuaded legislative action.[117] Thus, by 1938, when the Natural Gas Act passed, Congress appeared convinced that imposing common carrier status upon interstate natural gas pipelines was not required.

C. *Legislation after the Natural Gas Act Affecting Interstate Natural Gas Pipelines*

Congressional action with respect to the natural gas industry did not end with the passage of the NGA. Since 1938, Congress, in enacting several statutes, debated the common carrier issue several times, but no current law imposes common carrier status on interstate gas pipelines.

Initially, Congress confronted a problem specifically because it did not make pipelines common carriers. In 1947, Congress amended the NGA to give interstate natural gas pipelines the right of eminent domain.[118] The right of eminent domain provides that property may be taken for public use.[119] In several states, however, the term "public use" was construed to be limited to local use and, thus, did not include endeavors solely in interstate commerce.[120] If a pipeline crossed a state without distributing gas in that state, the pipeline was not allowed to condemn the land necessary to construct the pipeline. Some states expressly denied the right of eminent domain to natural gas companies even though the federal certificate of public convenience and necessity permitted the company to pass through a given

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[116]*Hearings on H.R. 11662, supra* note 113, at 67 (statement of William T. Chantland). Colonel Chantland referred to *Michigan Pub. Util. Comm'n v. Duke*, 266 U.S. 570, 577-78 (1925). Colonel Chantland did propose that pipelines be made to be common purchasers, although not common carriers. He believed that if pipelines did not supply their entire supply of gas themselves, they should purchase ratably from other suppliers; "They must assume some sort of obligation to those who supply the gas to them." *Hearings on H.R. 11662, supra* note 113, at 59.

[117]It may be that the resolution of the common carrier issue was a foregone conclusion. In remarks delivered on the House floor on January 11, 1935 (prior to the April hearings on H.R. 5423, Representative Rayburn announced that he believed their exemption from the Interstate Commerce Act's common carrier provision was "probably correct." 79 Cong. Rec. 374, 375 (1935).

[118]The Natural Gas Act of 1947, ch. 333, 61 Stat. 459 (1947) (codified at 15 U.S.C. § 717f(h) (1976)), provides:

> when any holder of a certificate of public convenience and necessity cannot acquire by contract, or is unable to agree with the owner of property to the compensation to be paid for, the necessary right-of-way to contract, operate, and maintain a pipe line . . . it may acquire the same by the exercise of the right of eminent domain in the district court of the United States for the district in which such property may be located, or in the State courts.

[119]In the United States, the exercise of the power of eminent domain, as founded in the federal and state constitutions, is referred to as "condemnation," or "expropriation." Black's Law Dictionary 470 (rev. 5th ed. 1979).

[120]*See, e.g.*, Shedd v. Northern Indiana Pub. Serv. Co., 188 N.E. 322, 325-26 (Ind. 1934); Columbus Waterworks Co. v. Long, 22 So. 702, 704 (Ala. 1899).

area.[121] Rail, water, and air carriers were required to be common carriers under federal law, and, as such, had been granted the right of eminent domain by Congress.[122] Congress chose not to make interstate natural gas pipelines of common carriers. Instead, it expressly granted them the right of eminent domain.

Congress handled differently the status of natural gas pipelines operating on federal lands. Section 28 of the Mineral Leasing Act of 1920 provided that rights-of-way through public lands would be granted to natural gas pipelines by the Secretary of Interior only "upon the express condition that such pipelines shall be constructed, operated and maintained as common carriers."[123] In 1935, Congress expanded the provision by requiring that such pipelines "shall accept, convey, transport, or purchase without discrimination, oil or natural gas produced from Government lands in the vicinity of the pipe-line in such proportionate amounts as the Secretary . . . determine[s] to be reasonable."[124] Thus, if a natural gas pipeline company desired to operate on federal lands, it had to agree to assume the burdens of a common carrier and of a common purchaser. The Act did not provide, however, for the regulation of rates charged by such pipelines.

The absence of rate regulation in the Mineral Leasing Act was not challenged until 1941 when a dispute arose between Montana-Dakota Utilities Company, an interstate pipeline operating on federal lands pursuant to the Act, and one of its customers.[125] That customer, Mondakota Development Company, complained that rates charged by the pipeline for transportation were excessive and discriminatory, and that fair rates should be set by the Commission. In response, the pipeline maintained that its common carriage was not subject to Commission rate regulation. The Commission rejected the pipeline's argument, pointing out that without an obligation to publish and maintain reasonable and nondiscriminatory rates, "the statutory obligation to transport natural gas as a common carrier would be useless."[126] The Eighth Circuit upheld the Commission's view, finding that the pipeline was subject to the rate regulation of the Commission.[127] The court of appeals further held that the regulatory power of the Commission did not end at the boundary of the public land traversed by the pipeline but extended "over every part of the interconnected pipe line system."[128]

Later, a different interstate natural gas pipeline argued that the passage of the Natural Gas Act impliedly repealed section 28 of the Mineral Leasing Act. The D.C. Circuit disagreed, finding both statutes to be "fully compatible."[129] The court did refuse, however, to allow the Secretary of Interior, after thirty-one years of passive regulation, to attach extensive regulations, including rate regulation, to the pipeline's application for right-of-way in the form of a stipulation.[130] The Secretary's authority to regulate pertained only to "the physical aspects of the right-of-way and

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[121] *See* H.R. Rep. No. 429, 80th Cong., 1st Sess. 2-3 (1947) (Arkansas, Wisconsin, and Nebraska).

[122] *See id.* at 3.

[123] Section 28 of the Mineral Leasing Act of 1920, ch. 85, 41 Stat. 437, 449 (current version at 30 U.S.C. § 185 (1976)).

[124] Act of Aug. 21, 1935, ch. 599, § 28, 49 Stat. 674, 678-79 (1935) (current version at 30 U.S.C. § 1855 (1976)). Although the Act did not provide explicitly for the regulation of rates charged by such pipelines, the Commission assumed authority to require reasonables for common carrier service.

[125] *In re* Mondakota Gas Co. v. Montana-Dakota Utils. Co., 5 F.P.C. 64 (1946), *aff'd in part and rev'd in part*, 169 F.2d 392 (8th Cir.) *cert. denied*, 315 U.S. 95 (1948).

[126] *See id.* at 72-73.

[127] Montana-Dakota Utils. Co. v. FPC, 169 F.2d 392 (8th Cir.), *cert. denied*, 315 U.S. 95 (1948).

[128] *Id.* at 399.

[129] Chapman v. El Paso Natural Gas Co., 204 F.2d 46, 52 (D.C. Cir. 1953) (Secretary of Interior's authority under section 28 of Act does not extend to rate regulation).

[130] *Id.* at 48-51 & nn. 1, 3-4.

not to the operation of the pipe line."[131] Thus, the court upheld the provisions but significantly constricted the Secretary of Interior's authority to regulate pipelines operating on federal lands as common carriers.[132]

In 1953, the Congress resolved the uncertain status of natural gas pipelines operating on federal lands by specifically exempting them from section 28 of the Mineral Leasing Act.[133] The legislative history of the amendment documented the apparent incompatibility between the characteristics of a natural gas pipeline and its operation as a common carrier.[134] Sponsors of the amendment believed that section 28 restricted the capacity of pipelines to serve public needs and, thus, explained that the object of the amendment was to "relieve" those pipelines from the common carrier obligation.[135] In 1973 Congress further revised section 28 of the Mineral Leasing Act but left intact the qualified exemption for natural gas pipelines in the Trans-Alaska Pipeline Authorization Act.[136]

In 1953, Congress also enacted the Outer Continental Shelf Lands Act (OCS Lands Act),[137] which gave rights-of-way to oil and natural gas pipelines operating on the Outer Continental Shelf. Section 5 of the OCS Lands Act did not expressly require natural gas pipelines operating in the outer continental shelf to be operated as common carriers, but only created the specific duty to transport or purchase

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[131] The court held that, in absence of more specific language in section 28, Congress intended natural gas pipelines operating in federal lands to be common law carriers, not a statutory common carrier subject to extensive regulation. *Id.* at 51.

[132] The Secretary of Interior subsequently conceded his position in a letter to Congress, stating "that if Congress should see fit to require gas pipelines to be common carriers, the matter should be approached directly and not through the indirect method of regulations and conditions in the grants of right-of-way." *See* S. Rep. No. 578, 83d Cong., 1st Sess. 3, *reprinted* in 1953 Code Cong. & Ad. News 2357, 2359.

[133] Act of Aug. 12, 1953, ch. 408, 67 Stat. 557 (1953) ("the common carrier provisions of this section shall not apply to any natural gas pipelines operated by any person subject to regulation under the Natural Gas Act") (current version at 30 U.S.C. § 185 (1976)). *See also* Mondakota Gas. Co. v. FPC, 232 F.2d 358, 361-62 (D.C. Cir.) (1953 amendment released all pipelines formally common carriers from such obligations as well as pipelines operating on federal land prospectively), *cert. denied*, 352 U.S. 846 (1956).

[134] *See* H.R. Rep. No. 764, 83d Cong., 1st Sess. 1 (1953). The House Report also observed that if a natural gas pipelines was "compelled to furnish common-carrier service it is inevitable that its capacity to serve the public as a public utility will be impaired since it will be required to perform services in addition to and different from those for which it has been certificated." *Id.* at 1-2. See also S. Rep. No. 578, 83d Cong., 1st Sess. 1 (1953), which provided in part:

> A natural-gas pipeline is designed and operated to provide a continuous fuel service to its customers and not for the purpose of providing transportation service to others. For example, a given pipe line may not have sufficient capacity to provide common-carrier service to the public.

1953 U.S. Code Cong. & Ad. News 2357, 2357.

[135] H.R. Rep. No. 1032, 83d Cong., 1st Sess. 2 (Conference Report), *reprinted in* 1953 U.S. Code Cong. & Ad. News 2360. *See also* H.R. Rep. No. 764, 83d Cong., 1st Sess. 1-2 (1953) (capacity of natural gas pipelines to perform services for which it was certificated would "inevitably" be impaired if made common carrier).

[136] Pub. L. No. 93-153, § 101(r)(3)(A)-(B), 87 Stat. 576, 581 (1973) (codified at 30 U.S.C. § 185(r)(3)(A)-(B) (1976)). *See also* S. Rep. No. 77 207, 93d Cong., 1st Sess., *reprinted in* 1973 U.S. Code Cong. & Ad. News 2417, 2441 (noting committee's "cognizance of a widespread and long-held contention by some independent oil and gas producers that many pipelines did not *in fact* operate as common carriers"). This act requires pipelines operating on federal land to allocate available capacity on the basis of "ratable take." The Senate Report defined the principle of ratable take to mean "that in each shipment cycle — the period for which shipment tenders are considered — the operators must actually accept for shipment the same proportion of each shipper's tenders as the pipeline's capacity bears to the aggregate of all tenders." *Id.* at 2439.

[137] Pub. L. No. 83-212, 67 Stat. 462, 43 U.S.C. §§ 1331-1343 (1976), *amended by* 43 U.S.C. §§ 1331-1335, 1337, 1340-1343 (Supp. V 1981).

natural gas without discrimination.[138] This provision cannot be characterized, however, as a common carrier provision. Congress did not grant the Commission jurisdiction to regulate rates charged by natural gas pipelines operating on the Outer Continental Shelf.[139]

Section 5 was further amended by the Outer Continental Lands Acts Amendments of 1978.[140] The 1978 amendments primarily were with environmental and safety aspects of offshore pipelines.[141] Congress did provide specifically, however, that natural gas pipelines granted rights-of-way on or across the Outer Continental Shelf "must provide open and nondiscriminatory access to both owner and nonowner shippers."[142] In addition, the 1978 amendments granted the FERC the authority to order a pipeline to expand its facilities to increase its throughput capacity.[143]

When Congress enacted the Alaska Natural Gas Transportation Act of 1976 (ANGTA),[144] it left open the question of whether such a pipeline would be a common carrier. Section 13(a) of ANGTA[145] provided only for the equal access by both owners and non-owners to pipeline facilities. The purpose of the section was "to assume that any tariffs applied to the transportation of gas through the system would be equal for owners and non-owners alike."[146] Although section 13(a) of ANGTA made no mention of common carrier status, the Commission interpreted it "to mean that Congress wants the Alaskan gas transportation system operated as a common carrier."[147] Nevertheless, upon further study of the legislative history of ANGTA, the Commission reversed its original interpretation.[148] At issue was whether an

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[138]*See id.* § 1334(c), *amended by* 43 U.S.C. § 1334(e) (Supp. V 1981). The statute provided that pipelines operating on the Outer Continental Shelf "transport or purchase without discrimination . . . natural gas produced from said submerged lands in the vicinity of the pipeline in such proportionate amounts as the . . . [Commission may] determine to be reasonable."

[139] *See generally* Mogel, *Ratemaking for Oil Pipelines in the Outer Continental Shelf,* 17 Tulsa L.J. 469, 479-80 (1982) (lack of legislative history indicative of lack of congressional intent to make pipelines common carriers).

[140]Pub. L. No. 372, 92 Stat. 629, 638-39 (1978) (codified at 43 U.S.C. § 1334(e) (Supp. V 1981)).

[141]*See* H.R. Rep. No. 590, 95th Cong., 2d Sess., 133-34, *reprinted in* 1978 U.S. Code Cong. & Ad. News 1450, 1539-40 (regulatory authority extends to conservation and prevention of waste).

[142]43 U.S.C. § 1334(f)(1)(A) (Supp. V 1981) In addition, section 603 of the OCS Land Act Amendments of 1978 required the Commission to promulgate a statement of general policy concerning the transportation of natural gas owned by a local distribution company from an OCS lease to its service area. *See* 18 C.F.R. §§ 284.241-.246 (1983).

[143]*Id.* § 1334(f)(1)(B). Although the amendments significantly expand the Commission's authority, they did not impose common carrier status on natural gas pipelines. The Commission may not compel a natural gas pipeline company to enlarge its facilities. *See* NGA § 7, 15 U.S.C. § 717f(a) (1976) ("The Commission shall have no authority to compel the enlargement of transportation facilities"); Panhandle Eastern Pipe Line Co. v. FPC, 204 F.2d 675, 680 (3d Cir. 1953) (Congress intended to let natural gas companies' stockholders and directors decide whether to enlarge pipeline facilities). Several bills pending in Congress, however, would give the Commission authority to order expansion of a natural gas pipeline's capacity to allow it to perform contract carriage obligations. *See infra* notes 166, 196-97 and accompanying text.

[144]Pub. L. No. 94-586, 90 Stat. 2903 (codified at 15 U.S.C. § 719 (Supp. V 1981)).

[145]15 U.S.C. § 719k(a) (Supp. V 1981).

[146]H.R. Rep. No. 1658, 94th Cong., 2d Sess. 32, *reprinted in* 1976 U.S. Code Cong. & Ad. News 6643, 6658.

[147]Recommendation to the President Alaskan Natural Gas Transportation System, 58 F.P.C. 810, 1047 (1977). The Commission further stated, however, that "common carrier status is incompatible with our goal to effect a private financing." *Id.* at 1047.

[148]*See* Northwest Alaskan Pipeline Co., 3 FERC (CCH) ¶ 61,226 (1978). The Commission's order incorporated a legal memorandum prepared by its Office of General Counsel that analyzed the provision, and its history, finding that Congress did not intend the Alaskan natural gas pipeline to be a common carrier. *See id.* at 61,605.

Alaskan natural gas pipeline would be burdened with the full panoply of common carrier obligations. The Commission answered in the negative and concluded that capacity could be allocated on a first come, first served basis so long as nonowners were not discriminated against in terms of access and tariffs.[149]

V. Current Proposals to Change the Status of Interstate Natural Gas Pipelines to Common Carriers

[A] month of experience will be worth a year of hearings.
Harold Leventhal[150]

A. Major Federal Legislative Proposals

On February 26, 1983, President Reagan announced that his Administration would seek to decontrol the price of natural gas.[151] The next week Secretary of Energy, Donald P. Hodel, unveiled a comprehensive legislative proposal aimed at correcting several problems in the natural gas industry.[152] On February 28, 1983, Senator McClure introduced the Administration's bill, the "Natural Gas Consumer Regulatory Reform Amendments of 1983" and it was designated S. 615.[153] The bill was referred to the Senate Committee on Energy and Natural Resources, in which extensive hearings followed.[154] The identical House version of the Administration's bill, H.R. 1760, was referred to the House Subcommittee on Fossil and Synthetic Fuels for hearings.[155]

Title IV of S. 615, entitled "Removal of Impediments to Interstate Movements of Gas," would amend the NGPA to facilitate the transportation of natural gas. An important component of Title IV would give the Federal Energy Regulatory Commission the authority to order any interstate pipeline to transport natural gas

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[149] *Id.* at 61,607. The Deepwater Port Act of 1974, 33 U.S.C. §§ 1501-1524 (1976), is the remaining federal statute involving common carrier principles and natural gas pipelines. Its application is hypothetical, however, because deepwater port facilities handle only oil, not natural gas. The drafters apparently contemplated prohibiting natural gas pipelines connected with such facilities from discriminating as to transportation and access, but the statute itself does not mention natural gas. *See* S. Rep. No. 1217, 93d Cong., 2d Sess., *reprinted in* 1974 U.S. Code Cong. & Ad. News 7529, 7573; 33 U.S.C. § 1507 (1976).

[150] American Airlines, Inc. v. CAB, 359 F.2d 624, 633 (D.C. Cir. 1966) (opinion by Judge Leventhal).

[151] *Radio Address of the President to the Nation*, 129 Cong. Rec. S1733 (daily ed. Feb. 28, 1983). President Reagan declared that his legislative package was a "comprehensive proposal" that was "not a partisan plan" and resorted to "no quick political fixes." *Id.*

[152] Despite an outcry from consumer interests regarding the Administration's proposals to deregulate the price of "old gas," the plan was initially applauded for its comprehensive and novel approach. *See* Wash. Post, Mar. 7, 1983, at A1, col. 5; *id.*, Mar. 6, 1983, at A24, col. 1 (editorial).

[153] 129 Cong. Rec. S1732-41 (daily ed. Feb. 28, 1983) (statement of Sen. McClure). The preamble of S. 615 stated that the Act's purpose is:

> [t]o cover deficiencies in the Natural Gas Policy Act of 1978, to protect natural gas consumers from price increases because of current distortions in the regulated market for natural gas, to provide for a free market for natural gas, to permit natural gas contracts to reflect the change from a regulated to a free market, to eliminate incremental pricing requirements for natural gas, to eliminate certain fuel use restrictions, and for other purposes.

S. 615, 98th Cong., 1st Sess. (1983).

[154] The Committee met in open session on 29 separate days, hearing testimony from over 84 witnesses. S. Rep. No. 205, 98th Cong., 1st Sess. 15, 18 (1983).

[155] Representative Corcoran, among others, introduced the administration's bill in the House of Representatives as H.R. 1760. 129 Cong. Rec. 774 (daily ed. Mar. 2, 1983).

on behalf of a producer or a purchaser on a contract basis. Section 403 of S. 615 would add the following new section 317 to the NGPA:

> SEC. 317. CONTRACT CARRIER AUTHORIZATION.
>
> (a) IN GENERAL — Upon application by a producer of natural gas or by a purchaser of natural gas from a producer, the Commission shall order any interstate pipeline to carry gas under contract between producer and purchaser upon such terms and subject to such conditions as it considers just and reasonable if the Commisison finds that such pipeline has available capacity, that no undue burden will be placed upon such pipeline, that no construction of new facilities would be required, and that such order would not impair the ability of such pipeline to render adequate service to its existing customers. The Commission may implement his section by rule or order.
>
> (b) CONSIDERATION — The consideration for any transportation provided under this section shall be $.05 per million Btu's plus the cost of such transportation, as established by the Commission, unless the Commission has established, by rule, a different rate as just compensation for such transportation. No amount of such consideration shall be required to be credited and flowed back to the customers of such pipeline.[156]

The contract carrier provision is not unique to the Administration's proposal. The concept has been included in numerous legislative proposals, including several Senate bills.[157] The Senate Energy and Natural Resources Committee, after extensive discussion and several mark-up sessions, substituted the contract carrier provisions of one of those bills for those of S. 615 — the "Bradley Amendment."[158] The Committee included this amendment in its comprehensive bill referred to the Senate in July 1983.[159]

The "Bradley Amendment" would empower the Commission and state agencies to order natural gas pipelines to use their excess capacity to transport gas as a contract carrier. The Bradley Amendment is designed to encourage voluntary contract carriage. First, it creates a rebuttable presumption that a pipeline has excess capacity available for contract carriage. If the pipeline voluntarily transports the natural gas, it may receive up to $0.05 per MMBtu over the cost of such transportation. If an interstate pipeline refuses to perform requested transportation service, it must protest to the Commission. Second, if the pipeline protests and the Commission determines that its protest was unreasonable, it may order the pipeline to perform the transportation service at a rate of less than $0.05 per MMBtu. The Bradley Amendment would apply to both interstate and intrastate natural gas pipelines, but it defers to state regulatory jurisdiction over intrastate pipelines if such authority exists. Another distinct feature of the Bradley Amendment makes it difficult for industrial users to disconnect from local

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[156]S. 615, 98th Cong., 1st Sess. § 403 (1983).

[157]*See, e.g.*, S. 1119, 98th Cong., 1st Sess. § 2, 129 Cong. Rec. S5027 (daily ed. Apr. 20, 1983) ("to establish natural gas pipelines as common carriers"); S. 1049, 98th Cong., 1st Sess. § 3, 129 Cong. Rec. S4571-74 (daily ed. Apr. 13, 1983) (contract carriage for natural gas volumes subject to bill's market-out provision); S. 996, 98th Cong., 1st Sess. § 106, 129 Cong. Rec. S4260-62 (daily ed. Apr. 7, 1983) (analysis of bill's grant of authority to Commission to order interstate pipelines to transport natural gas on contract basis).

[158]S. 1017, 98th Cong., 1st Sess., 129 Cong. Rec. S4406-08 (1983). *See* Wall St. J., May 11, 1983, at 14, col. 2. Subsequent to this action Senator Johnston (D.-La.), the senior democrat on the Energy and Natural Resources Committee, proposed an entirely new bill for mark-up. With respect to contract carriage, however, the only change to the Bradley Amendment would be to add a provision to disallow the $0.05/MMBtu incentive allowance for transportation of natural gas owned by a pipeline's or local distribution company's affiliate. *See* Foster Report No. 1415 (May 19, 1983) at 2. This provision was included in the bill voted out by the Committee. *See* S. 1715, 98th Cong., 1st Sess. § 401(f)(5) (1983).

[159]S.1715, 98th Cong., 1st Sess. § 401 (1983) (proposed § 321 of the NGPA).

distribution companies that have historically served their plants should the industrial user with to connect directly to the pipeline through a contract carriage arrangement.[160] The Bradley Amendment also authorizes the Commission to order construction of minor pipeline facilities, but provides that the party requesting such construction shall pay for the facilities and their operation.[161]

Many other bills addressing the common or contract carriage issue have been introduced in the House of Representatives.[162] Several of the proposals limit the impact of such a change by restricting the natural gas available for transportation to volumes freed by a market-out clause under an existing contract.[163] Of significance is section 3 of the "Natural Gas Equal Access Amendments of 1983," H.R. 2182, introduced by Representative Schroeder. It would adopt the concept of contract carriage for natural gas transporters,[164] but would create a mandatory transportation obligation for intrastate, as well as interstate, pipelines based on available capacity and upon demonstration of need.[165] H.R. 2182's most dramatic innovation is that it would give the Commission authority to require pipelines to add compression and looping facilities to increase capacity.[166]

Despite the variety and scope of bills introduced in the House, the House Subcommittee on Synthetic and Fossil Fuels of the Energy and Commerce Committee considered a new bill for purposes of mark-up.[167] The contract carrier provisions of this proposal are less extensive than that proposed by other bills. Only volumes of natural gas freed from contractual commitments would be available for contract carriage.[168] If an interstate or an intrastate pipeline declines an offer to

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[160]*See infra* notes 206-07.

[161]*See infra* notes 196-97 and accompanying text.

[162]H.R. 2565, 98th Cong., 1st Sess. (1983) (Corcoran bill) ("to establish natural gas pipelines as common carriers"); H.R. 2508, 98th Cong., 1st Sess. (1983) (contract carriage for natural gas volumes subject to bill's market out provision); H.R. 2499, 98th Cong., 1st Sess. (1983) ("providing that interstate pipelines transport natural gas by contract carriage"); H.R. 2182, 98th Cong., 1st Sess. (1983) (Natural Gas Equal Access Amendments of 1983); H.R. 2164, 98th Cong., 1st Sess. (1983) (transportation obligation for volumes of natural gas subject to bill's market-out provisions); H.R. 2154, 98th Cong., 1st Sess. (1983) (Gephardt bill); H.R. 2054, 98th Cong., 1st Sess. (1983) (contract carrier authorization for interstate and intrasate pipelines); H.R. 1760, 98th Cong., 1st Sess. (1983) (Reagan administration bill); H.R. 1752, 98th Cong., 1st Sess. (1983) (contract carriage for natural gas volumes subject to bill's market out provision); H.R. 4, 98th Cong., 1st Sess. (1983) (contract carriage for natural gas volumes subject to bill's and contract's market-out provisions).

[163]*See* H.R. 2508, 98th Cong., 1st Sess. (1983); H.R. 2164, 98th Cong., 1st Sess. (1983); H.R. 1752, 98th Cong., 1st Sess. (1983); H.R. 4, 98th Cong., 1st Sess. (1983).

[164]Section 4 of H.R. 2182, 98th Cong., 1st Sess. (1983), defines "natural gas transporter" as

> any person who is engaged in natural gas transportation or distribution other than a person who — (A) does not purchase natural gas for resale, (B) does not acquire property through the use of eminent domain powers, and (C) is not an affiliate to an interstate pipeline, intrastate pipeline, or local distribution company.

[165]*Id* § 3(a) (proposed § 316(a) of NGPA). Like the Bradley Amendment, H.R. 2182 would create a presumption that a pipeline had adequate capacity to transport gas under a request that could be defeated only by an affirmative finding by the Commission after hearing.

[166]*Id. See infra* note 196-97 and accompanying text.

[167]Staff of House Subcomm. on Synthetic and Fossil Fuels of the Energy and Commerce Comm., 98th Cong., 1st Sess., Natural Gas Policy Adjustments Act of 1983 (Comm. Print 1983).

[168]The Subcommittee proposal would add a new § 319 to the NGPA that provides in part:

> SEC. 319. TRANSPORTATION SERVICES.
>
> (a) OBLIGATION TO TRANSPORT.
>
> Any interstate or intrastate pipeline which declines an offer made pursuant to any right of first refusal . . . shall, on request, transport through then existing facilities of such pipeline, on a best-efforts basis, the natural gas for which the market-out authority was exercised.
>
> (b) EXCEPTION TO OBLIGATION.
>
> Transportation shall be required of a pipeline under this section to the extent—

purchase natural gas released from an existing contract pursuant to its right of first refusal, such a pipeline must transport those volumes. Thus, if the producer of the natural gas finds a new buyer, the pipeline would be obligated to transport those volumes on a best-efforts basis. Under this proposal, the Commission could order the termination of a transportation arrangement if it determines that the transportation would disrupt existing transmission and distribution systems or would be contrary to the public interest.[169] The rate charged for transportation by an interstate pipeline under this section would be either a rate agreed to by the parties or a just and reasonable rate set by the Commission.[170]

B. State Legislative Proposals

Several states also have addressed the common carriage issue. Foremost has been West Virginia's enactment of a comprehensive utility regulatory reform bill.[171] That law significantly alters the way in which local distribution companies and intrastate natural gas pipelines purchase and sell natural gas supplies in the state.[172] It includes the following common carrier provision:

> The [Public Service Commission of West Virginia] may by rule or order, authorize and require the transportation of natural gas in intrastate commerce by intrastate pipelines, by interstate pipelines with unused or excess capacity not needed to meet interstate commerce demands or by local distribution companies for any person for one or more uses, as defined, by rule, by the commission in the case of:
>
> (1) Natural gas sold by a producer, pipeline or other seller to such person; or
>
> (2) Natural gas produced by such person.[173]

Kansas has considered bills that would make all natural gas pipelines operating within the state common carriers up to their excess capacity if the pipeline had been operating at less than seventy-five percent of its design capacity in excess of two consecutive years.[174] The New York legislature passed a bill that would have imposed common carrier status on natural gas utility systems within the state, but the governor vetoed the legislation in August 1983.[175] The Illinois Commerce

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(1) such transportation does not impair the pipeline's ability to render service to its then present and future customers;

(2) all then existing obligations of the pipeline are satisfied before undertaking such transportation; and

(3) the transportation would not adversely affect any use or user described [above] . . .

[169] *See id.* § 104(a). In addition, this proposal would further limit the impact of contract carriage by limiting the duration of the pipeline's obligation to transport gas under this section to the remaining term of the original contract. *Id.*

[170] *Id.* For intrastate pipelines, the rate will be either the rate agreed to by the parties, or, if required by a state regulatory authority, a rate determined by that authority.

On July 29, 1983, by a 10-9 vote, the subcommittee adopted the Shelby/Corcoran Amendment to the Committee Print. The revised Committee Print was then referred to the full House Energy and Commerce Committee for action. The amendment substantially revised section 401 of the Committee Print.

[171] Act of March 12, 1983, S. 117 (codified at W. Va. Code §§ 11-24-11; 24-1-1, 7; 24-2-3, 4a-c, 11, 16; 24-2A1, 2; 24-28-1, 2; 24-3-2, 3a, 7, 8).

[172] *See generally* 1983 House Hearings, *supra* note 4 (statement of Rep. Harley O. Stagger, Jr.).

[173] W. Va. Code § 24-3-3a(b).

[174] 1983 Kan. Sess. Laws S.23; H.2426. The Kansas legislature did not act on these bills in its 1983 legislative session. The bills will be held over until the 1984 session.

[175] 1983-1984 N.Y. Sess. Laws Assembly Bill No. 7649-A (Apr. 26, 1983). In vetoing this bill, Governor Cuomo noted that he favored the contract carriage provisions, but vetoed this comprehensive legislation because he believed the bill's provision allowing abrogation of take-or-pay

Commission also has proposed a comprehensive "Consumer Access Plan" to Congress calling for an immediate change in the status of natural gas pipelines to common carriers.[176]

VI. Issues and Policy Concerns

It's lovely to be silly at the right moment . . . .
Horace[177]

A. Problems and Proposals Revisited: An Analysis

As already observed, natural gas pipelines are both transporters and buyer-sellers of natural gas. As transporters, interstate natural gas pipelines operate as contract carriers serving natural gas owners, typically industrial users.[178] As resellers of the natural gas that they purchase and transport, pipelines are the link between producers and end-users. In this role, pipelines essentially function as brokers[179] because they effectively match demand with available supplies.

The NGPA added new complexities and risks to the brokerage function of interstate natural gas pipelines. Prior to passage of the NGPA, the brokerage function entailed relatively few risks. Interstate natural gas pipelines had access to

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clauses was unconstitutional because interstate gas contracts are under federal jurisdiction.

The constitutionality of the states' assertion of jurisdiction over interstate pipelines operating in West Virginia is an interesting question. Congress clearly occupied the field of natural gas regulation by enacting the NGA in 1938. *See* Panhandle Eastern Pipe Line Co. v. Public Serv. Comm'n, 332 U.S. 507, 519-24 (1947). Nevertheless, Congress has not addressed affirmatively common carrier status for interstate pipelines. Even in the absence of congressional legislation, however, "the Commerce Clause contains an implied limitation on the power of the States to interfere with or impose burdens on interstate commerce." Western & Southern Life Ins. Co. v. Board of Equalization, 451 U.S. 648, 652 (1981) (footnote omitted). Whether or not state regulation in this area is forbidden would be determined by considering the nature of the state regulation involved, the objective of the state, and the effect of regulation on the national interest in commerce. *See* Arkansas Elec. Cooperative Corp. v. Arkansas Pub. Comm'n, 103 S. Ct. 1905 (1983).

[176] Because few intrastate natural gas pipelines operate in Illinois, no bill has been introduced in that state's legislature that would affect intrastate pipelines. Rather, the Illinois "Consumer Access Plan" has been introduced as S. 1119 by Senators Dixon and Percy and as H.R. 2565, by Representative Corcoran. *See supra* notes 157 and 162. Under these bills, pipelines would be required to transport natural gas without discrimination for a period of at least six months upon request by the owner of such gas. The request would be subject to a minimum tender of 250/Mcf per day, available capacity, and compensation in accordance with rates established by the Commission. With respect to intrastate natural gas pipelines, the Commission's administrative responsibilities would be delegated to the appropriate state commissions.

[177] New Yorker, Aug. 8, 1983, at 5.

[178] The Commission has promulgated regulations designed to facilitate such transactions, and, in effect, has encouraged this type of contract carriage. *See supra* notes 20 & 54; 18 C.F.R pts. 3 and 157 (1983).

[179] The Commission has acknowledged that parties other than pipelines may serve this brokerage function on behalf of "industrial customers seeking to purchase and the producers wanting to sell natural gas supplies . . . . They charge a fee for the various types of services performed, such as, planning, purchasing, contracting for gathering systems, negotiating transportation agreements, and fulfilling administrative requirements." Amendments to Policy Regarding Certification of Pipeline Transportation Agreements, 43 Fed. Reg. 5362, 5368 (1978) (amending 18 C.F.R. § 2.79). The Commisison will determine, however, whether a particular brokerage transaction is in the public interest on a case-by-case basis, considering the cost that brokerage adds to the cost that the consumer pays for natural gas. *Id. See also* Natural Gas Pipeline Co. of America, 18 FERC (CCH) ¶ 63,085 at 65,230 (Mar. 26, 1982) (Initial Decision on Applications for Certificates of Public Convenience and Necessity) (all brokerage arrangements are not contrary to public interest; issue is whether particular brokerage arrangement, under existing circumstances, is against public interest).

supplies of natural gas at artificially low prices. Consumers seldom balked at the price of natural gas because it was low in comparison to the cost of alternative fuels.

Partial deregulation of the wellhead price of natural gas under the NGPA, however, has increased the number of risks involved in natural gas marketing. As natural gas prices rise and surpass alternative fuel prices, natural gas consumers with fuel-switching capability will attempt to abandon natural gas as an energy source.[180] This customer loss creates excess deliverability, and forces pipelines to spread fixed costs among even fewer consumers in the form of higher rates. Natural gas consumers faced with rising prices and producers faced with a market of oversupply have questioned whether pipelines have adequately performed their brokerage function, and support legislation that would allow them to move directly into the market themselves.

Current legislative proposals could resolve these problems in part by making pipelines mandatory "contract carriers" or common carriers.[181] Contract carrier proposals would require a pipeline to use its available capacity to transport natural gas owned by others on a pro rata basis at a reasonable rate. Proposed legislation, however, does not contemplate that contract carriage gas would preempt capacity necessary to meet the requirements of the pipeline's customers which purchase natural gas under the contract carriage proposals. Furthermore, the legislative proposals would give the regulatory authority discretion to establish rates for each transportation arrangement.[182]

Each legislative proposal to alter the present status of natural gas pipelines focuses explicitly or implicitly on the brokerage function. In theory, any party could act as a broker by providing an information exchange, presenting data on potential and available supplies, demand, price, and transportation availability. Currently, as the institutional broker, pipelines execute this function as part of their overall service. There is, however, a cost associated with this brokerage function. Certain economies of scale favor the pipeline broker who, in making hundreds of separate purchases and sales in a year, has accumulated knowledge that lowers the cost of additional brokerage transactions.[183] In addition, because large interstate pipelines deal with such large volumes of natural gas, they have flexibility to create both sale and purchase packages to meet a natural gas purchaser's needs even though these needs do not match identically with a particular producer's supply. If others were to perform the brokerage function, they would necessarily encounter costs that would be passed on to the end-user. The legislative proposals to establish common carriage for interstate pipelines, therefore, raise the issue of whether a new brokerage system would cost more or less than the present system.

Proponents of common carriage claim that such systems would create freer access to the marketplace, and promote competition that would benefit everyone.[184]

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[180] Many large industrial facilities have dual fuel capability and can switch quickly from natural gas to an alternative fuel, usually fuel oil. *See supra* notes 38-40 and accompanying text.

[181] *Compare* S. 615, 98th Cong., 1st Sess. (1983) (mandatory contract carriage), *with* S. 1119, 98th Cong., 1st Sess. § 2 (1983) (common carriage). *See supra* note 12.

[182] *See infra* notes 199-201 and accompanying text.

[183] *See generally* D. Cohn & R. Means, Contract Carriage of Natural Gas: A Preliminary Analysis of the Issues 3-8 (May 1983) (unpublished preliminary draft) (discussion economies of scale in natural gas industry) [hereinafter cited as Cohn & Means].

[184] For example, the Association for Equal Access to Natural Gas Markets and Suppliers (NGEA), *see supra* note 10, has testified before Congress that "the only viable long-term solution [to current problems in the natural gas industry] is to put the purchasing decisions where they belong — in the hands of the end-user or at least closer to the end-user," thereby creating a "truly national market for gas." 1983 Senate Hearings, *supra* note 3, at 6 (statement of Daniel W. Wilson, President NGEA) (Mar. 11, 1983).

They contend that because producers and end-users would receive market signals directly, the market would function more effectively. Producers and some pipelines also contend that certain producing areas should not become the exclusive supply preserve of one or two pipelines. Although monopsony power of pipelines over producers does not now appear to be a widespread problem,[185] common carriage could assure that one interstate pipeline would not dominate a production area.

Large industrial users of natural gas generally favor common carriage proposals,[186] believing they would be able to secure a constant supply of natural gas at lower prices.[187] Although large end-users may purchase relatively inexpensive natural gas in the current surplus market, they are unable to have the gas transported to their plants because their pipeline-suppliers would rather sell their own supplies of more expensive gas. For example, a large ammonia plant, which attributes 85% of its operating costs to natural gas, predicts that it could ensure profitability by acquiring low-cost gas directly from the producer and compelling transportation under a common carriage structure.[188] Distribution companies also contend that they could lower the cost of natural gas to their consumers under a common or contract carriage system.[189] In contrast, greater access to producers for distribution companies and other end-users will put pipelines at risk of losing significant sales.[190] Common carriage is likely to increase competition and reduce wellhead supplies and demand at the pipeline's points of resale.

Proponents of common carriage must be aware, however, that certain costs and risks will attend their entry into the marketplace. First, there is an undefined cost of brokerage. Most natural gas consumers are not suited to find, assess, and purchase adequate supplies of natural gas. They will be at a further disadvantage when the current natural gas surplus no longer exists. Second, those most skilled at locating and contracting for low-cost gas may command a premium in the marketplace because the supply of lower priced natural gas is limited. One class of consumers, such as large well-financed industrial users, may then develop significantly better

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[185] *See* Cohn & Means, *supra* note 183, at 5-6 (pipeline competition appears to be reasonably effective).

[186] *See, e.g.*, 1983 Senate Hearings, *supra* note 3, at 8 (statement of Patrick H. McNamara, Petrochemical Energy Group) (Mar. 10, 1983) (allowing customers of pipelines to purchase directly from producers and compel transportation is a remedy more flexible and effective than additional regulation); 1983 House Hearings, *supra* note 4, at 7 (statement of James D. Beatty on behalf of the Chemical Manufacturers Association) (Mar. 10, 1983) (discussion of how contract provisions can keep prices low).

[187] *See supra* notes 14-16.

[188] *See* 1983 Senate Hearings, *supra* note 3, at 14-15 (statement of George W. Haney, Chairman, Oklahoma Fertilizer Manufacturers' Association) (Mar. 28, 1983).

[189] *See* 1983 Senate Hearings, supra note 3, at 35 (statement of George H. Lawrence, President, American Gas Association) (Mar. 11, 1983); *but see id.* at 3-4 (statement of John C. Abram, Chairman, Southern California Gas Company) (Mar. 12, 1983) (contract carriage will increase consumer costs); 1983 House Hearings, *supra* note 4, at 4-5 (statement of William F. Ryan, President, South Jersey Gas Company) (Apr. 12, 1983) (opposing common carrier status for pipelines).

Although distributors originally opposed mandatory common carriage for pipelines because it threatened security of supply and corresponding financial stability, they have supported contract carriage proposals that do not significantly alter the pipelines' brokerage functions. The president of the American Gas Association has endorsed H.R. 2508, which does not mandate common carriage, but obligates a pipeline, if a purchaser, to transport the limited quantity of natural gas freed by the bill's market-out provisions. *See* Oil & Gas J. 32 (May 23, 1983). The AGA has also supported the Bradley Amendment, which includes special language designed to avoid local distribution company load loss. *See id.* at 34, 36.

[190] The president of the Interstate Natural Gas Association of America has not specifically opposed contract carriage, but has stated that the association's pipeline members view the Bradley Amendment "with some apprehension." *See Substitute Gas Decontrol Bill Proposed,* Oil & Gas J. 34, 36 (May 23, 1983).

resources than another class, such as local distribution companies, and new inequities may develop. For example, residential consumers who are served by local distribution companies may be forced to pay even higher prices than are currently charged.[191] Third, there will be the additional costs for transportation. Fourth, and perhaps most importantly, an end-user may find it impossible to acquire production and reserves that match its particular requirements. For example, a gas well's production generally cannot be tailored to meet precisely the operations of an industrial plant's usage, which fluctuates according to production schedule — time of day and days of week.

In summary, legislatively mandated contract carrier status could provide assistance in resolving the current market disorder. This alone, however, will not solve or even address all the problems in the natural gas industry. Mandated contract carriage or common carriage will remove artificial barriers to competition in the marketplace. Greater access to supplies and competition, however, will not guarantee a significant reduction in natural gas prices.

B. Specific Legislative Issues

In addition to the general policy question of whether to impose common carrier obligations on natural gas pipelines, Congress must consider important issues raised by different proposals. First, it must consider the administrative aspects of mandating contract carriage for natural gas pipelines. A second concern is a determination of fair compensation for pipelines compelled to transport natural gas. Third, Congress must decide what authority the Commisson will have over intrastate pipelines. Finally, Congress must consider the effect that the imposition of common or contract carrier status will have on local distribution companies.

1. The process of obtaining mandated contract carriage

Mandatory contract carriage proposals generally vest the Commission with the authority and discretion to order interstate pipelines to transport natural gas as a contract carrier. The administration's proposal (S. 615) provides that upon petition to the FERC, the Commisson could order transportation only if it found that: (1) the pipeline had available capacity; (2) "no undue burden" would be placed on the pipeline; (3) no construction of new facilities would be required; and (4) the transportation would not impair the ability of the pipeline to render adequate service to its existing customers.[192]

Under the Administration's proposal, the party requesting transportation service must persuade the Commission that all four factors are met. Other bills have placed the burden of demonstrating lack of capacity on the pipeline.[193] During mark-up of S. 615, the Senate Energy and Natural Resources Committee substituted the Bradley Amendment for S. 615's common carriage proposal, placing the burden of demonstrating lack of capacity on the pipeline, and modified S. 615's four-factor

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[191] Representative Phil Sharp, Chairman of the House Energy and Commerce Committee's Subcommittee on Fossil and Synthetic Fuels, has voiced this concern. *See* Inside F.E.R.C. (Mar. 28, 1983). *See also* 1983 Senate Hearings, *supra* note 3, at 4 (statement of John C. Abram, Chairman, Southern California Gas Company) (Mar. 12, 1983). Mr. Abram stated: "we will be forced to compete with our own customers and our own pipeline suppliers and thousands of other new buyers in the gas market. So, again our residential and small business customers will be left holding the bag of high-cost, new gas."

[192] S. 615, 98th Cong., 1st Sess. § 317 (1983).

[193] *E.g.*, H.R. 2182, 98th Cong., 1st Sess. (1983) (proposed § 316(f) of NGPA).

test.[194] The Bradley Amendment created a presumption that a pipeline had excess capacity and an explicit requirement that parties negotiate in good faith for use of that capacity before coming to the FERC. Thus, the Bradley Amendment encourages voluntary contract carriage, reducing the administrative burden on the Commission. Rather than mandating a full hearing, the Bradley Amendment establishes a pipeline protest procedure in which the pipeline can demonstrate that if it rendered the requested service, the pipelines' other customers would not be adequately served or that the seller or purchaser did not negotiate in good faith with the pipeline. Finally, the Bradley Amendment mandates expeditious treatment of the protest within ninety days.[195]

A related issue is mandatory construction of new facilities, which some new transportation agreements might necessitate. For example, the Administration's proposal precludes the transaction if it requires construction while other bills give FERC authority to order extensive construction of facilities.[196] The Bradley Amendment provides that the Commission may order construction of only minor facilities not involving substantial costs that are necessary for contract carriage transportation if the person requesting the transportation and subsequent construction pays for its cost and operation.[197]

2. Compensation

If Congress compels natural gas pipelines to render transportation service, Congress must ensure fair compensation for this service. Compensation should be sufficient to furnish an incentive for pipelines to provide the service. Some proposals have suggested a fixed rate plus the cost of transportation,[198] while other bills allow for only a "just and reasonable" rate.[199] The Bradley Amendment merges the two approaches. The Bradley Amendment would entitle pipelines that voluntarily agree to transport contract carriage volumes to "an incentive allowance of up to $0.05 per million Btu's (in excess of the just and reasonable rate for such transportation as established by the Commission)" unless the Commission determined that another amount is reasonable.[200] If the pipeline is performing the transportation upon the Commission's order, the Commission will determine the just and reasonable rate for transportation, not to exceed $0.05 MMBtu. The nickel per MMBtu should provide adequate incentive for pipelines to accept contract carriage voluntarily, even in a situation in which more than one pipeline is involved in the transportation and the nickel is divided.[201]

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[194] *See* S. 1715, *supra* note 159 (proposed § 321(a) of NGPA).

[195] *Id.* (proposed § 321(K)(4)).

[196] *See, e.g.*, H.R. 2182, 98th Cong., 1st Sess. (1983) (proposed § 316(f)(6) of NGPA). One problem with these proposals is that the Commission could compel construction of facilities for a transaction limited to a short period, such as two years. Such a brief period could be inadequate for a pipeline to recover its capital costs for facilities that could cost millions of dollars. Then, because the "new" facilities would go unused, the pipeline's customers might be forced to absorb these costs.

[197] *See* S. 1715, *supra* note 159 (proposed § 321(g) of NGPA).

[198] *E.g.*, S. 615, 98th Cong., 1st Sess. § 317 (1983) (proposal of rate of $0.05 MMBtu plus cost of transportation).

[199] *E.g.*, S. 996, 98th Cong., 1st Sess. § 106 (1983).

[200] S. 1017, 98th Cong., 1st Sess. § 3(a), 129 Cong. Rec. S4406-08, 4407 (1983). *Accord* S. 1715, *supra* note 159 (proposed § 321(f)(2) of NGPA).

[201] *See id.* (proposed § 321(f)(4)).

3. Commission jurisdiction over intrastate pipelines

The Commission presently has no jurisdiction over intrastate natural gas pipelines,[202] even though they are an important component of the nation's natural gas transmission system. Only a portion of the total number of natural gas wells are connected directly to interstate natural gas pipelines, so in a mandatory contract carriage arrangement, an intrastate pipeline might be required to complete the transaction. A comprehensive common carriage bill, therefore, should grant a governmental body authority to order an intrastate natural gas pipeline to provide common carrier service.

Commission jurisdiction over intrastate pipelines, however, may create a conflict with state regulatory agencies. Some bills do not encompass intrastate natural gas pipelines, and other bills have treated both classes of pipelines identically.[203] The Bradley Amendment provides that an application for intrastate pipeline contract carriage must first be filed with the appropriate state agency.[204] Only if the state agency does not act within a "time certain" could the Commission order the intrastate pipeline to haul the subject natural gas. The Commission also has limited jurisdiction over intrastate pipelines for the purpose of establishing an equitable transportation rate for common carriage transactions.[205]

4. Local distribution company load loss

Local distribution companies sell and deliver gas directly to end users that are not connected to interstate pipelines. State or municipal public service commissions generally regulate distributors as public utilities and apportion fixed costs among their various customers, which include both large commercial and industrial users and residential customers. If a large user of natural gas leaves a distributor's system, the remaining customers must absorb that portion of the distributor's fixed costs of operation through increased rates.

The Senate Energy and Natural Resources Committee has proposed adopting the concept of historical service to prevent load loss problems for distribution companies.[206] The Committee concluded that an industrial user has been "historically served" if it received natural gas from a local distribution company after January 1, 1980. If a pipeline has been historically served, it must acquire contract carriage volumes through its local distribution company, unless: (1) the facility's volume of gas to be transported exceeds its average annual deliveries within four years prior to the date of enactment; (2) the facility was not in existence prior to date of enactment; (3) the facility has a direct purchase contract with an interstate pipeline; or (4) the facility attempts unsuccessfully for three years following the date of enactment to have the local distribution company transport its contract carriage volumes.[207]

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[202] The Commission may, however, exercise limited jurisdiction over intrastate pipelines to facilitate interstate commerce pursuant to sections 311 and 312 of the NGPA. 15 U.S.C. §§ 3301-3432 (Supp. V 1981). *See generally* Oklahoma v. FERC, 661 F.2d 832, 837-38 (10th Cir. 1981) (enactment of NGPA is constitutionally acceptable exercise of Congress' commerce clause power), *cert. denied*, 102 S. Ct. 2902 (1982).

[203] *E.g.*, H.R. 2182, 98th Cong., 1st Sess. (1983); H.R. 2565, 98th Cong., 1st Sess. (1983).

[204] *See* S. 1715 *supra* note 159 (proposed § 321(b)).

[205] *Id.*

[206] The Committee incorporated its proposal in S. 1715, *id.* (proposed § 321(c)(4)).

[207] *Id.* (proposed § 321(c)(4)(C)).

Another issue involved in the load loss amendment is the potential conflict between the jurisdiction of state public service commissions and FERC. The Committee's proposal authorizes FERC to order a local distribution company to perform contract carriage transportation only if the state commission has no jurisdiction over the local distribution company under state law and fails to act within a "time certain." If, however, the state commission's final action results in no transportation service, the FERC finds that the action was arbitrary, capricious, or an abuse of discretion, FERC may then order the requested transportation.[208]

Large industrial users of natural gas that decide to depart for a limited time from the local distribution company's system still face two significant hurdles. First, the transaction must receive a certificate of public convenience and necessity from FERC.[209] Second, industrial customers do not have the right of eminent domain to facilitate a direct connection to a pipeline.[210] These legal obstacles, their expense, and the expense of constructing a new line reduce the likelihood that industrial customers historically served by distribution companies will wish to leave that system.

Conclusion

[T]he final enemy is not chaos, but organization . . . .
Trevanian[211]

The issue of mandatory contract or common carriage status for interstate natural gas pipelines is not new. Recent legislative proposals echo earlier proposals that were never enacted. Rejection of those earlier legislative proposals, however, does not mean that the present ones are inappropriate. The appropriateness of imposing contract or common carriage on natural gas pipelines at this time must be assessed by determining how effective a new status for interstate pipelines will be in achieving significantly lower prices for consumers.

The reduction of natural gas prices as a result of congressionally imposed common carrier obligations on interstate natural gas pipelines is unlikely because of institutional factors in the natural gas industry. These factors include the history of dealings between producers and interstate pipelines, the personal relationships between sellers and buyers, the proximity of pipelines and gathering systems to production, and the ability of pipelines to buy large volumes of natural gas over a sustained period from several different production areas. In contrast, consumers, such as large petrochemical companies or distribution companies, generally have none of these advantages or the in-house ability to assess independently such questions as the deliverability rates, reserve life, or quality of the natural gas offered for sale. In addition, gas may not be available in the right location, and transportation costs paid to a network of interstate pipeline companies may eliminate any price advantage that the consumer might have gained from a direct purchase from a producer.

On balance, common carrier obligations, if imposed on all interstate and intrastate pipeline companies, should be mandated by Congress because it would

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[208] The Senate Report stressed that this procedure was not an appeal per se. Nevertheless, a party denied transportation by a state agency or in a state court could receive the requested contract carriage service from the Commission if the federal agency found the state agency's action to be arbitrary and capricious. *See* S. Rep. No. 205, 98th Cong., 1st Sess. 36 (1983).

[209] *See supra* note 23 and accompanying text.

[210] *See supra* notes 118-22 and accompanying text.

[211] Trevanian, Shibumi 366 (1979).

give large consumers decisionmaking flexibility and an alternative to being captive of a single supplier for its fuel or raw material. Thus, common carriage would introduce new elements of competition into the natural gas industry. Common carriage contains certain risks and costs for the end-user of natural gas which seeks to establish contract carriage service, but it may yield favorable results. In practice, a common carriage requirement for natural gas pipelines may result in lower rates for certain consumers because pipelines may be compelled to reduce rates in order to deter customers from buying gas directly from producers.

Alaska Gasline PORT AUTHORITY

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March 20, 2012

Senator Donald Olson
State of Alaska
State Capitol, Mailstop 3100
Room 508
Juneau, AK 99801-1182

Dear Senator Olson:

We are providing to you a copy of our recently released third study, "Comparison of Current Alaska Gas Pipeline Proposals" by the McDowell Group. This study concluded the following when comparing the benefits to Alaskans from a small volume bullet line versus the All Alaska Gasline/LNG project to Valdez:

Pipeline tariff to Fairbanks:	Bullet line = $7.75 All Alaska line = $1.15
Jobs:	Bullet line = 5,400 during construction All Alaska line = 21,000 during construction
Revenue to State:	Bullet line = $3.75 billion - $4.57 billion over 20 years All Alaska line = $75 billion-$419 billion over 30 years

Last August we provided to you a copy of the Report titled The "Alaskan LNG Exports Competitiveness Study," conducted on behalf of the Alaska Gasline Port Authority by world energy experts, Wood Mackenzie, which concluded in part:

1. LNG from a large volume gasline to Valdez could be delivered into the Japanese market significantly cheaper than LNG from projects currently being developed in Australia, British Columbia and the U.S. Gulf Coast.

Board of Directors:
Jim Whitaker, Chairman · Bert Cottle, Vice-Chair · Merrick Peirce, Treasurer ·
Mayor Dave Cobb, Secretary · Steven Haagenson· Dave Dengel

2. Revenues to Alaska from the sale of LNG to the Asian market would be very significant and could generate up to $419 billion in direct revenues for Alaska over a 30 year period, plus there is enough gas in Alaska for this project to continue to operate for well over 100 years.

3. Given Alaska's proximity to Asia, our LNG shipping costs are 80% cheaper than other LNG projects' shipping costs.

Last month we provided to you a copy of our second report, performed by the PDC Harris Group. The purpose of this analysis was to determine how the All Alaska gasline Project impacted the high cost of energy in Alaska. The second study was performed to determine the magnitude of the reduction of cost of energy in Alaska from a large volume pipeline to Valdez with an export of LNG to the premium Asian markets. The PDC Harris Group study focused on the cost of energy and benefits to two cities, Bethel and Fairbanks. This analysis found:

1. As a result of the economy of scale of this large volume gasline project, the cost of energy in Fairbanks would be reduced by 80%. The predicted total value of the fuel savings in the Fairbanks area is $2.4 billion over a 30 year period.

2. The cost of energy in Bethel would be reduced by as much as 65% by using LNG shipped out of Valdez to Bethel. The fuel savings in Bethel would range from $229 million to $886 million over a 30 year period.

The information contained in these recent Reports is very significant to the future of Alaska. Please don't hesitate to contact me with any questions.

Sincerely,

William M. Walker

Enclosure: McDowell Group Report

Senator Olson
Hope you have a great summer & thanks for your hard work
in Juneau
Bill

Board of Directors:
Jim Whitaker, Chairman · Bert Cottle, Vice-Chair · Merrick Peirce, Treasurer ·
Mayor Dave Cobb, Secretary · Steven Haagenson· Dave Dengel

ExxonMobil ConocoPhillips bp

March 30, 2012

Governor Sean Parnell
550 West 7th Avenue, Suite 1700
Anchorage, Alaska 99501

Dear Governor Parnell,

Our three corporations, collectively and individually, value our relationship with Alaska and believe that its citizens across the state, as well as our shareholders around the world, share a common interest in responsible resource development. We write today to inform you of our progress in working together on the next generation of North Slope resource development.

Alaska's vast North Slope holds over 35 trillion cubic feet of discovered natural gas. To date, this gas has been used to enhance North Slope oil production, adding several billion barrels to Prudhoe and Kuparuk recoveries. However, under the right business climate, the full commercial potential of this world-class resource can be unlocked. North Slope gas commercialization will bring new job opportunities, increased state revenues, reliable in-state energy supplies and new exploration opportunities, which will further the development of North Slope oil and gas. This will be key toward reaching your goal of one million barrels of oil per day through the Trans-Alaska Pipeline System.

Serious discussions between our companies have taken place over the past several months, along with the Alaska Pipeline Project (APP) parties who are supporting the AGIA License. We have aligned on a structured, stewardable and transparent approach with the aim to commercialize North Slope natural gas resources within an AGIA framework. As a result of the rapidly evolving global market, large-scale liquefied natural gas (LNG) exports from south-central Alaska will be assessed as an alternative to gas line exports through Alberta. In addition to broadening market access, a south-central Alaska LNG approach could more closely align with in-state energy demand and needs. We are now working together on the gas commercialization project concept selection, which would include an associated timeline and an assessment of major project components including in-state pipeline routes and capacities, global LNG trends, and LNG tidewater site locations, among others.

Commercializing Alaska natural gas resources will not be easy. There are many challenges and issues that must be resolved, and we cannot do it alone. Unprecedented commitments of capital for gas development will require competitive and stable fiscal terms with the State of Alaska first be established. Appropriately structured, stable fiscal arrangements have opened new opportunities around the world, and will play a pivotal role in making Alaska competitive in the global market and unlocking the economic potential of North Slope resources.

Point Thomson is an excellent example of a challenged, world-class resource. With approximately 25% of known North Slope natural gas, Point Thomson development is an important element in consideration of North Slope gas commercialization. However, economic models must span decades into an uncertain future to estimate economic returns. Your Administration has taken the lead in forging a Point Thomson settlement that will bring long-term resources, revenues and jobs to help Alaska's economy. With settlement now finalized, our companies are moving forward, as participating co-venturers, with the initial development phase at Point Thomson with confidence that North Slope gas development will ultimately bring the Point Thomson resource to market.

We agree the next generation of North Slope resource development is achievable, working together with the APP parties, as well as with the State of Alaska. Thank you for your leadership and your confidence in us to take on these challenges. We join you in a vision of prosperity and promise. There is much work to do and opportunities yet to discover.

Sincerely,

Rex Tillerson Jim Mulva Bob Dudley

March 30, 2012

The Honorable Sean Parnell
Governor of Alaska
State Capitol
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Parnell:

I am writing in support of meaningful oil and gas production tax reform in Alaska.

Repsol E&P USA Inc. holds interests in 165 state leases both onshore and in state waters, along with our partner Armstrong Oil & Gas, as well as 164 Alaskan offshore federal leases. Currently, we are drilling two exploration wells on the North Slope.

Repsol's future in Alaska depends primarily on three conditions: first, exploration success; and if that is achieved, then second, commercial conditions, mainly taxes; and third, future expenditure requirements. While Alaska offers considerable remaining exploration potential, the current tax structure is an impediment to future oil and gas development.

With ongoing exploration in 28 countries, Repsol is continually assessing its portfolio to decide where to invest, based on geological opportunity, commercial conditions and political risk. Clearly, we are ultimately seeking the best return on investment. Alaska is competing with all other worldwide opportunities for Repsol's limited investment dollars.

On the positive side, Alaska offers strong exploration potential and economic stability. On the downside, Alaska is a challenging and expensive operating environment, and the state's current tax structure is a deterrent to future development compared to other areas where we are exploring. While Repsol is prepared to manage the harsh operating conditions, the ACES tax law considerably disincentivizes new development, and we believe the law is in need of reform.

So while we are hopeful that our exploration program will yield great success and a long future for Repsol in Alaska, even with discoveries, it is not a foregone certainty that the fields will be developed. Some of our leases are near producing fields, while others comprise smaller, scattered opportunities in unexplored areas where the cost structure is not well-established. Many of the fields could likely be marginal fields that will not be commercially viable to develop without a reduction of the current tax burden.

We entered into agreements with our partners with the understanding that Alaska will need to implement production tax reform. Without it, the potential for transitioning our exploration program to production will be very limited. This is precisely why we negotiated an "escape clause" whereby Repsol can exit Alaska at any time without any further commitments or investments.

However, with exploration success and the right commercial conditions, including an improved tax structure, our initial technical evaluation suggests a scenario in which Repsol and its partners could spend up to $9 billion over the next 12 to 15 years to bring as many as 10 new development pads into production. Half of this expenditure could be made in the next six years. Based on our preliminary analysis of scenarios, Repsol's successful exploration and production could ultimately result in an estimated $18 billion in additional royalties and taxes for Alaska.

Repsol E&P USA Inc.

2001 Timberloch Place, Suite 3000
The Woodlands, Texas 77380

Tel. 281/297-1000

Repsol's production facilities could come online as soon as 2016 to increase processing capacity on the North Slope – potentially providing tens of thousands of barrels of production per day into the TAPS pipeline. Of course, this scenario is based only on our initial analysis, and each individual development opportunity would require full evaluation and approval based on actual exploration results, but we want you and members of the Legislature to be aware of Repsol's significant investment potential under a favorable business environment.

In addition, Repsol is committed to local hire. Currently, Repsol employs more than 400 workers associated with its North Slope exploration activities. Development of new fields could create thousands of local jobs. To date, Repsol has been working closely with several regional and village corporations and numerous other local contractors. We have also established a constructive dialogue with union representatives, and we look forward to continuing this cooperation into the future.

Repsol strongly encourages the Alaska Legislature to pass tax reform, similar to HB 110, that will incentivize bringing new fields into production and enhance Alaska's competitive position in the global market. In turn, a strong investment climate will benefit Alaskans by increasing production, extending the lifecycle of the TAPS pipeline, adding significant state revenue and creating thousands of local jobs.

Sincerely,

Ramón Hernán
CEO

cc: Alaska State Legislators

About Repsol: Repsol is a global energy company, operating in more than 30 countries worldwide with a workforce of over 36,000 employees. It is ranked as the world's 15th largest oil company in the Fortune 500. Over the past six years, Repsol has made some of the world's largest oil and gas discoveries worldwide.

Repsol is committed to contributing to a safe and environmentally responsible energy supply, with a commitment to technological innovation in order to achieve sustainability and well-being for future generations.

Repsol E&P USA Inc.

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POINT THOMSON

SETTLEMENT OVERVIEW



Outline

PT

I. Background

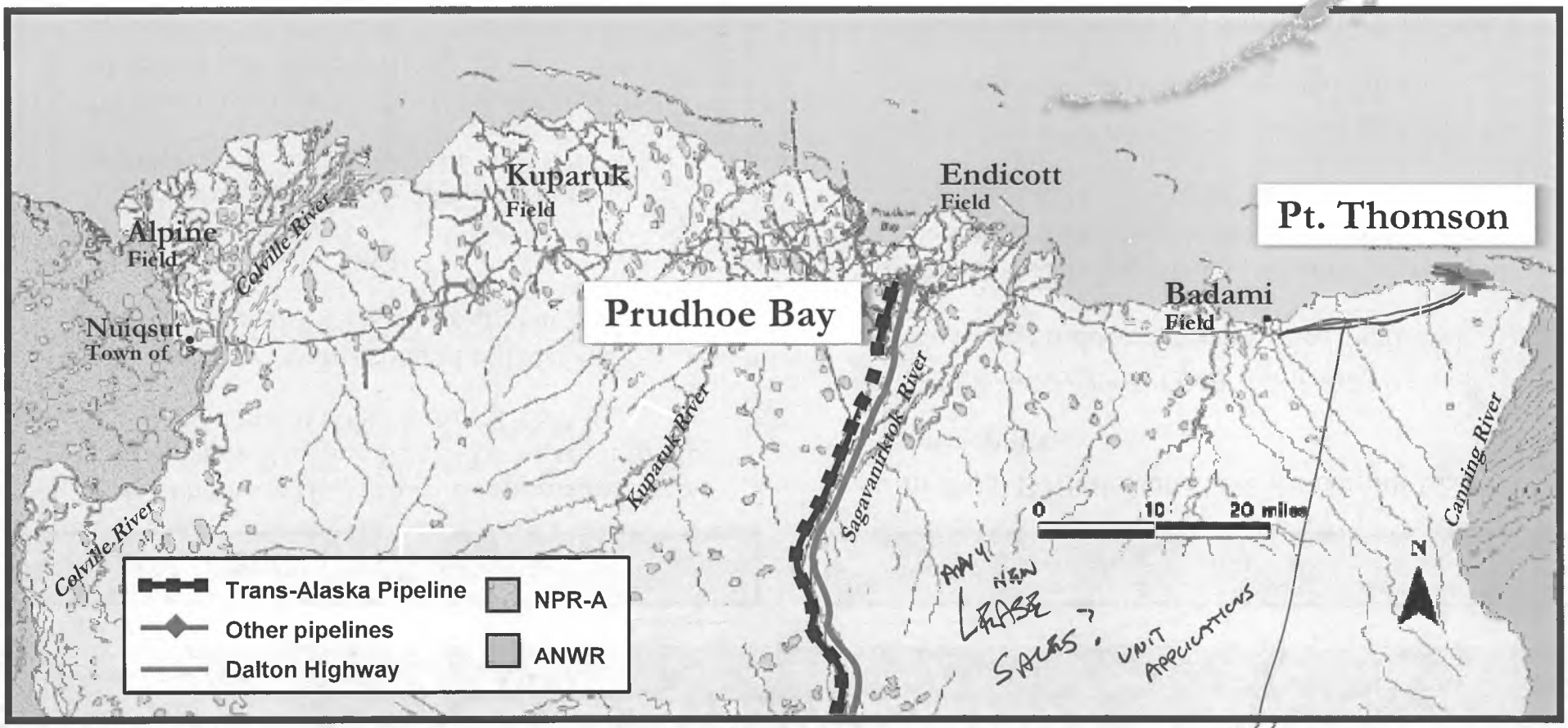
II. Long-Standing Goals Related to Point Thomson

III. How *the* Settlement Advances Alaska's Interests

IV. Components *of the* Agreement

V. Next Steps

PT BACKGROUND



PT Background

About Point Thomson

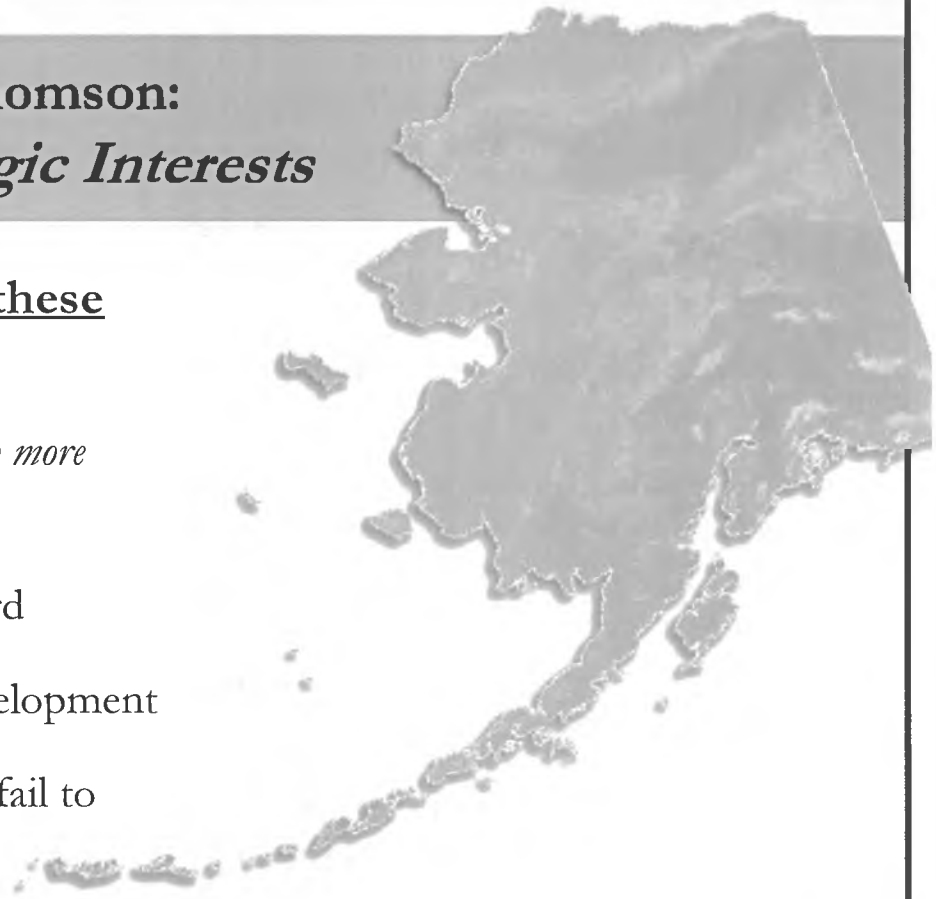
- Point Thomson (PT) is located approximately 60 miles east of Prudhoe Bay and is adjacent to the Arctic National Wildlife Refuge (ANWR)
- The first leases were acquired in 1965; oil discovered in 1975; gas discovered in 1977
- The PT unit formed in 1977
- The PT unit contains 38 state leases on approximately 93,000 acres of state land
- PT contains about 8TCF of gas and hundreds of millions of barrels of oil
- PT has ~ 25% of known North Slope gas reserves
- PT unit has a massive Thomson Sands reservoir, a thin oil rim, and smaller Brookian oil accumulations
- The PT reservoir is a high-pressure retrograde condensate and natural gas reservoir that presents development challenges

About the Litigation

- In 2005, DNR defaulted the PT unit for lack of development
- In November 2006, DNR terminated the unit when the Producers failed to cure the default
- The Producers appealed to superior court; in December 2007, the court remanded the unit termination decision to DNR
- In April 2008, DNR rejected a new plan of development and again terminated the unit
- The Producers appealed to superior court, which ruled that DNR erred in terminating the unit
- The Alaska Supreme Court granted the State's Petition for Review, which halted the current superior court litigation – final court resolution is years away

LONG-STANDING GOALS RELATED *to* POINT THOMSON

State of Alaska's Goal for Point Thomson:
Advance the State of Alaska's Strategic Interests



<u>For years the State of Alaska has focused on these common goals related to PT:</u>

- Begin producing PT hydrocarbons into TAPS—*no more warehousing*
- Keep development and production moving forward
- Incentivize and lay out clear path for full-field development
- Ensure significant consequences if the Producers fail to meet commitments
- Encourage commercialization of North Slope gas
- Create increased employment and economic opportunities for Alaskans

How *the* Settlement Advances Alaska's Interests

PT

- Creates momentum on production and development
- Creates a near-term commitment of production into TAPS and increasing TAPS throughput
- Ends the warehousing of state resources
- Provides the quickest way to move PT into production by a certain date
- Opens the Eastern North Slope to new development opportunities by adding infrastructure and a 70,000 bpd common carrier pipeline connecting to TAPS
- Incentivizes and lays out a clear path and alternatives for full-field development, each of which will require billions of dollars in investment if pursued
- Generates significant investment in Alaska, which will create increased employment and economic activity for Alaskans: strong Alaska hire provision
- Establishes significant consequences if near-term or longer-term development is not pursued
- Increases competition on the North Slope
- Provides potential for significant gas volumes for in-state use no later than 2019
- Positions North Slope gas for a large-scale gas pipeline project
  - Near term work on liquids production undertaken simultaneously with gas commercialization efforts
  - Liquids production work commitments are a pre-investment for North Slope gas commercialization
  - Ends the cloud of litigation over PT
  - Catalyst for alignment among the Producers and TransCanada
- Requires a commitment to develop a separate oil reservoir within PT
- Improves technical and geologic understanding of the complicated PT reservoir to help determine the best way to maximize state resources
- Animating principle: "earn your acreage" – the more work, more commitment, more investment, and more production that occur, the more PT acreage companies will retain

PT COMPONENTS *of the* SETTLEMENT

I. Initial Production System (IPS)

II. Overview of Expanded Development Alternatives

A. ALTERNATIVE A:

Major Gas Sale

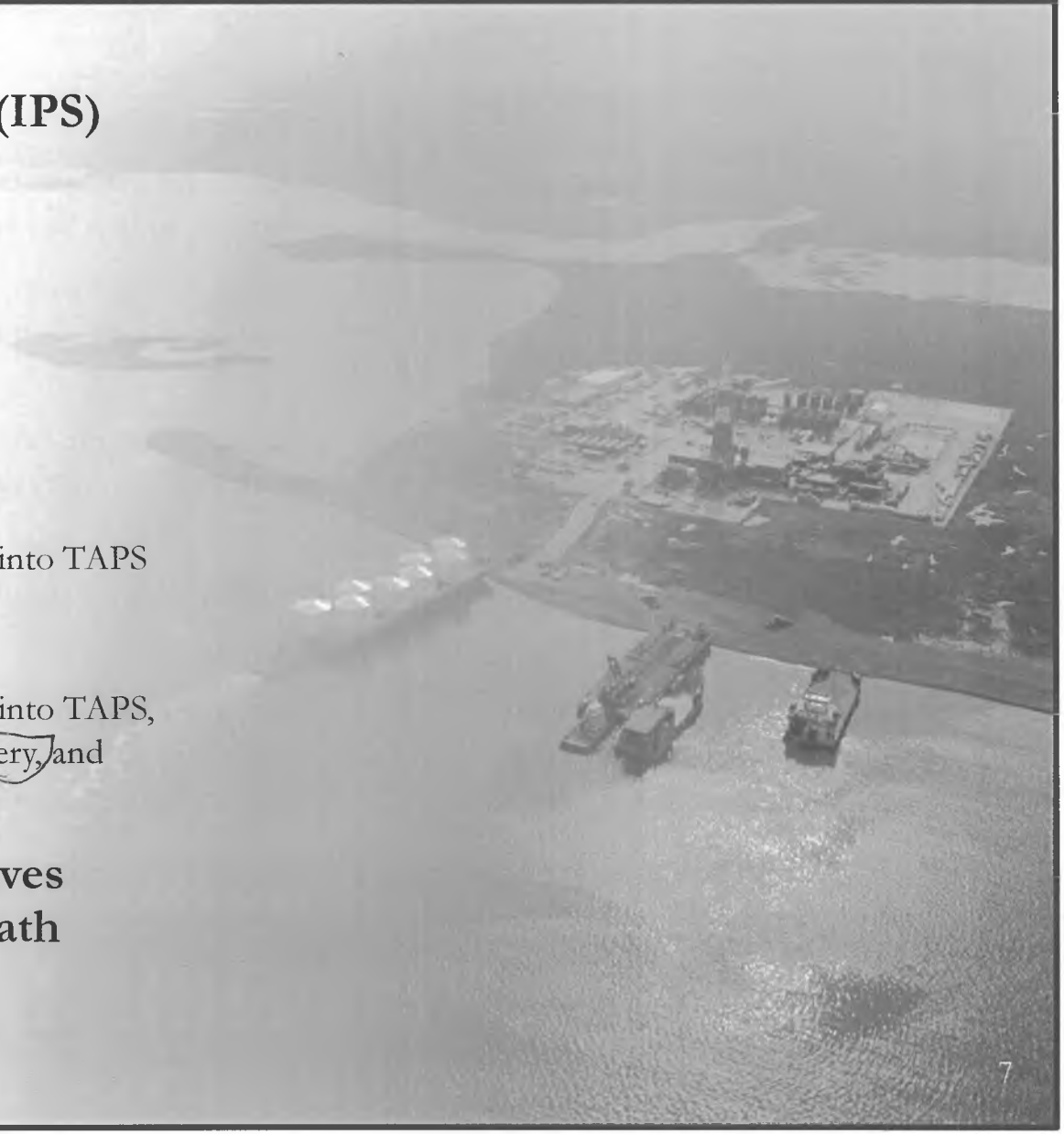
B. ALTERNATIVE B:

Expanded Liquids Production into TAPS

C. ALTERNATIVE C:

Expanded Liquids Production into TAPS, Enhanced Prudhoe Bay Recovery, and Gas for In-State Use

III. Consequences and Incentives Related to Development Path Taken

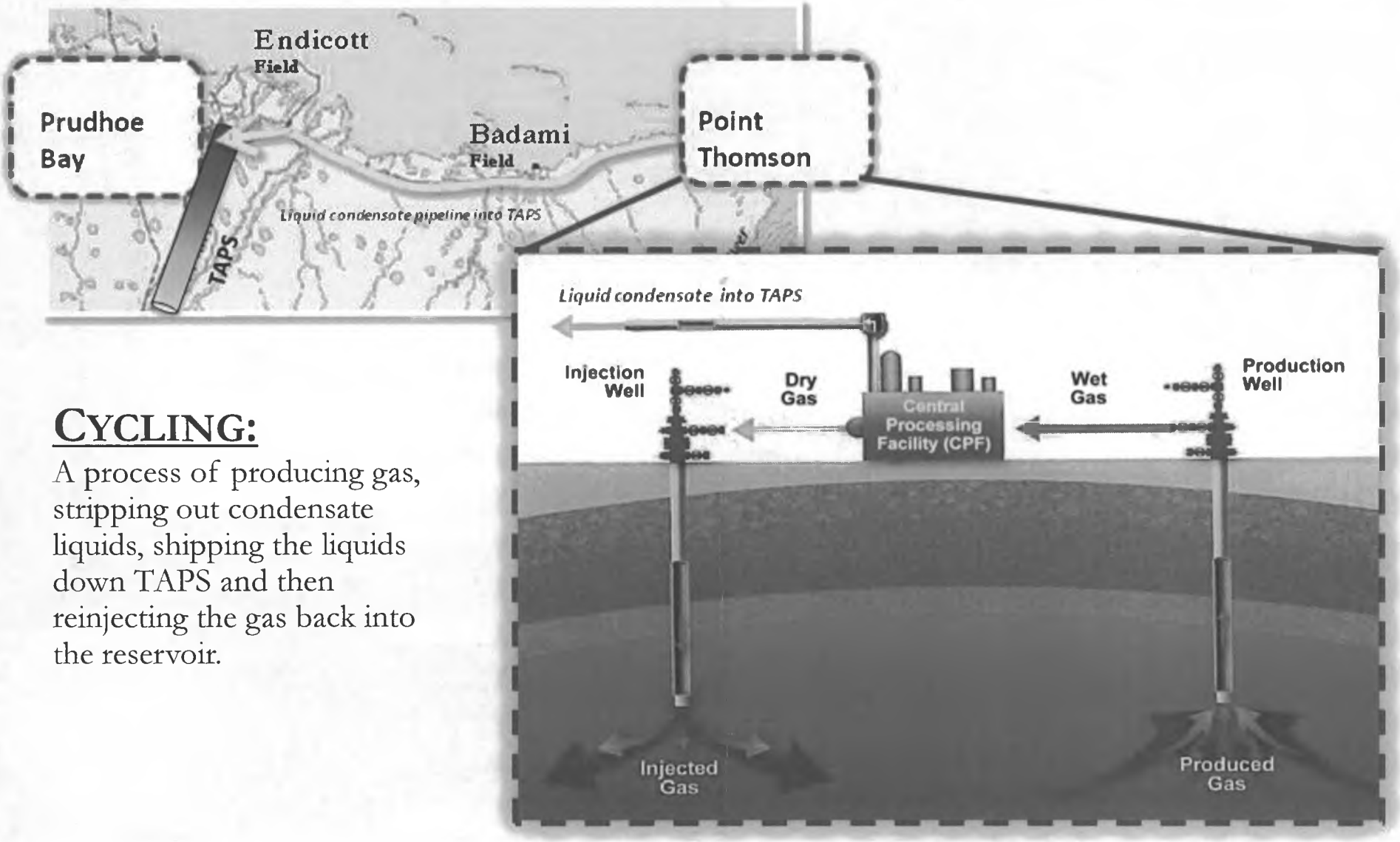


INITIAL PRODUCTION SYSTEM
- COMMITMENTS *and* TIMELINES -



- Producers will work together to complete the Initial Production System (IPS), will produce ~10kBPD of liquid gas condensates and cycle ~200 mm CFD
- To install the IPS, the Producers will complete the following work commitments:
  - Drill PT 15 & 16 wells from the central pad (completed); world-class wells in a remote location
  - Construct facilities and install 70k BPD liquids, common carrier pipeline to TAPS
  - Put PT 15 & 16 on production by end of 2015-16 winter season utilizing IPS
    - Original, agreed-upon timeline was pushed back one year because of federal permitting delays
  - Drill west pad well by end of 2016-17 winter season
  - Permit two additional wells and the east pad
- IPS installs infrastructure necessary for full-field development and will provide critical information for the next phase of development
- Detailed work schedule incorporated into the agreement (see slide 11)
- DNR technical review confirmed reservoir complexity
- If the IPS is abandoned, acreage automatically contracts from the unit and is returned to the state
- Unfavorable economics/ROI of IPS cannot serve as an excuse for non-performance
- Once production starts, limited acreage is secured consistent with state law
- IPS development proceeds in parallel with gas commercialization work

PT INITIAL PRODUCTION SYSTEM
- OVERVIEW *of* CYCLING -

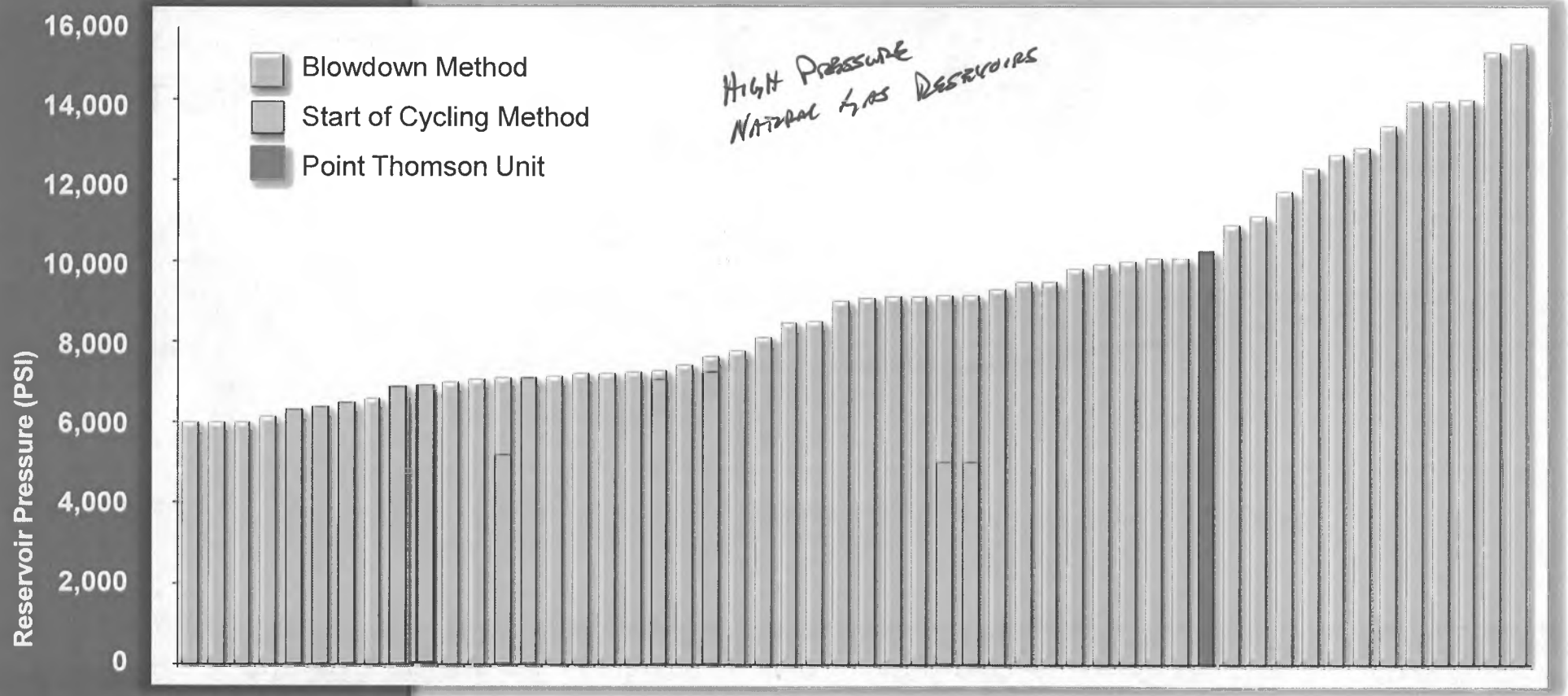


CYCLING:

A process of producing gas, stripping out condensate liquids, shipping the liquids down TAPS and then reinjecting the gas back into the reservoir.

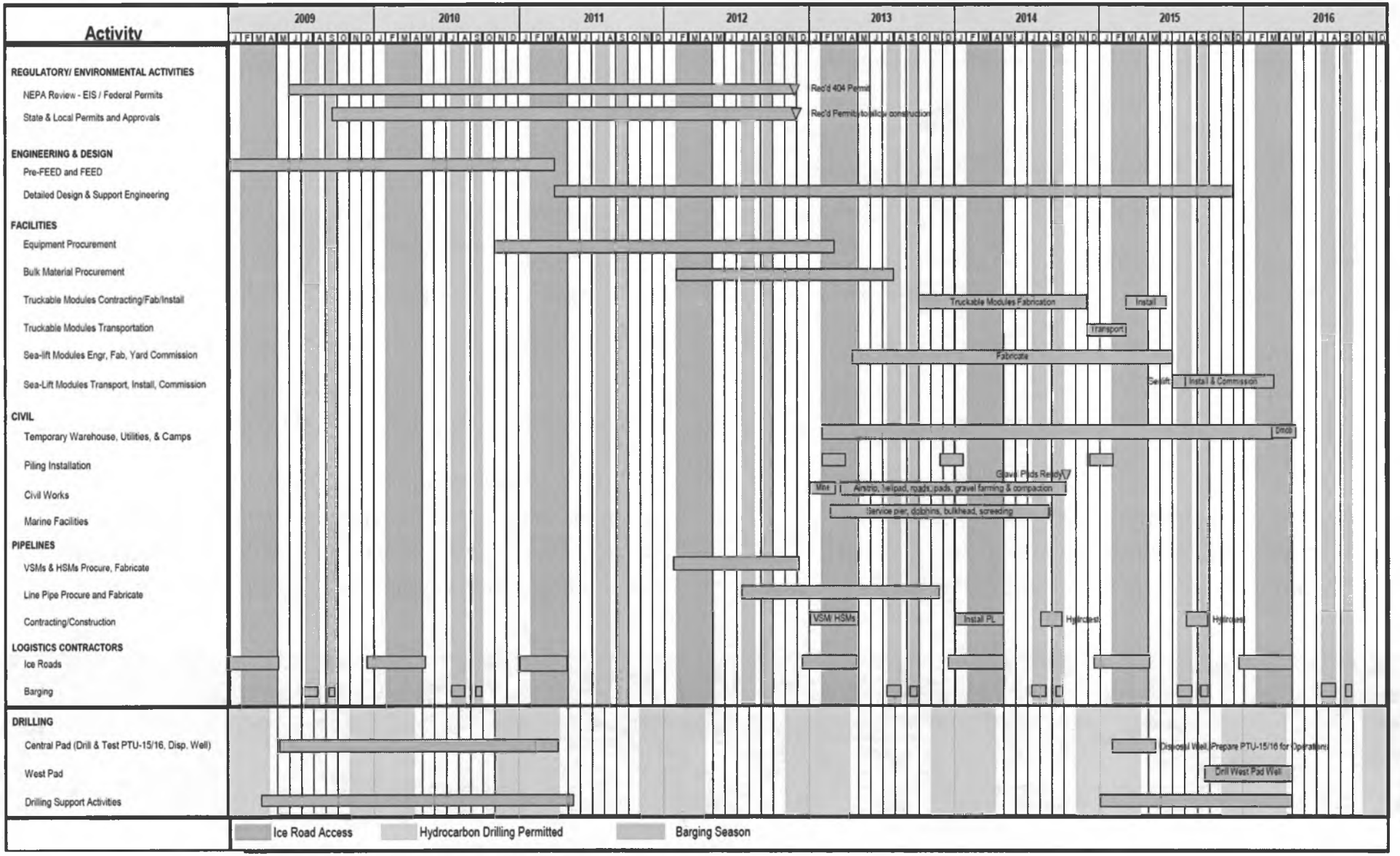
Initial Production System
- Cycling *at* High-Pressure -

Comparison *of* World-Wide Gas–Condensate Reservoirs



- There are no retrograde gas condensate reservoir cycling projects similar to Point Thomson (~10,200 psi), although there are a few oil and gas reservoirs in the world that are in production at a higher pressure
- For comparison, Prudhoe Bay gas is at ~3500 PSI, although this is not a condensate reservoir

IPS Work Schedule



PT

Overview *of* Expanded Development Alternatives

- In addition to the IPS production commitments and timeline, the settlement creates pathways, incentives, and benchmarks for full-field development of the PT reservoir – *critical component of the settlement*
- Once the IPS is on production, there are three alternatives to full-field development:
  A. Major Gas Sale
  B. Expanded Liquid Production into TAPS
  C. Expanded Liquid Production into TAPS, Enhanced Prudhoe Bay Recovery, and Gas for In-State Use
- All three alternatives:
  - Can be pursued individually or simultaneously
  - Will require billions of dollars of additional investment to complete
  - Can only fully secure additional PT acreage once expanded production of hydrocarbons begins
- If none of the three expanded development alternatives are sanctioned or committed to, then the Producers automatically lose significant PT acreage
- Producers must also commit to Brookian oil formation production by 2018 or lose Brookian acreage
- A primary goal of the expanded development alternatives is commercializing North Slope gas
- But other full-field development scenarios—Alternatives B and C—are also available
  - Provides flexibility for the future: markets are hard to predict
  - State's resources can be maximized depending on market conditions



PT

ALTERNATIVE A:
- MAJOR GAS SALE -

A. ALTERNATIVE A:
Major Gas Sale

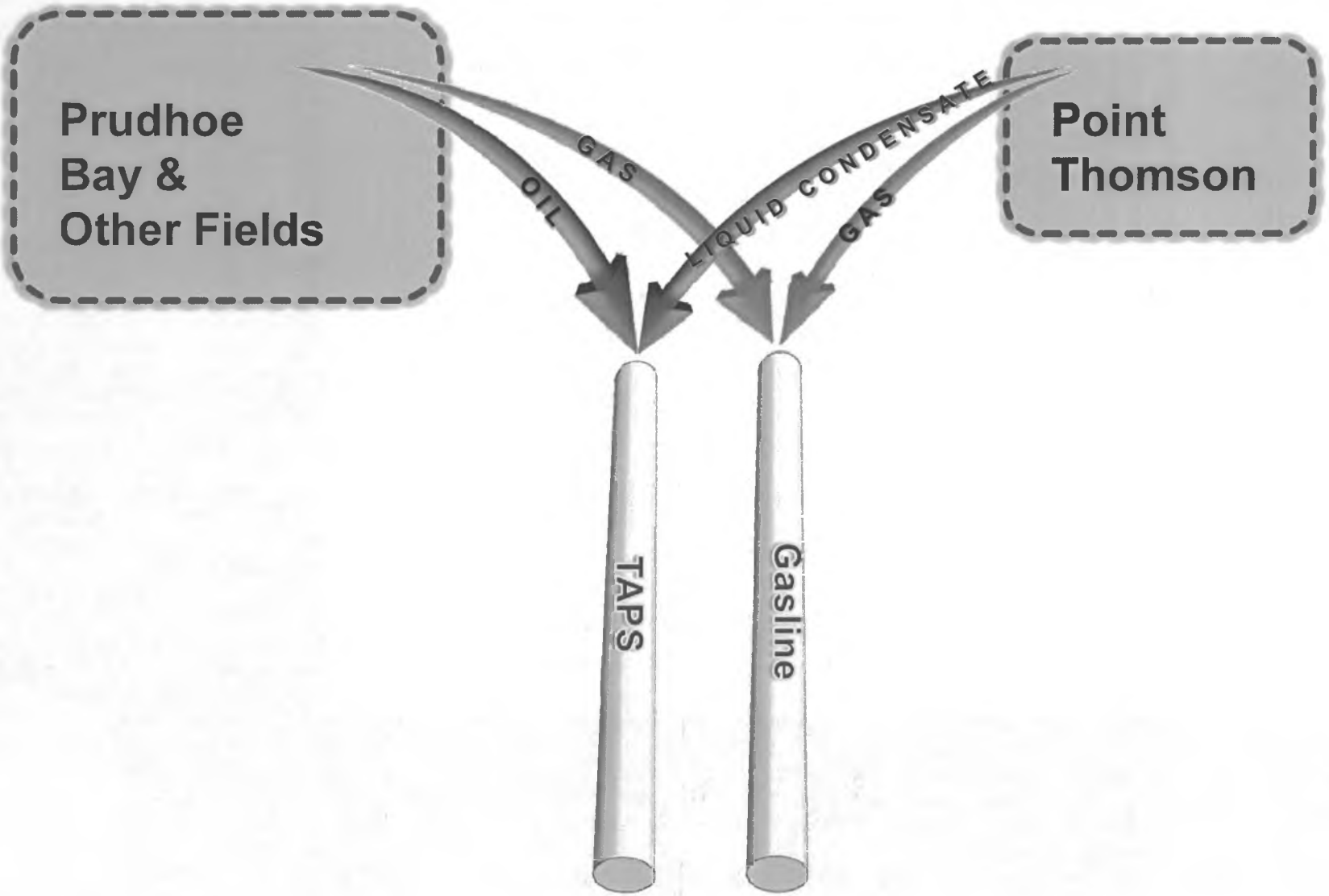
B. ALTERNATIVE B:
Expanded Liquids Production into TAPS

C. ALTERNATIVE C:
Expanded Liquids Production into TAPS, Enhanced Prudhoe Bay Recovery, and Gas for In-State Use

- A primary goal of this settlement is to incentivize commercialization of North Slope gas/Major Gas Sale (MGS)
  - MGS must exceed 500 million cubic feet/d on the North Slope
  - Provides flexibility to allow different MGS scenarios
- Work begins immediately on dual spending for IPS and MGS/LNG
- There are two windows to "sanction" a MGS: (1) from present to 2016 and (2) from 2016 to 2019
  - "Sanction" means that all required state and federal gas line permits have been issued and the pipeline sponsors have secured all necessary financing and received full corporate approval to proceed with pipeline construction
  - Getting to a sanctioned decision will likely require investing hundreds of millions/billions of dollars
- MGS production makes gas available for in-state use
- If a MGS is not sanctioned by June 2016, the Producers must begin engineering & permitting to expand PT production either through Alternative B or C
- Once MGS is sanctioned, the Producers will temporarily retain most of the PT unit; but the PT unit will only be fully secured once gas is flowing into a gas pipeline
- If a MGS is not sanctioned by 2019, the Producers will have had to commit to Alternative B or Alternative C or lose significant acreage

PT

ALTERNATIVE A:
- GENERAL DEPICTION -



PT

ALTERNATIVE B:
- EXPANDED LIQUID PRODUCTION INTO TAPS -

A. ALTERNATIVE A:
Major Gas Sale

B. ALTERNATIVE B:
Expanded Liquids Production into TAPS

C. ALTERNATIVE C:
Expanded Liquids Production into TAPS, Enhanced Prudhoe Bay Recovery, and Gas for In-State Use

- Producers can expand the IPS cycling capacity and increase production to a minimum of approximately 30,000 bpd of liquids into TAPS
- Producers must commit to expanded cycling by 2019
- Production will likely exceed 30,000 bpd of liquids into TAPS—*lip of the funnel*
- Any expansion less than 30,000 bpd of liquids will result in certain acreage automatically contracting from the unit
- This alternative will likely result in the greatest long-term recovery of liquids from PT into TAPS, but PT gas will remain in the reservoir
- The enhanced understanding of the PT reservoir, gained from the IPS, will help determine the feasibility of this option
  - Will be influenced by factors such as condensate yield, reservoir connectivity and oil price forecasts
- Will require additional wells and larger gas processing and production facilities
- Once the Producers begin producing under this option, they will retain most of the unit acreage
- Producers can also pursue other alternatives simultaneously

PT

ALTERNATIVE C:

- EXPANDED LIQUID PRODUCTION INTO TAPS, ENHANCED PRUDHOE BAY RECOVERY, AND GAS FOR IN-STATE USE -

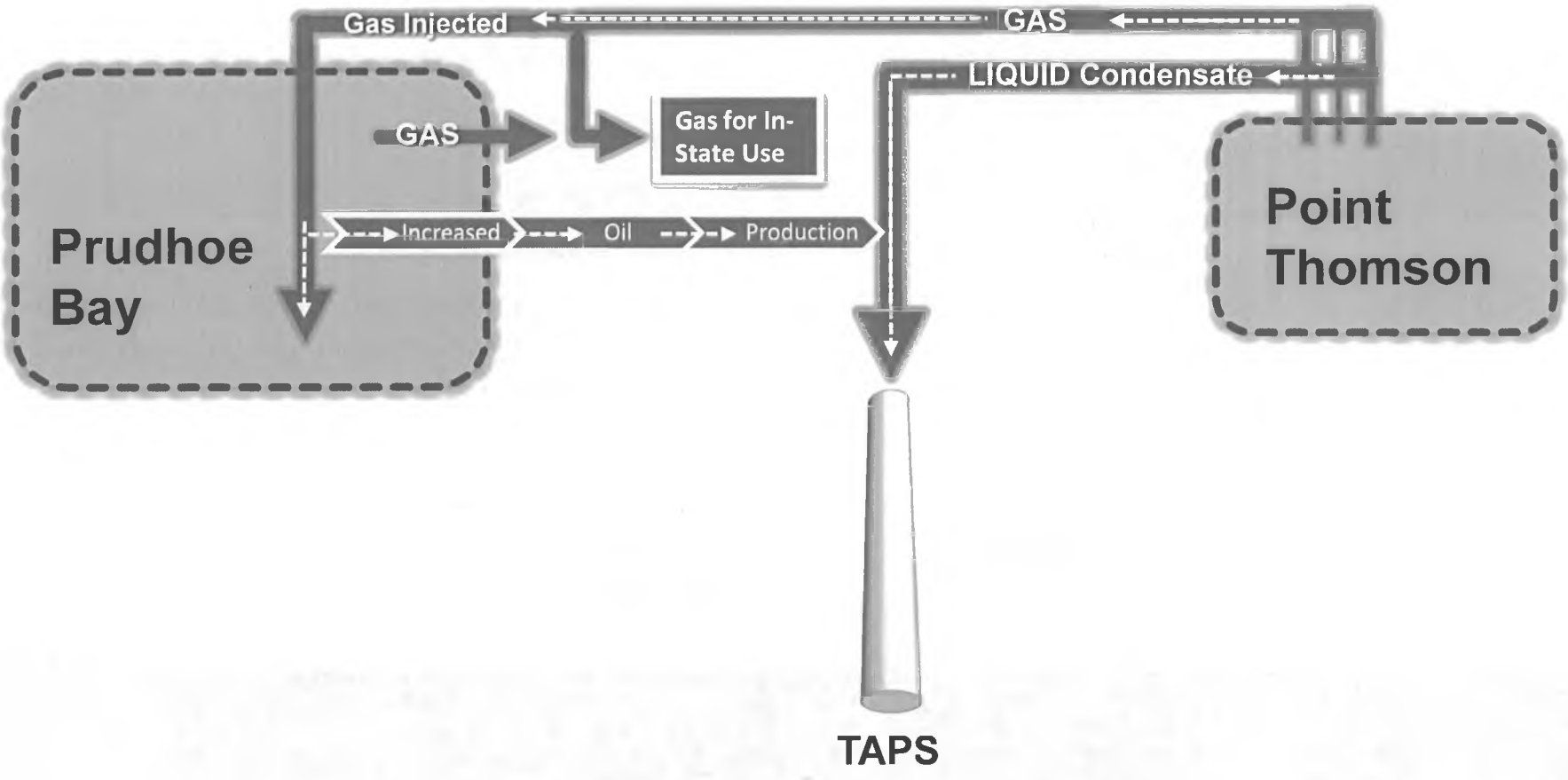
A. ALTERNATIVE A:
Major Gas Sale

B. ALTERNATIVE B:
Expanded Liquids Production into TAPS

C. ALTERNATIVE C:
Expanded Liquids Production into TAPS, Enhanced Prudhoe Bay Recovery, and Gas for In-State Use

- Requires complex reservoir integration between Prudhoe Bay and PT
  - PT dry gas produced, transported and injected into Prudhoe Bay
  - This will significantly increase oil production and enhanced oil recovery at Prudhoe Bay into TAPS
  - Includes significant liquids production from PT into TAPS
- Essentially a hybrid between Alternative A: MGS and Alternative B: Expanded Liquid Production
- Significantly increases TAPS throughput
- Major investment, infrastructure and hydrocarbon pre-positioning required for this alternative will facilitate North Slope gas commercialization
  - Completes installation of infrastructure, including PT gas pipeline to Prudhoe Bay and additional wells and production facilities
  - Prudhoe Bay becomes a central collection point for critical North Slope gas
- Alternative C also requires that significant volumes of gas be available for in-state use from Prudhoe Bay no later than 2019
- Once PT gas is transmitted to Prudhoe Bay, state Royalty-in-Kind (RIK) gas is made available for in-state use
- This provides the state with an opportunity to plan for large-scale, in-state gas-use projects, e.g. GTL, methanol, gas sales, etc.
- This alternative could take place prior to or in conjunction with Alternative A or B

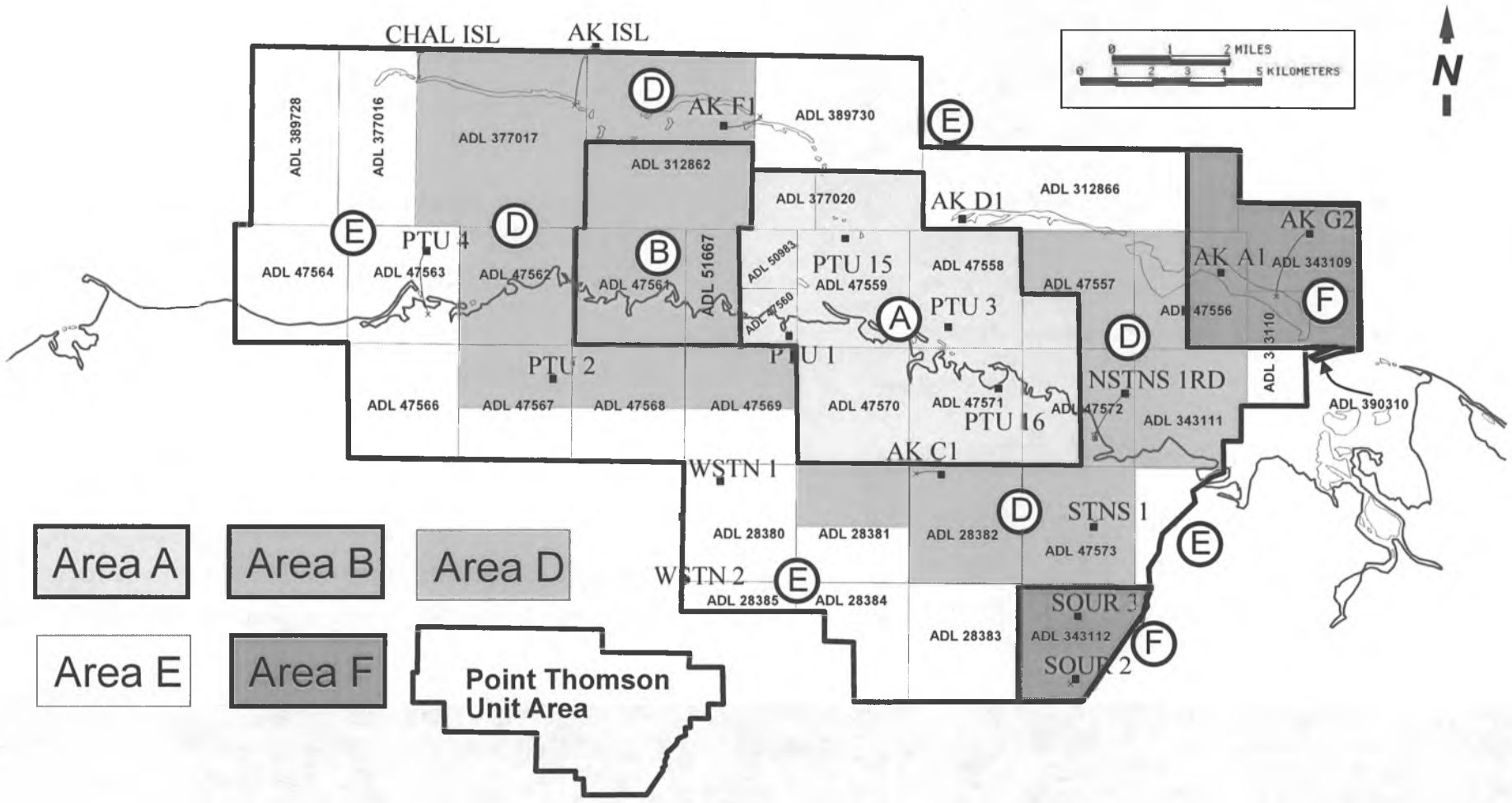
PT OVERVIEW *of* ALTERNATIVE C



PT Consequences & Incentives Related to Development Path Taken

- The settlement centers on one animating principle: Producers must *earn* acreage – more work, more commitments, more production secures more state acreage
- Key Goal: Keep parties focused on near-term production (IPS) and longer-term hydrocarbon production expansion (full-field development)
  - Settlement seeks to anticipate contingencies
  - Provides incentives for work completed
  - Provides for fair and expeditious dispute resolution
- The settlement also has severe consequences if the Producers fail to develop or expand development
- If Producers abandon the IPS/fail to keep the provisional work schedule, there will be a significant contraction of PT acreage by 2015
- If there is no IPS production and a MGS is not sanctioned by 2019, then the unit terminates and all acreage automatically returns to the state *without appeal*
  - This includes leases with capable wells
- If the Producers do not commit to expand production beyond the IPS, or do not sanction a MGS, then significant acreage contracts from the unit and automatically returns to the state *without appeal*
- If the Producers commit to expanded development, or sanction a MGS by 2019, but do not follow through, the unit will contract to the area in production
- If there is no commitment to Brookian oil formation production, then Brookian acreage automatically contracts in 2018 and returns to the state *without appeal*
- *"Without appeal"* is used throughout the agreement—it means that the Producers waive their right to appeal automatic termination of their leases to any tribunal in Alaska or the United States

PT POINT THOMSON UNIT



PT NEXT STEPS

- Governor Parnell's 2012 "State of the State" address laid out five benchmarks for North Slope gas commercialization:
  1. Resolve Point Thomson during the first quarter of 2012
  2. Producers align during the first quarter of 2012 under an AGIA framework
  3. Two projects—under AGIA and AGDC—complete discussions by third quarter of 2012 determining what potential exists to consolidate efforts
  4. Harden numbers on an Alaska LNG project by the third quarter of 2012, and identify a pipeline project and associated work schedule
  5. If milestones are met, the 2013 Legislature takes up gas tax legislation designed to move the project forward
- State will continue to focus on this roadmap

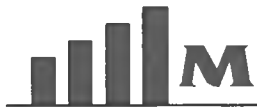
- Closely monitor work on the Producers' and APP's gas commercialization efforts and PT development
- TransCanada Project Plan Amendment
- Continue efforts to locate markets for North Slope gas, e.g. TransCanada solicitation, continued education of the comparative advantages of Alaska natural gas to Pacific Rim markets



Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

Prepared for:
Alaska Gasline Port Authority



Research-Based Consulting

Juneau
Anchorage

January 2012

Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

Prepared for:
Alaska Gasline Port Authority

PREPARED BY:



Juneau • Anchorage

January 2012

Introduction & Methodology

Alaska's abundant natural resource endowment includes significant quantities of natural gas. On and offshore gas reserves on the North Slope total an estimated 236 trillion cubic feet (tcf) of gas.[1] A significant portion of those known gas reserves are in Prudhoe Bay (26-27 tcf) and nearby Point Thomson (8-9 tcf).[2] A 2011 U.S. Geological Survey (USGS) report indicates technically recoverable gas reserves in Cook Inlet total 19 tcf, with an additional 46 million barrels of gas liquids.[3] While North Slope gas reserves are not commercially available at this time, Cook Inlet gas reserves are utilized to supply Southcentral Alaska with heating and electrical power generation. Presently available Cook Inlet gas reserves are expected to meet demand in the region until between 2018 and 2020 (or sooner if necessary investment does not materialize).[4] [5] Exploration continues at a number of additional sites in Cook Inlet and northern Alaska, including a 2011 announcement identifying a possible 3.5 tcf of gas in the Cook Inlet Kitchen Lights Unit.

On the North Slope, a portion of the gas is currently utilized as fuel and to help recover oil more efficiently. Oil company operations currently produce and re-inject about 8 billion cubic feet per day (bcf/d) of gas in Prudhoe Bay.[6] In the absence of a mechanism by which to transport gas to markets, the rest of the northern Alaska gas resources are not available to in-state, domestic, or international markets. In an effort to connect the North Slope's vast gas reserves with markets, several gas pipeline projects have been proposed. Of these proposals, three are currently under consideration by private companies, government entities, and the general public. Two of the proposals feature large-diameter pipelines and the third proposes a small-diameter pipeline. The two large-diameter pipeline proposals are the All Alaska Gas Pipeline, proposed by the Alaska Gasline Port Authority (AGPA), and the Alaska Pipeline Project, proposed by TransCanada and ExxonMobil. The Alaska Gasline Development Corporation (AGDC) is developing the proposal for the small-diameter pipeline project, known as the "bullet line."

The Alaska Gasline Port Authority commissioned McDowell Group to concisely summarize publicly available information regarding the potential economic and fiscal benefits to Alaska from each of these three natural gas pipeline proposals. Information from publicly available documents, including documents prepared by project proponents as well as other sources, were compiled and summarized for this report. Economic and fiscal benefits linked with both construction and operation of the proposed lines were considered. All key facts and figures are referenced to the original source documents. The scope of work of this project does not include original economic impact analysis of any of the gasline concepts. This narrative document is accompanied by a second document summarizing economic and fiscal benefits in a matrix format.

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[1] Alaska Department of Natural Resources (AKDNR). 2011.

[2] State of Alaska. Office of the Governor. http://gov.alaska.gov/parnell/priorities/alaska-gasline-project/recent-explorations.html.

[3] *Assessment of Undiscovered Oil and Gas Resources of the Cook Inlet Region, South-Central Alaska, 2011.* Fact Sheet. U.S. Geological Survey.

[4] Gibson, K.K., Dykstra, J.R., Williamson, J., Issaev, Y.V., Hobbs, G.S., Kremer, M.C., Heumann, M.P., Gregersen, L.J., Krouskop, D.L., Wilson, S., Sachivichik, N., *Cook Inlet Natural Gas Production Cost Study: Alaska Division of Oil and Gas report.* 2011 June.

[5] Stokes, Peter J., Grether , PE William, and Walsh, Thomas P. of Petrotechnical Resources of Alaska. *Cook Inlet Gas Study - An Analysis for Meeting the Natural Gas Needs of Cook Inlet Utility Customers.* 2010 March.

[6] *AGDC responds to 54 questions on gas line.* 2011 August 16. *Alaska Dispatch.*

Alaska Pipeline Project

The Alaska Pipeline Project (APP) is a project headed by TransCanada in partnership with ExxonMobil. Project proponents plan to develop a 1,717-mile, 48-inch diameter pipeline with capacity of 4.5 billion cubic feet per day (5.9 bcf/d with compression). The proposed pipeline route runs from Prudhoe Bay to Delta Junction, generally following the Trans-Alaska Pipeline System (TAPS), then from Delta Junction across the Alaska-Yukon border to Boundary Lake on the border of British Columbia and Alberta. The proposal includes an additional 32-inch diameter pipeline from the Point Thomson field to Prudhoe Bay (58 miles) and a gas treatment plant in Prudhoe Bay. At least five taps on the pipeline would be available within Alaska for in-state gas consumption. The pipeline would connect to an existing distribution system at Boundary Lake to supply gas to Alberta and the Lower 48. Project proponents have also proposed an alternative option to route the pipeline from Prudhoe Bay to Valdez. This option was offered in the project's 2010 open season along with the Alberta option. However, at this time, the companies are focused on the Alberta option. TransCanada was awarded a license under the Alaska Gasline Inducement Act for the APP in 2008.

Alaska Gasline Inducement Act

The Alaska State Legislature passed the Alaska Gasline Inducement Act (AGIA) in 2007 to encourage development of Alaska's natural gas resources for the maximum benefit of Alaska residents. The act provides impetus for completion of the permitting process for an AGIA-licensed gasline project. This includes up to $500 million in pre-construction subsidies to offset some of the initial risk of project development. The act also established a project coordinator, currently the Director of the Gas Pipeline Project Office, to expedite project permitting within the state. When applications were accepted by the State in 2008, TransCanada's application was determined to be the only application that met AGIA requirements. Thus, the company was awarded the AGIA license. A clause in AGIA prevents the State from supporting competing gas pipeline projects.

All Alaska Gas Pipeline

A port authority was created under state statute for communities such as the City of Valdez and the Fairbanks North Star Borough.[7] Voters formed the Alaska Gasline Port Authority (AGPA) in 1999 for the purpose of pursuing a gas pipeline. The AGPA proposes an 806-mile, 48-inch diameter pipeline to transport gas from Prudhoe Bay to Valdez. The pipeline would have a capacity of 3 bcf/d, with the potential to increase capacity to 5.9 bcf/d with compression. AGPA plans include providing gas for in-state consumption as well as LNG for Asian markets. Eighteen off-take points have been identified along the pipeline for in-state consumption. The project, as proposed, includes a gas conditioning plant in Prudhoe Bay and a gas liquefaction/fractionation plant in Valdez. The plant's capacity would be 2.7 bcf/d. The port authority envisions that the pipeline would be owned by the State of Alaska and built and operated by private entities. In order to move forward with this proposal, the State of Alaska would need to exercise the due diligence clause within AGIA. This action, depending on whether or not both parties or an arbitrator determines the project is uneconomic, could require the State to pay a substantial penalty to TransCanada.

In 2005 AGPA acquired, for a period of time that has now expired, an option to purchase Yukon Pacific Corporation (YPC)'s environmental and regulatory permits and rights-of-way (twelve in total) for a gas pipeline

[7] AGPA authorizing statute: AS 29.35, Article 9.

from the North Slope to Valdez and a Valdez LNG plant.[8] The AGPA has noted that based upon Bechtel's review of YPC's data, prior rights-of-way and permits will shorten the project development timeline.

Alaska Stand Alone Pipeline

The Alaska Legislature formed the Alaska Gasline Development Corporation (AGDC) in 2010. The corporation, a subsidiary of the Alaska Housing Finance Corporation, is charged with planning, financing, and construction of a 24-inch diameter gas pipeline (the so-called "bullet line"). The proposed 737-mile pipeline, called the Alaska Stand Alone Pipeline (ASAP), would run from Prudhoe Bay to Cook Inlet. Pipeline capacity would be 500 million cubic feet per day (mcf/d), with potential to add capacity with compression at a later date. In order to comply with AGIA requirements that prevent a pipeline from competing with the APP, ASAP is limited to 500 mcf/d capacity. Off-takes would be available along the pipeline route to supply gas to other areas of Alaska, including Fairbanks. Additional facilities proposed as part of this project include a gas conditioning facility in Prudhoe Bay and a NGL extraction plant at the pipeline terminus. The pipeline is intended to supply gas for in-state consumption, primarily in the Cook Inlet area, Fairbanks, and other communities along the pipeline corridor. Rural communities could also be supplied via barges on the Tanana and Yukon Rivers. Project economics suggest some LNG may also be shipped overseas.[9] In 2011, ASAP was granted a right-of-way lease by DNR.

According to AGDC, "ASAP has been developed through House Bill 369 as a fallback if the large-diameter pipeline open seasons do not result in precedent agreements in a timeframe that makes a spur line a viable alternative to a stand-alone pipeline. ASAP is predicated on the uncertainty of the timing of APP, which is therefore not considered a comparable economic alternative to ASAP." However, construction of a small-diameter line does not preclude construction of a larger pipeline as well. The AGDC states that the Prudhoe Bay field could source gas for both a large-diameter pipeline and ASAP early in the lifetimes of the projects. However, in order to fulfill initial contracts, a pipeline with 4.5 bcf/d, such as the APP, will need to source gas from outside of the Prudhoe Bay and Point Thomson fields regardless of whether ASAP is constructed. Gas reserves in Prudhoe Bay and Point Thomson are projected to provide 32 tcf of the 57.5 tcf required over the 35-year life of a 4.5 bcf/d gas pipeline.[10] Gas will need to be sourced from additional locations such as the Brooks Range Foothills and other North Slope fields.

[8] AGPA AGIA Application 2007.

[9] *Alaska Gasline Development Corp. Plan of Finance*, prepared by Citigroup Global Markets Inc. & Samuel A Ramirez & Co., Inc. for AGDC, 2011 June 20.

[10] DOE NETL. 2009.

Comparison of Gasline Proposals

Alaska public sector interest in development of a gasline centers on creation of a stable and more affordable source of natural gas for Alaskans, as well as on potential revenues for the State of Alaska from royalties and taxes. Whether one or more of the proposed projects is constructed, oil and gas exploration is predicted to increase once transportation is available for the gas. In particular, the APP will need to find reserves beyond those currently identified in Point Thomson and Prudhoe Bay to render the lines economically feasible. Additional reserves throughout Alaska may also become economically feasible with a gas pipeline. As an example, a 2011 U.S. Geologic Survey (USGS) economic analysis of the National Petroleum Reserve in Alaska (NPRA) identified "a significant amount of gas" that is economically recoverable if a pipeline is constructed (and gas prices are above $8 per thousand cubic feet).[11] [12] A report for the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) states that ASAP would not generate as much exploration as the larger lines, "the heavier demand for gas by a larger pipeline would do much more to spur increased oil and gas exploration and production on the North Slope than a smaller in-state line, which would not pull enough gas from the North Slope to require any exploration for new reserves."[13]

Market conditions in the Lower 48 and Asia over the next few decades are a key consideration for all the pipeline projects. While Alaska is financially invested in the APP, gas prices in the Lower 48 have caused the State to reassess the option of moving gas to Pacific Rim markets via a pipeline to southern Alaska. This shift in State focus is evidenced by an announcement by Alaska's governor in October 2011 that his administration is open to working with North Slope producers on the feasibility of such a line.

Gas for Alaska Communities

Alaska heating and electricity prices, especially in rural areas, are often inordinately expensive. Fairbanks natural gas prices currently average approximately $23/million(MM)Btu. Bethel heating fuel (diesel) costs equate to approximately $40/MMBtu.[14] Anchorage natural gas prices currently average approximately $8.85/MMBtu.[15]

Southcentral Alaska is facing a looming gas shortfall from declining Cook Inlet gas reserves. Whether or not this shortfall occurs in the next few years, as predicted, depends on the success of current exploration activities in Cook Inlet. Escopeta Oil announced possible identification of 3.5 tcf of gas in the Cook Inlet Kitchen Lights Unit. More drilling in spring 2012 will be necessary to confirm this find. Also a recent U.S. Geologic Survey (USGS) assessment identified more gas in Cook Inlet than previously thought.[16] The AGDC states that experience suggests a "low percentage of exploration prospects ever produce commercially viable developments after

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[11] Attanasi, E.D., and Freeman, P.A., 2011, Economic analysis of the 2010 U.S. Geological Survey assessment of undiscovered oil and gas in the National Petroleum Reserve in Alaska: U.S. Geological Survey Open-File Report 2011–1103, 64 p., http://pubs.usgs.gov/of/2011/1103.

[12] According to a 2011 Wood Mackenzie report for AGPA, "Typical Asian oil-indexed LNG pricing delivers product to regasification terminals at over $15 per MMBtu."

[13] Marks, Roger for OFC. 2011 February.

[14] Fay, Melendez, Pathan. Alaska Fuel Price Projections 2011-2035. 7 July 2011. Institute for Social and Economic Research. University of Alaska Anchorage. ISER Working Paper 2011.2. (Medium Case).

[15] *Alaska Stand Alone Gas Pipeline/ASAP Project Plan.* 2011 July 1. Alaska Gasline Development Corporation.

[16] *Assessment of Undiscovered Oil and Gas Resources of the Cook Inlet Region, South-Central Alaska, 2011.* Fact Sheet. U.S. Geological Survey.

conducting exploration drilling and development studies."[17] When current supplies of gas do fall below regional demand, ASAP (the bullet line) is intended to provide gas to Southcentral Alaska.

The All Alaska Gas Pipeline project would also provide gas to the Southcentral grid. The project proposes 18 off-takes along the pipeline dedicated to in-state consumption. Through these off-take points, AGPA intends to supply gas to the maximum number of Alaska communities and military bases that may be reached by pipeline, highway, river, or ocean.[18] The Alaska Pipeline Project is required by the Alaska Gasline Inducement Act (AGIA) to provide at least five off-takes for in-state consumption within the Alaska portion of the pipeline. Likely off-take locations for the APP include Livengood, Fairbanks, a Parks Highway spur, a Delta Junction area/Richardson Highway spur, and Tok.[19]

Projected Prices

The Alaska Stand Alone Pipeline project proposal includes a spur line to Fairbanks and the project would provide gas to other Alaska communities as feasible. If ASAP is built, the price of natural gas is estimated to decrease in Fairbanks to an un-inflated 2011 consumer cost of approximately $10.45/MMBtu ($13.25 MMBtu in 2021 with inflation). In Southcentral, AGDC estimates ASAP can deliver gas at an un-inflated 2011 consumer cost of $9.63/MMBtu ($12.21/MMBtu in 2021 with inflation).

The large-volume pipelines are likely to provide more affordable gas to Alaska consumers than a smaller-diameter line because of lower tariffs.[20] The city gate price for Fairbanks is predicted to be as low as $4.19/MMBtu for the APP. The predicted price for gas in Southcentral at the city gate is approximately $6.75/MMBtu for the APP.[21] A recent study for AGPA predicts that Fairbanks city gate prices upon start-up of the All Alaska Gas Pipeline would be $5.29/MMBtu.[22] The final costs in Fairbanks will likely be higher because a distribution system will need to be built for the gas. A base case model in the same study predicts that natural gas from the All Alaska Gas Pipeline can be supplied to Bethel for $25.31/MMBtu. The 2021 diesel retail price in Bethel is predicted to be approximately $52/MMBtu.[23]

State Revenues

State of Alaska unrestricted revenues are dominated by oil and gas royalties and taxes. In FY 2010, 89 percent of the state's unrestricted revenues were from oil and gas. For the next 20 years, oil and gas revenues are expected to comprise 89 to 91 percent of Alaska's total annual unrestricted revenue.[24] Oil flow in TAPS has declined from a peak of 2 million barrels per day in the late 1980's to a little over 600,000 barrels per day in 2011. Flows are expected to decrease further by an average of 5.4 percent per year.[25] Despite higher oil prices and taxes that have buffered the state thus far, this decline in oil flow may represent far-reaching reductions in revenue to the

[17] *AGDC responds to 54 questions on gas line.* 2011 August 16. *Alaska Dispatch.*
[18] AGPA. Bill Walker personal communication. 2011 October 12.
[19] Northern Economics. *In-State Gas Demand Study.* 2010 January. Prepared for TransCanada Alaska Company, LLC.
[20] White, Bill. *Guide to Alaska natural gas projects.* 2011 August 15. Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects. www.arcticgas.gov.
[21] Marks, Roger. 2/11.
[22] PDC Harris Group LLC. Potential Benefits to Alaskans from a State-Owned Gasline/LNG Project. Prepared for AGPA. 2011 October 28.
[23] Fay, Melendez, Pathan. Alaska Fuel Price Projections 2011-2035. 7 July 2011. Institute for Social and Economic Research. University of Alaska Anchorage. ISER Working Paper 2011.2. (Medium Case).
[24] State of Alaska Department of Revenue Tax Division.
[25] *Low Flow Impact Study, Final Report.* 2011 June 15. Prepared by the Low Flow Study Project Team at the request of Alyeska Pipeline Service Company.

state at some time in the future. A gas pipeline would provide an additional source of revenue for Alaska for 20 years or more.

According to a study conducted by Wood Mackenzie for AGPA, the All Alaska Gas Pipeline would likely yield between $220 and $419 billion in royalties and taxes over 30 years for Alaska.[26] According to a report for the OFC, the APP would generate approximately $2.3 billion in annual revenues for Alaska over the life of the project ($69 billion over a 30-year life).[27] The same report estimates $326 million in annual revenues for the ASAP project. The AGDC's project plan for ASAP estimates a total of $3.75 billion to $4.57 billion in state revenues for the first 20 years of the project.

Project Costs

As ASAP is a much smaller-scale project than the large-diameter pipelines, projected construction costs for the "bullet line" would be lower than for the others. As of July 1, 2011, projected costs to develop ASAP range from $5.3 billion to $9.8 billion, with a mid-point of $7.52 billion. Both lines from Prudhoe Bay to Valdez (the APP and the AGPA proposal) would cost approximately $20 billion to $26 billion to develop. The LNG plant and associated development included in the AGPA proposal would cost an additional $23 billion. TransCanada estimates that the APP Alberta option would cost approximately $32 billion to $41 billion to construct.

Project Ownership

A key difference between the APP and the other two proposals is the ownership model proposed. TransCanada would retain ownership of the APP and the pipeline would also be privately constructed and operated. Both the All Alaska Gas Pipeline and ASAP proposals recommend state ownership of the pipelines with a private builder and operator. In the ASAP project plan, AGDC describes three owner/builder/operator scenarios that the Alaska Legislature could choose from. Of the three, AGDC recommends state ownership because this option provides the lowest tariff. Such ownership of ASAP would require enabling legislation be passed by the Alaska Legislature.

Job Creation

A gas pipeline from the North Slope to markets in any location is a massive undertaking that will require considerable amounts of material and a large supply of labor during construction. For both the APP and the All Alaska Gas Pipeline, an estimated 6,000 to 7,000 direct jobs are anticipated during peak construction of the pipelines. For ASAP, AGDC estimates approximately 5,400 direct jobs during peak construction. Once the pipelines are constructed, the number of direct employees required to operate the lines decreases to approximately 500 for the large-diameter pipelines and 58 for ASAP.

Indirect employment estimates for the large-diameter pipeline proposals range from over 50,000 to 300,000. The larger numbers for APP include employment in the Lower 48. It has recently been noted that construction of the Trans Alaska Oil Pipeline created 21,000 construction, and 70,000 total, jobs.[28] The large numbers for the All

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[26] Wood MacKenzie. *Alaskan LNG Exports Competitiveness Study.* 2011 July 27. Prepared for AGPA.

[27] Marks, Roger. *Opportunity Cost and Comparison of Subsidizing an In-State Gas Pipeline vs. the Benefits to Alaska of a Mainline to the Lower 48 States.* 2011 February 2. Prepared for the Office of Federal Coordinator Alaska Natural Gas Transportation Projects. (Assumes wellhead price of $2/MMBtu).

[28] Decision Following Trial De Novo, 2007, 2008 and 2009 Valuations of the Trans-Alaska Pipeline System, Superior Court for the State of Alaska.

Alaska Gas Pipeline are derived from studies completed on similar LNG facility proposals in Maryland and Louisiana. McDowell Group has not verified these estimates. These studies were completed to support project applications to the Department of Energy for export of LNG.

Markets

All three gas pipeline proposals contain a provision to supply gas for in-state consumption, while supplying out-of-state markets in order to be economically feasible. A legislative mandate requires that ASAP be focused on providing natural gas for in-state consumption. The other two proposals, the APP and the All Alaska Gas Pipeline, would be built to serve out-of-state markets but would also make gas available for in-state consumption.

The APP would supply Alberta and Lower 48 U.S. markets through an existing distribution system. The two other proposals, ASAP and the All Alaska Gas Pipeline, would likely sell to Asian markets. A 2011 study by Wood MacKenzie found that the cost of LNG sold to Asia from the gas pipeline proposed by AGPA would be lower than from the rest of North America.[29] The study also found that Alaskan LNG would price competitively against Australian LNG in Asia. In the case of ASAP, AGDC assumes LNG and NGLs will be either exported or consumed by an industrial anchor at the pipeline terminus. The ASAP economic feasibility study assumes approximately half of the gas transported by the pipeline will be marketed to the Pacific Rim in the form of LNG and NGLs.[30]

Next Steps

All Alaska Gas Pipeline

According to AGPA, the port authority continues to respond to Asian market interest in LNG from the deepwater port of Valdez and work with the State of Alaska administration to encourage them to exercise the clause under AGIA that requires there to be proof of the economics of continuing a line into Canada. AGPA has engaged several entities to measure fiscal benefits to the entire state from a large volume export project at Valdez. Wood Mackenzie performed such an analysis and concluded that the economics of LNG from Valdez were superior when compared to nine other proposed LNG export projects in other parts of the world. A 2011 study for AGPA by the Harris Group predicted significant savings to Alaska communities (more than 50 percent reduction for Bethel and 80 percent for Fairbanks) from natural gas supplied by the All Alaska Gas Pipeline.

Alaska Pipeline Project

TransCanada has engaged in negotiations with potential pipeline customers since its 2010 open season. As of yet, the company has not announced any agreements. Meanwhile, APP continues to proceed through the permitting process. In August 2011, the Federal Energy Regulatory Commission (FERC) issued its intent to prepare an EIS for the APP Alberta option. The scoping period for the EIS will close on February 27, 2012. The EIS will be conducted for the Alberta option, as FERC stated it did not receive sufficient information from TransCanada to proceed with the Valdez route. The project is on schedule to apply to FERC for a certificate to construct and operate the pipeline in October 2012. A review of that application could last for approximately two years.

[29] Wood MacKenzie. Alaska LNG Exports Competitiveness Study. Prepared for AGPA. 2011 July 27.
[30] ASAP Project Plan.

Alaska Stand Alone Pipeline

The AGDC submitted a project plan for ASAP to the Alaska State Legislature on July 1, 2011. For the next four years, AGDC plans to further develop engineering and cost estimates, obtain permits, and solicit customers for the line. Construction would commence in 2015 and last approximately three years. The future of ASAP may be decided by the Legislature during the 2012 session. In the session, the Legislature may consider a number of measures relating to ASAP. These include a decision on whether to appropriate funds for the next phase of project design and a decision on whether the project should be publicly owned (as recommended by AGDC).

COMPARISON of CURRENT ALASKA GASLINE PROPOSALS

Alaska Gasline Project Proposals			
	All Alaska Gas Pipeline (non-AGIA)	**Alaska Pipeline Project (APP) (AGIA)**	**Alaska Stand Alone Gas Pipeline (ASAP) "bullet line" (AGIA-compliant)**
Sponsor	Alaska Gasline Port Authority	TransCanada	Alaska Gasline Development Corporation (AGDC)
Project Team or Partners	Port authority members: Fairbanks North Star Borough & City of Valdez	TransCanada and ExxonMobil	AGDC formed by Alaska Legislature as subsidiary corporation of Alaska Housing Finance Corporation to plan, construct, and finance the project
Proposed Route	Prudhoe Bay-Valdez Parallel to TAPS	Two alternative routes: Prudhoe Bay-Fairbanks-Delta Junction, generally following TAPS then: 1. Alberta option. Delta Junction-Whitehorse-Boundary Lake (BC/AB). Generally follows Alaska Hwy to AK/Yukon border. This option is the only one currently being pursued. 2. Valdez option. Delta Junction-Valdez. If precedent agreements with shippers signed (offered in 2010 open season along with Alberta option). Current focus is on Alberta option. Additional transmission line from the Point Thomson field to the Prudhoe Bay gas treatment plant	Begins in Prudhoe Bay Parallel to TAPS until Livengood then south Near Nenana south along Parks Highway corridor Terminates at Beluga Pipeline near Big Lake

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Proposed Lateral/Off-takes (spur lines need to be constructed by AK, other gov't or private parties)	From Glennallen to the Southcentral grid: approximately 125 miles. Proposed 18 locations for off-takes dedicated to in-state consumption along the pipeline. Source: AGPA 2007 AGIA application.	Required to provide at least 5 taps for in-state consumption. Points likely to include Livengood, Fairbanks, Parks Highway spur (alternative to Delta Junction), Delta Junction/Richardson Highway spur, and Tok. Source: TransCanada open season document to FERC, 2010.	Fairbanks Lateral: 35 miles, 12-inch diameter, 60 MMscfd capacity
Other proposed facilities	• Gas conditioning plant at Prudhoe Bay • Liquefaction/Fractionation plant, Storage and Loading at Valdez	• Gas treatment plant at Prudhoe Bay	• Gas conditioning plant at Prudhoe Bay • Two compressor stations • Gas take-off facility near Dunbar • Operation/maintenance centers in Wasilla, Fairbanks, Prudhoe Bay • NGL extraction plant at pipeline terminus
Length	806 miles	Alberta option: 1,717 miles (745 in AK) Valdez option: 811 miles Point Thomson section: add'l 58 miles	737 miles
Diameter	48 inches	48 inches Point Thomson section: 32 inches	24 inches
Capacity	Pipeline capacity: 3 bcf/d (5.9 bcf/d w/max. compression) LNG plant capacity: 2.7 bcf/d additional LNG processing trains can be added at a capacity of .9 bcf/d per train)	Alberta option: 4.5 bcf/d (5.9 bcf/d w/max. compression) Valdez option: 3 bcf/d Point Thomson section: 1.1 billion scf/d	500 mcf/d – (designed not to trigger definition of competing pipeline in Alaska Gasline Inducement Act (AGIA)). Possibility for future additional capacity with compression.

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Estimated Cost	$20-$26 billion for pipeline and gas conditioning plant LNG plant and Valdez port: $23 billion Source: Alaska Pipeline Project website and TransCanada request for open season document. 2009 dollars. OFC.	Alberta option: $32 - $41 billion Valdez option: $20-$26 billion Source: Alaska Pipeline Project website and OFC. TransCanada request for open season document. 2009 dollars.	$5.3 - $9.8 billion ($7.52 billion as working number), including a gas conditioning facility. Source: ASAP Project Plan. July 2011. 2011 dollars.
Proposed Ownership	Owner: State of Alaska Operator option: Private sector (TransCanada or others) Builder: private sector	TransCanada/ExxonMobil	Ownership models before legislature: - State of Alaska own and private developer builds and operates (lowest tariff of the ASAP options: zero equity and lower cost of debt, requires enabling legislation). AGDC recommends this model. - Public-private ownership - Private builder/owner/operator Source: ASAP Project Plan. July 2011.
Estimated Tariff	Adjusted tariff to Fairbanks approximately $1.15/million BTU. Source: Harris Group report	$2.43—$3.13/MMBtu GTP to Alberta Hub (incl. gas treatment costs) $2.22—$2.89/MMBtu GTP to Valdez (incl. gas treatment costs) Source: Alaska Gas Pipeline Project Office. 2009 dollars.	The ASAP tariff in 2020 dollars (levelized nominal tariff) is $7.75/MMBtu. Source: ASAP Project Plan July 2011.
Proposed Markets	Asia plus in-state consumption. AGPA anticipates the ability to provide gas for all communities in Alaska accessible by pipeline, highway, river, or ocean.	Hook in with existing distribution system at Boundary Lake to supply Alberta and Lower 48. Supply gas in-state to a variety of locations through five taps in pipeline within Alaska.	Gas to Fairbanks and Cook Inlet areas. Other Alaska communities as feasible. LNG & NGLs to West Coast & Pacific Rim (approximately half of supply). Source: ASAP Project Plan. July 2011.

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Anticipated Jobs	6,000+ Alaska jobs during pipeline construction (plus an estimated 2,700 – 3,400 jobs during peak construction of the LNG facility). It has recently been noted that construction of the Trans Alaska Oil Pipeline created 21,000 construction and 70,000 total jobs. Source: Decision Following Trial De Novo, 2007, 2008 and 2009 Valuations of the TAPS, Superior Court for the State of AK. A similar LNG facility in Lake Charles, Louisiana estimates indirect employment of over 100,000 new jobs over 20 years. Another project, the Dominion Cove Point LNG facility in Maryland, estimates 337,000 job-years (direct, indirect, induced) over a 23-year operating period. The Dominion Cove project estimates between 2,700 and 3,400 jobs during peak construction. Neither of these comparable projects includes a pipeline. Source: AGPA website, estimate based on BG Lake Charles facility in LA and Dominion Cove facility in MD (EIS of Construction and Operations for application to the DOE for export of LNG Oct. 3, 2011).	6,500 - 7,000 during peak construction 500 during operations 50,000+ indirect Source: Alaska Department of Labor and Workforce Development (DOLWD) Direct, indirect, induced jobs for pipeline plus potential expansions: • 250,000 to 303,000 U.S. jobs Source: Alaska Gasline Project Office website.	5,400 during peak construction 58 during operations Source: Alaska Stand Alone Gas Pipeline/ASAP State of Alaska Application for Pipeline Right-of-Way Lease. 3/11.
Timeline to Production	2018-2021	2020/2021	Late 2018/2019

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
More Oil in TAPS?	"Without question, the best way to ensure more oil goes into TAPS is with having a gasline. This will significantly increase drilling activity for oil on the North Slope since now, with a gasline, there is not the risk of finding gas without any way to get it to market." Source: All-Alaska Gasline website "Such a line would encourage oil and gas exploration because producers would have transport and markets for both -- a dual stream, leaving nothing stranded." Source: ADN July 30, 2011 "Outlet for natural gas now stranded on Alaska's North Slope should spur oil and gas exploration, finding new crude for the trans-Alaska oil pipeline and extra gas for a gas pipeline." Source: OFC Regarding NPR-A, USGS provides "new economic analysis of the reserve, characterizing the reserve as a gas province and essentially saying that viable development of both oil and gas in the reserve depends on the construction of a North Slope gas line to transport gas to market." Source: ADN May 10, 2011 "The heavier demand for gas by a larger pipeline would do much more to spur increased oil and gas exploration and production on the North Slope than a smaller in-state line, which would not pull enough gas from the North Slope to require any exploration for new reserves." Source: Roger Marks, February 2011 for OFC		"The project would not spark as much Arctic oil and gas exploration as the bigger pipeline." Source: OFC

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Projected Revenue for State of Alaska (from royalties, production tax, property tax and corporate income tax)	$3 billion-first year Increasing annually to $5 billion in Year 5 Up to $24 billion in Year 30. $75-$419 billion in total State revenues over a 30-year life Source: Liquefied Natural Gas (LNG) Project Comparison Study Wood Mackenzie. July 2011 for AGPA.	Total Annual Public Revenues: $2.3 billion per year - Annual royalty: $527 million (at least 25% to Permanent Fund) - Annual production tax: $901 million - Property tax: $1.1 billion. Annual $622 million - State corporate income tax year one: $283 million ("simplistic estimate") Source: Roger Marks for OFC. 2/11. The Denali project included in this report has been discontinued since publication because of a lack of customer commitments.	$3.75 billion to $4.57 billion in direct nominal revenues from State royalties, property taxes, and income tax over the first 20 years of the project. In the state/public ownership model only property taxes will be paid, not income (as payments-in-lieu-of -taxes). Source: AGDC's Plan of Finance by Citigroup/Ramirez 2011
Other important project elements			Requires industrial anchor for full capacity: "a consumer or exporter of natural gas or NGLs who reserves a dependable, long-term portion of the capacity with minimal seasonal variation above the residential, commercial, and power generation demand of the pipeline" - ASAP Project Plan. July 2011.

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Approximate Current AK Consumer Costs	Anchorage - $8.85/MMBtu (natural gas) Fairbanks - $23.35/MMBtu (natural gas) Source: ASAP Project Plan. July 2011. Bethel – $40/MMBtu (diesel)		
Predicted Energy Prices (for Alaska consumers unless otherwise noted)	Fairbanks - $5.29/MMBtu wholesale natural gas cost at a city gate take-off (compared to a predicted diesel fuel wholesale cost of $27.23 per million BTU in 2021). Bethel - $25.31/MMBtu in 2021 (predicted diesel retail price of $52/MMBtu in 2021) according to medium case model. These predicted prices represent an approximate 50 percent reduction in energy price for Bethel. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.70/MMBtu for spur line from Glennallen. Source: Harris Group study 11/11, ISER, Heinze ANGDA 9/12/11.	Predicted Fairbanks off-take price as low as $4.19/MMBtu at city gate. Predicted Cook Inlet price for in-state flowrate of 500 mmscf/d (assuming $2 NS wellhead price): $5.95/MMBtu for spur off Alberta line at Delta Junction. This price predicts an approximate 33 percent reduction in Cook Inlet natural gas prices. Roger Marks estimates $6.75/MMBtu. Source: Heinze ANGDA 9/12/11 (Cook Inlet). Roger Marks (Fairbank).	Un-inflated 2011 consumer cost Anchorage - $9.63/MMBtu. (Inflated cost to 2021: $12.21/MMBtu). Un-inflated 2011 consumer cost Fairbanks $10.45/MMBtu (Inflated cost to 2021: $13.25/MMBtu). Source: ASAP Project Plan. July 2011, Heinze ANGDA 9/12/11. Inflation rate estimate based on Wood Mackenzie study for AGPA.
	According to the Office of the Federal Coordinator, a large volume pipeline is the likely source for the most affordable gas for Alaska consumers.		

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Support/Licenses	• 1999 – Alaska voters created AGPA to pursue a gasline. • 2002 - Voters created the Alaska Natural Gas Development Authority (ANGDA) to "Develop a natural gas pipeline from Prudhoe Bay to tidewater on Prince William Sound and a spur line to the gas distribution grid in Southcentral AK." • 2005 - AGPA acquired, for a period of time that has now expired, an option to purchase the Yukon Pacific Corporation (YPC) permits and rights-of-way for a NS-Valdez gas pipeline and Valdez LNG plant. AGPA: acquisition of YPC's data, rights-of-way and permits will shorten the project development timeline. Source: AGPA AGIA License Application 11/07.	• 2008 - Sole recipient of license under the 2007 Alaska Gasline Inducement Act (AGIA) Up to $500 million in pre-construction subsidies available from the State of Alaska. The state is under contract (AGIA) for up to $500 million of TransCanada's reimbursable expenses (assuming neither party exercises the due diligence review clause).	Granted un-conditional right-of-way lease by DNR (first un-conditional pipeline lease granted by the state).
Next Steps	Continue to work with Asian markets to identify customers. Continue to discuss the state exercising the due diligence clause within AGIA with current Congressional delegation, State of Alaska administration, and the Alaska Legislature. Source: Bill Walker, AGPA, General Counsel/Project Manager	In negotiations with pipeline customers after 2010 open season with no commitments yet - need firm 20-25 year commitments for financing (ADN 9/17/11). 8/1/11 – FERC issued intent to prepare an EIS for the APP Alberta option. Scoping period will close 2/27/12. Not sufficient information submitted by TransCanada to proceed with the Valdez route. Apply to Federal Energy Regulatory Commission (FERC) in October 2012 for a certificate to construct and operate the pipeline. (FERC review about two years).	2011-2015 - Project sponsor sharpens engineering and cost estimate, obtains permits, and solicits customers. 2015-2018 - Construction and commissioning. Source: Guide to Alaska natural gas projects. Bill White. Office of the Federal Coordinator. 8/15/2011

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
Other Comments	According to Bill Walker (General Counsel/Project Manager) of AGPA: "AGPA continues to respond to Asian market interest in LNG from the deep water port of Valdez and work with the State Administration to encourage them to exercise the clause under AGIA that requires there to be proof of the economics of continuing a line into Canada. AGPA has engaged several entities to measure fiscal benefits to the entire State from a large volume export project at Valdez. Wood Mackenzie performed such an analysis and concluded that the economics of LNG from Valdez were superior when compared to 9 other proposed LNG export projects in other parts of the world (Australia, British Columbia, and Lower 48).	From AGIA: "If, before the commencement of commercial operations, the state extends...preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state, and if the licensee is in compliance with the requirements of the license and ...state and federal statutes and regulations relevant to the project, the licensee is entitled to payment from the state of an amount equal to three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures..." [AS 43.90.440(a)].	From ASAP Project Plan. July 2011: "ASAP has been developed through House Bill 369 as a fallback if the large-diameter pipeline open seasons do not result in precedent agreements in a timeframe that makes a spur line a viable alternative to a stand-alone pipeline. ASAP is predicated on the uncertainty of the timing of APP, which is therefore not considered a comparable economic alternative to ASAP."

ALASKA GASLINE DEVELOPMENT CORP.
GAS FOR ALASKANS

ALASKA STAND ALONE GAS PIPELINE/*ASAP*

Project Plan
July 1, 2011



ALASKA GASLINE DEVELOPMENT CORP.
GAS FOR ALASKANS

ALASKA STAND ALONE GAS PIPELINE PROJECT

Project Plan
July 1, 2011

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EXECUTIVE SUMMARY

This document presents the findings and recommendations of the Alaska Gasline Development Corporation (AGDC) regarding how an in-state natural gas pipeline to deliver North Slope natural gas to Fairbanks, the Southcentral region of the state, and other communities whenever practicable can be designed, financed, constructed, and made operational. House Bill 369, passed by the 26th Alaska Legislature in April 2010, tasked the Alaska Housing Finance Corporation (AHFC) with developing a project plan, and AHFC established AGDC as a subsidiary corporation to pursue the project. AGDC built on previous work completed in July 2010 by the Alaska Department of Natural Resources under House Bill 113.

The Alaska Stand Alone Pipeline/***ASAP*** is a proposed 737-mile-long, 24-inch-diameter pipeline meant to supply natural gas to the Railbelt region of Alaska and meet the requirements of its enabling legislation.

This document recommends a plan to execute the commercial, financial, engineering, and permitting aspects of the ASAP Project and provides analyses to support the findings and recommendations related to the explicit and implicit work required under House Bill 369.

AGDC FINDINGS

- Using a reasonable set of economic assumptions, the project is likely to be commercially feasible with an un-inflated consumer cost in Anchorage of about $9.63 per million Btu (MMBtu)[1]. This cost is less than the next most practical alternative, imported liquefied natural gas (LNG), which would cost about $16 to $21/MMBtu (about $14 to $19/MMBtu plus local distribution charges of $2/MMBtu). The current cost of gas to Anchorage consumers is $8.85/MMBtu.[2]
- The un-inflated estimate of the cost of gas to Fairbanks consumers using the same set of reasonable assumptions as for Anchorage is $10.45/MMBtu. The current published natural gas cost for Fairbanks is $23.35/MMBtu.
- No other single project alternative is likely to address the same Cook Inlet energy-supply shortfall in a comparable timeframe; gas storage and hydroelectric projects are complementary to ASAP.
- The project, as described in this project plan, will cost $7.52 billion (in 2011 dollars) with an uncertainty range of ±30%.

[1] The Anchorage Bowl consumer cost of $9.63/MMBtu assumes a $2/MMBtu netback and a $2/MMBtu LDC and local pipeline cost.

[2] Source: http://enstarnaturalgas.com/ratesregulatory.aspx. See graph entitled "Commodity Cost vs. ENSTAR Charge."

- A public ownership model, because of the lower cost of debt and zero equity requirement, provides the lowest tariff; however, this ownership model requires enabling legislation in the near term.
- There are builder/owner/operators prepared to assume execution of the project after a successful open season is concluded if the private ownership model is selected and the State of Alaska funds project development. (An open season, which is a solicitation of firm commitments from gas shippers to use the pipeline, is successful if it results in transport agreements that fill the pipeline).
- An LNG industrial anchor tenant that enables a maximum throughput capacity of 500 million standard cubic feet per day (MMscfd) provides one of the lowest tariffs and appears to be commercially feasible. (An anchor tenant is an industrial user that signs pipeline transport agreements or pipeline off-take agreements to use large quantities of gas.)
- The principal business risks of the ASAP Project are a failed open season, increased construction costs, and project delay caused by regulatory or environmental permitting.
- Only the Parks Highway route as described, with a spur line to Fairbanks, meets the requirements of House Bill 369 and routing criteria for the environmental impact statement process.
- Completion of the pipeline by 2015 as required by House Bill 369 is neither necessary because of the forecast Cook Inlet gas supply recently released by AGDC/DNR nor achievable in light of current design/permitting requirements to successfully execute an open season and procure financing.
- The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) intends to require a special permit for ASAP based on its design and operating environment. This could add significant costs and schedule implications to the ASAP Project.
- The State Lease Right-of-Way obtained by AGDC is the first non-conditional pipeline right-of-way granted by the State for the purpose of transporting natural gas from the North Slope to market, and will likely be perceived as a significant milestone and increase project interest and confidence among potential shippers and developers.

AGDC RECOMMENDATIONS

- The ASAP Project schedule should be adjusted for delivery of first gas in 2018 and first firm transmission in 2019.
- The State of Alaska should appropriate $210 million[3] to complete the next phase of project design development, recognizing that approximately $130 million more will be required either through capital funding or financing to complete the design before project approval (sanction).
- The Legislature, as soon as possible, should consider the recommended legislation including whether to enable the public ownership model. Non-action is de facto approval of the private ownership model.
- AGDC should procure a builder/owner/operator in the case of private ownership or a builder/operator in the case of public ownership as soon as practical.

[3] Assumes approval of $29 million appropriation by 27th Alaska Legislature.

- AGDC should execute the commercial, finance, engineering, and permitting plans as detailed in this project plan.
- The route selected in this project plan should be adopted as the final route and that no more study or analysis of route selection be undertaken or supported by AGDC or any other state agency as specified in House Bill 215 in the 27th Alaska Legislature.

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LIST OF ACRONYMS

°C	degrees Celsius
°F	degrees Fahrenheit
AAAQS	Alaska Ambient Air Quality Standards
AAC	Alaska Administrative Code
AACE	Association for the Advancement of Cost Engineering
ACCE	Aspen-Tech Capital Cost Estimating
ACMP	Alaska Coastal Management Plan
ADEC	Alaska Department of Environmental Conservation
ADF&G	Alaska Department of Fish and Game
AGIA	Alaska Gasline Inducement Act
ADOT&PF	Alaska Department of Transportation and Public Facilities
AES	ASRC Energy Services
AGDC	Alaska Gasline Development Corporation
AHFC	Alaska Housing Finance Corporation
AHRS	Alaska Heritage Resources Survey
ANGDA	Alaska Natural Gas Development Authority
APDES	Alaska Pollutant Discharge Elimination System
APP	Alaska Pipeline Project
ARPA	Archaeological Resources Protection Act
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASAP	Alaska Stand Alone Gas Pipeline
ASRC	Arctic Slope Regional Corporation
B&V	Black & Veatch
BLM	Bureau of Land Management
Btu	British thermal unit
C&R	Citigroup Global Markets, Inc. and Samuel A. Ramirez & Co., Inc.
CAPEX	capital expenditure
CEO	chief executive officer
CFR	Code of Federal Regulations
CGF	Central Gas Facility (North Slope)
CIF	commodity-insurance-freight
CNG	compressed natural gas
CO_2	carbon dioxide
DBFOM	design/build/finance/operate/maintain

DGGS	Alaska Division of Geological & Geophysical Survey
DNP&P	Denali National Park and Preserve
DNR	Alaska Department of Natural Resources
DOR	Alaska Department of Revenue
Dth	dekatherm
EIS	environmental impact statement
ENSTAR	ENSTAR Natural Gas Company
EOI	Expression of Interest
EPA	Environmental Protection Agency
ERL	environmental, regulatory, and lands
FEED	front-end engineering design
FEL	front-end loading
FEL 1	front-end loading phase 1
FEL 2	front-end loading phase 2
FEL 3	front-end loading phase 3
FERC	Federal Energy Regulatory Commission
FOB	freight on board
FY	fiscal year
GCF	Gas Conditioning Facility
GIS	geographic information system
GTL	gas to liquids
H_2S	hydrogen sulfide
HB	House Bill
HDD	horizontal directional drilling
IPA	Independent Project Analysis, Inc.
JD	Jurisdictional Determination
LDC	local distribution company
LiDAR	light detection and ranging
LNG	liquefied natural gas
LOA	Letter of Authorization
LPG	liquefied petroleum gas
MAOP	maximum allowable operating pressure
MI	miscible injectant
MMBtu	million Btu
MMscfd	million standard cubic feet per day
MP	milepost
NEPA	National Environmental Policy Act
NGL(s)	natural gas liquid(s)
NMFS	National Marine Fisheries Service
NPV	net present value

O&M	operation and maintenance
P3	public-private partnership
PBU	Prudhoe Bay Unit
PERS	Public Employees' Retirement System
PHMSA/OPS	Pipeline Hazardous Materials Safety Administration/Office of Pipeline Safety (U.S. Department of Transportation)
PJD	Preliminary Jurisdictional Determination
PLR	private letter ruling
POD	Plan of Development
PODS	Pipeline Open Data Source
ppm	parts per million
PS	pump station
psi	pounds per square inch
psig	pounds per square inch gauge
QA/QC	quality assurance/quality control
RCA	Regulatory Commission of Alaska
RFAI	request(s) for additional information
RFP	request for proposals
RIK	royalty-in-kind
ROD	Record of Decision
ROE	return on equity
ROW	right-of-way
SAGP	Stand Alone Gas Pipeline
SAIC	Science Applications International Corporation
SDA	special design area
SO_2	sulfur dioxide
SPCO	State Pipeline Coordinator's Office
TAPS	Trans Alaska Pipeline System
WTI	West Texas Intermediate
U.S.	United States
USACE	U.S. Army Corps of Engineers
USC	U.S. Code
USFWS	U.S. Fish and Wildlife Service

SECTION 1
Introduction



1. INTRODUCTION

This document presents a project plan for designing, financing, constructing, and making operational an Alaska in-state natural gas pipeline from Prudhoe Bay to the Cook Inlet region. The mandate for this project was expressed in House Bill 369, passed by the 26th Alaska Legislature in May 2010 in light of declining North Slope oil production, impending shortages of natural gas in Southcentral Alaska, and uncertainty regarding timing of a large-diameter pipeline to Canada to export Alaskan gas and to provide Alaskan gas to the Fairbanks area and to the Southcentral region.

This project plan is the culmination of the efforts of the Alaska Gasline Development Corporation (AGDC) to refine the engineering and cost analyses previously undertaken by the Alaska Department of Natural Resources (DNR) in response to House Bill 113 and develop an economically feasible plan for building the project. AGDC contacted potential pipeline construction and operation companies for interest in developing the project, studied financing alternatives, optimized route selection and engineering, and continued work with permitting agencies for rights-of-way and environmental impact statement (EIS) activities.

1.1 LEGISLATIVE MANDATE

House Bill 369 established the Joint In-State Gasline Development Team in the Alaska Housing Finance Corporation (AHFC) and defined the team's mission as follows:

> "The Joint In-State Gasline Development Team shall produce a project plan for the development of an in-state natural gas pipeline. The development team shall ensure that the project plan is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state natural gas pipeline can be designed, financed, constructed, and made operational by December 31, 2015." [AS 38.34.040(a)]

House Bill 369 goes on to set guidelines for the project plan stating that:

- "The project plan must include specific plans to coordinate and facilitate construction, ownership, operation, and management of a natural gas pipeline serving Fairbanks, the Southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater in the Southcentral region of the state."
- "The development team's work product shall include an analysis of alternative possible routes and the selection of a route that, consistent with the other requirements of this section,
    - is economically feasible;
    - makes natural gas available to residents at the lowest possible cost;

- allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;
- uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;
- uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible." [AS 38.34.040(c) and (d)]

1.2 HISTORY OF PROJECT

Work on a small-diameter in-state gas pipeline has been ongoing for several years. Original work was undertaken by ENSTAR Natural Gas Company and targeted gas reserves in the Gubik gas field of the central North Slope region. The Gubik reserves were not sufficiently delineated to establish threshold reserves capable of supplying 100% of the pipeline capacity. In 2009, the Alaska Legislature passed House Bill 113, which established the Stand Alone Gas Pipeline (SAGP) Project to continue and enhance the original effort and to maintain a back-up plan to the large-diameter export gas pipeline that was designed to serve in-state needs via a spur line. The work product and permits generated by the state-funded SAGP team were envisioned capable of reducing project risk so the information and permits could be sold and transferred to an entity able to build and maintain the line. The team for this project, which was led by DNR, analyzed alternatives, performed preliminary engineering, developed cost estimates, and began the permitting process.

The original SAGP project team was made up of state management that coordinated and directed the various contractors performing the tasks outlined in the enabling legislation. Project management was initially performed by Harry Noah, and later by Bob Swenson, both employees of DNR on special assignment to the Office of the Governor. The original work plan and schedule were maintained and kept on track throughout fiscal year (FY) 2009/2010.

The SAGP team transferred all of its reports and work product to AGDC on July 1, 2010. The findings of the SAGP project team were presented to AGDC in a July 15, 2010 report[4]. Included in the team's deliverables were reports, cost estimates, modeling results, and permit applications that serve as the baseline data as the project is optimized and project plans are developed.

In taking over the work from the SAGP team, AGDC made every effort to avoid duplicating studies, plans, and designs that have already been produced or obtained by the SAGP team and other state entities. The SAGP project team's principal findings are summarized in Table 1-1, along with AGDC's advancement of those findings.

[4] *Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables.* Presented to AGDC by the State of Alaska In-State Gasline Coordinator, July 15, 2010.

Table 1-1. Comparison of Findings: SAGP and AGDC

CATEGORY	SAGP JULY 2010 FINDING	AGDC JULY 2011 FINDING
Route	The Parks highway route was chosen as the preferred alternative based on a comparison of potential project cost, environmental impacts, and potential customers.	AGDC continued work on the Parks Highway route, refined the alignment, and confirmed that the route meets the requirements of House Bill 369.
Cost	Cost of pipeline, not including facilities or contingency costs, is projected at $3.8 billion. Preliminary capital cost estimates for the entire project could range from $5.7 billion to $11.8 billion, depending on the configuration, number, and location of gas handling facilities. These estimates also do not include contingency costs or potential cost ranges, which were captured in the cost-of-service modeling.	The capital cost of the pipeline is estimated to be $5.68 billion, and the Gas Conditioning Facility is estimated to be $1.84 billion. The total capital is estimated to be $7.52 billion. (These estimates have a confidence factor of ±30%.) See Section 3.1.1 of this project plan for more detail.
Tariffs	The tariffs associated with a 737-mile 24-inch high-pressure pipeline that would transport natural gas and/or natural gas liquids from the North Slope to tidewater in Southcentral Alaska could range from over $14 to less than $7 per dekatherm (Dth). (A dekatherm is energy equivalent to 1 million Btu.)	The base case tariff from Prudhoe Bay to Anchorage (Big Lake meters) is estimated to be $5.63 per million Btu (MMBtu) in 2011$ or $7.75/MMBtu in nominal dollars assuming 3% inflation.
	Sensitivity models run on increased flow rates show the majority of tariff reduction occurs when ramping up flow rates from 250 million standard cubic feet per day (MMscfd) to 500 MMscfd.	The ASAP tariff from Prudhoe to Anchorage (Big Lake meters) for a throughput of 250 MMscfd is estimated to be $4/MMBtu higher than for the 500 MMscfd case.
Cost of Service	The final cost to consumers must include the cost of the natural gas from the producer, carbon dioxide disposal costs, and the cost of transport on a local distribution system. These costs would be in addition to the pipeline tariff costs and could vary significantly.	AGDC agrees with these findings.
	All cost of service models run indicate the predicted cost to consumer will be higher than the current costs in the Cook Inlet.	
	A combination of market demand increase, reduced project costs, and alternate finance and commercial parameters will be necessary to reduce the cost to current levels of service.	

1.3 PURPOSE AND NEED FOR THE ALASKA STAND ALONE GAS PIPELINE PROJECT/*ASAP*

Southcentral Alaska relies primarily on the Cook Inlet gas fields for heating and electric power. The deliverable reserves from the developed fields are in decline and are projected to fall short of demand as early as 2014. If investment in these fields is not made to increase supply and if new reserves are not developed, the gas shortfall will increase. The ASAP Project will provide gas to Alaskan consumers to offset these projected shortages. The project, combined with gas storage, will meet the region's peak seasonal gas demand and long-term energy needs.

The ASAP Project will serve developed and developing markets within Alaska, including Fairbanks and the Railbelt. Much of Alaska has no long-term source of fuel other than oil. Currently, LNG is trucked in limited supplies to Fairbanks from Cook Inlet for a small local distribution system. A long-term, affordable energy source is needed for Fairbanks, the Railbelt, and western Alaska communities. Community, commercial, and industrial development in Interior Alaska

could be facilitated with a reliable supply of natural gas. ASAP will provide construction and operational jobs and new business development opportunities for Alaska citizens. New jobs and tax revenues will be created.

The expected public benefit of ASAP is the potential for delivery of a long-term, reasonably priced supply of natural gas and propane to the Cook Inlet area and to Fairbanks and other communities along the pipeline corridor. Specifically, this supply could be used for the following:

- Heating homes, public safety facilities, military bases, and businesses.
- Generating electrical energy used throughout the region.
- Continuing economic stability and growth by supporting industrial users.
- Accommodating future population growth and increased commercial usage served by the existing ENSTAR local distribution system, and for the Fairbanks area and other Railbelt communities.
- Promoting compressed natural gas (CNG) or propane as a substitute for gasoline and diesel fuel used by cars and trucks in Fairbanks; for use by communities along the Parks Highway, including tour buses in Denali National Park and Preserve; and for use by Anchorage and communities on the Kenai Peninsula.
- Potentially providing CNG or propane for distribution to rural Alaska communities via the Yukon and Tanana Rivers and marine barges from Cook Inlet.
- Providing infrastructure to allow more economic development of mining and oil/gas projects.

Economic benefits of the project include the creation of new jobs and state and local tax revenues. Employment will include temporary jobs during engineering, procurement, and construction, and long-term jobs during pipeline operation. The project has the potential to stimulate existing industries and encourage new industrial activities, including mining. Industrial users are essential to the project, since the project's initial capacity exceeds the expected demand for residential use and power generation.

1.4 RELATIONSHIP TO OTHER PIPELINE PROJECTS

For decades, various sponsors have studied projects to export natural gas from Alaska's North Slope to North America, Asia, or both. To date, none of these projects has advanced past the feasibility study period.

ASAP is an intrastate project independent of proposed interstate natural gas pipeline projects. The Alaska Pipeline Project (APP), the project sponsored by the Alaska Gasline Inducement Act (AGIA), is studying the feasibility of exporting Alaska's North Slope natural gas via a large-diameter pipeline. (A second project, Denali–The Alaska Gas Pipeline project, was recently halted). As export plans and studies continue, the near-term need exists for additional natural gas supplies to supplement Cook Inlet reserves and to serve developed and developing markets within Alaska. The ASAP Project was conceived as a smaller-diameter in-state gas pipeline that could be built sooner and help meet the urgent energy needs in Alaska, particularly in the population centers in Fairbanks and the Cook Inlet region.

Several intrastate gas pipeline projects have been granted conditional right-of-way leases by DNR, but the ASAP Project has a non-conditional lease. Yukon Pacific Corporation received a conditional lease, but it has been relinquished. DNR applied for the Eastern North Slope pipeline oil and gas rights-of-way as conditional leases, but they were never issued and have not been worked actively for several years. The Alaska Natural Gas Development Authority (ANGDA) received a conditional lease, but they have not addressed the conditions to date. The ASAP lease is the first non-conditional pipeline right-of-way granted by the State for the purpose of transporting natural gas from the North Slope to market, and will likely be perceived as a significant milestone and increase project interest and confidence among potential shippers and developers.

The ASAP Project is designed for a throughput of 500 MMscfd. The reason for this design throughput is that AGIA provides that the State will pay the AGIA licensee a significant penalty if a competing natural gas pipeline project is supported by the state:

> "If, before the commencement of commercial operations, the state extends to another person preferential royalty or tax treatment or grant of state money for the purpose of facilitating the construction of a competing natural gas pipeline project in this state, and if the licensee is in compliance with the requirements of the license and with the requirements of state and federal statutes and regulations relevant to the project, the licensee is entitled to payment from the state of an amount equal to three times the total amount of the expenditures incurred and paid by the licensee that are qualified expenditures…" [AS 43.90.440(a)]

In AGIA, "competing natural gas pipeline project" is defined as a "project designed to accommodate throughput of more than 500,000,000 cubic feet a day of North Slope gas to market" [AS 43.90.440(c)(1)].

1.5 PROJECT PLAN DEVELOPMENT

1.5.1 Project Organization

This project plan was developed by the AGDC, under the direction of the Joint In-State Gasline Development Team established by House Bill 369 (AS 38.34.030). Figure 1-1 shows the organization of the Development Team, which is comprised of five members:

- The Commissioner of the Department of Transportation and Public Facilities.
- The Chair of the Board of the Alaska Railroad Corporation.
- The Chief Executive of the Alaska Natural Gas Development Authority.
- The In-State Gasline Project Coordinator.
- The Executive Director of the Alaska Housing Finance Corporation who serves as the Chair of the Joint In-State Gasline Development Team.

The team is responsible for hiring staff, entering into contracts, and any other activities necessary to carry out its functions. Quarterly expenditure reports and monthly progress reports are submitted to the Legislature.

AGDC was established as a subsidiary of AHFC to develop this project plan and pursue the tasks outlined in House Bill 369. The AGDC project team staff is comprised of personnel from AHFC augmented with personnel from the private sector under various contractual arrangements. Due to the short duration of the planning process (July 1, 2010 to July 1, 2011), a decision was made to not establish direct-hire employees for AGDC staff. Instead, some employees of AHFC were made available to the project on either a part-time or full-time basis, and others were brought to the project under various contractual arrangements.

The AGDC organization chart in Figure 1-2 shows the breakdown of responsibilities for production of the project plan.

- The President of AGDC is Dan Fauske (AHFC).
- The Vice-President and Chief Financial Officer is Joe Dubler (AHFC).
- Project management is the responsibility of Dave Haugen (contract).
- Commercial activities are handled by Michael Rocereta and Lieza Wilcox (both contract).
- Engineering and permitting activities are the responsibility of Dave Norton (AHFC).
- Administration and external affairs are managed by Leslye Langla (AHFC), assisted by administrative specialist Doreen Calahan (AHFC) and public affairs specialist Meda Snyder (AHFC).
- Contract administration is managed by Kathy Gallaher (contract).
- Project control is provided by George Heywood (contract).

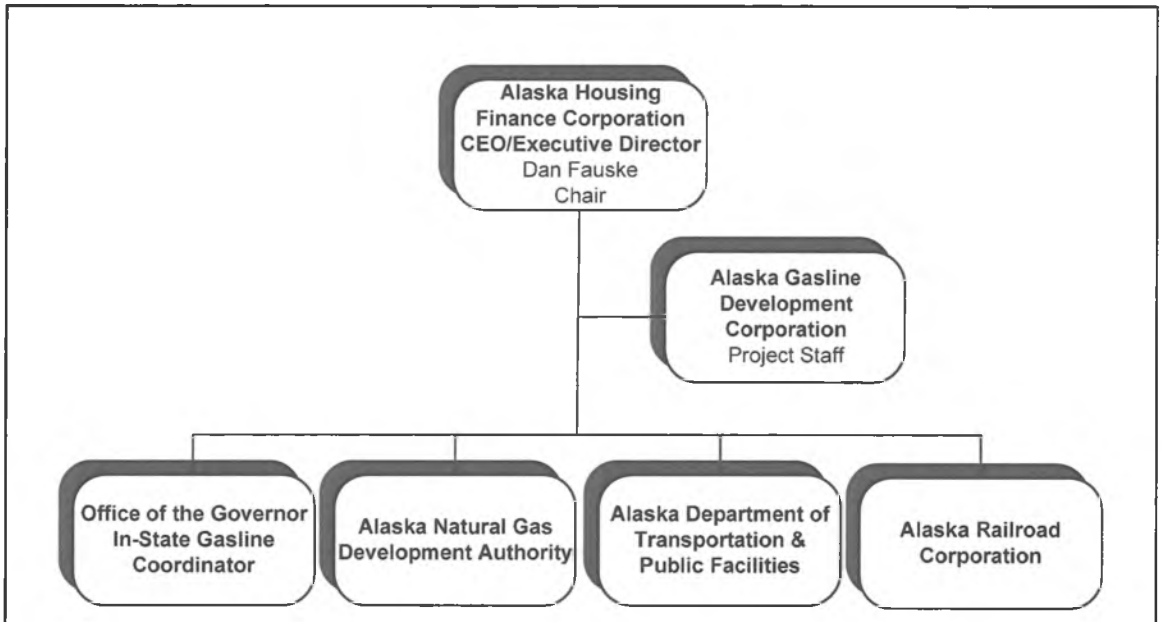


Figure 1-1. Joint In-State Gasline Development Team

AHFC provides additional support to AGDC including issuing contracts, office administration/acquisition, financial (including budgeting and tracking) payroll services, human relations support, information technology and communications services, and many other services. The support furnished by the AHFC organization has been critically important to the AGDC staff.

1.5.2 Contracting Strategy

Due to the short time frame for developing the project plan, contractors were employed to perform a substantial amount of work. Table 1-2 identifies the contractors AGDC retained for support in project management/engineering, environmental and regulatory issues, and economic/market studies.

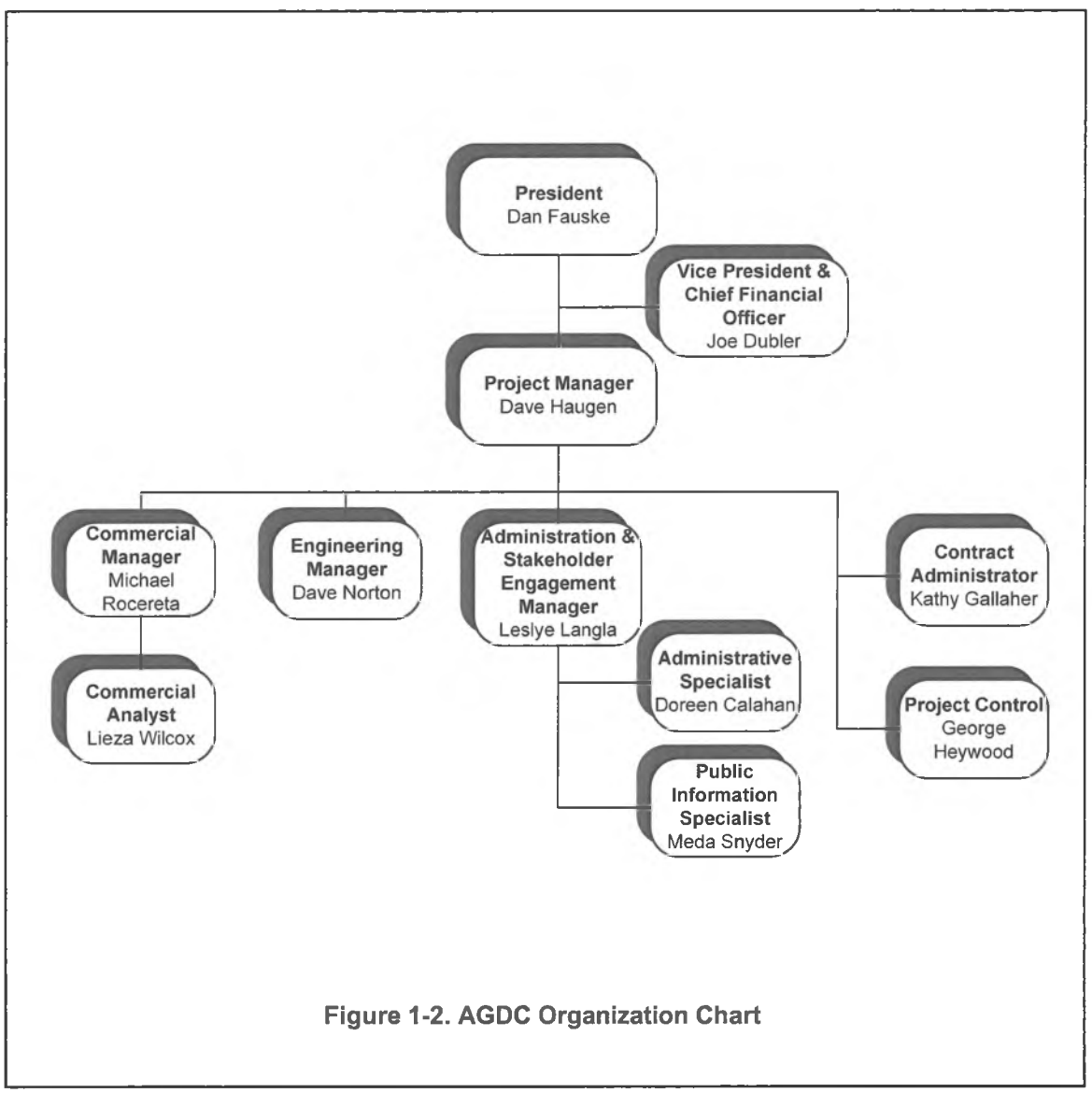


Figure 1-2. AGDC Organization Chart

Contractors were selected based on the following factors:

- Some of the activities were underway before July 2010. The work on developing the environmental impact statement (EIS) has been underway since 2009. Consequently, a decision was made to retain the incumbent contractors, which include Michael Baker, Jr., Inc. as the lead in providing engineering services, ASRC Energy Services (AES) providing environmental services, and Cardno ENTRIX as the third-party contractor preparing the EIS for the U.S. Army Corps of Engineers.
- For tariff modeling, Black & Veatch was retained because they had an existing model that was used in developing tariffs in earlier studies of the in-state gas pipeline.
- Some areas of analysis required special skill sets. For instance, the project pacing and review analysis was conducted by Independent Project Analysis, Inc. (IPA). IPA used its unique database of over 1,500 megaprojects to help AGDC determine the progress of the in-state gas pipeline. The stage-gated system that forms the basis of the IPA analysis is also being used as the road map for the future by AGDC. In addition, WorleyParsons was retained to perform a peer review of the facilities cost estimate. WorleyParsons has a long track record developing processing facilities on Alaska's North Slope.
- Birch Horton Bittner & Cherot is providing legal assistance for the commercial and legislative work, while Stoel Rives LLC provides regulatory assistance for progressing the EIS.

Table 1-2. AGDC Contract Support

ACTIVITY	CONTRACTOR
PROJECT MANAGEMENT/ENGINEERING	
Project Management	Hawk Consultants LLC
Engineering Services	Michael Baker Jr., Inc. DoyonEmerald Larkspur Associates LLC
Legal Services	Birch Horton Bittner & Cherot
Project Pacing and Review	Independent Project Analysis (IPA)
Facilities Peer Review	WorleyParsons
ENVIRONMENTAL/REGULATORY	
Environmental Services	ASRC Energy Services (AES)
Third Party EIS	Cardno ENTRIX
Regulatory Advisor	Stoel Rives LLC
FINANCIAL	
Financial Advisor	Citigroup Global Markets, Inc. and Samuel A. Ramirez & Co., Inc. (C&R)
Tariff Modeling	Black & Veatch
ECONOMIC/MARKET STUDIES	
Gas to Liquids	Hatch Associates Consultants, Inc.
Liquefied Natural Gas	Science Applications International Corporation (SAIC)
Natural Gas Liquids	R.W. Beck Inc.

- Contract staffing is obtained from Hawk Consultants LLC, an organization that specializes in providing project management personnel.
- A formal request for proposal (RFP) process was followed for the financial advisor contractor and contractors for three economic/market studies. In a two-step process, potential contractors were asked to provide their qualifications for the specific scope of work requested by AGDC, and then to provide their pricing proposal in a separate submittal. A scoring matrix was established that combined the technical qualifications with the pricing proposal. The matrix determined which contractor had provided the proposal that represented the best value to AGDC for the work to be performed. The financial advisor selected was Citigroup Global Markets, Inc. and Samuel A. Ramirez & Co., Inc. (C&R). The gas-to-liquids (GTL) study was awarded to Hatch Associates Consultants, Inc.; the liquefied natural gas (LNG) study was awarded to Science Applications International Corporation (SAIC); and the natural gas liquids (NGL) study was awarded to R.W. Beck Inc.

1.5.3 Management of Project Plan Development

The AGDC team used two project management delivery techniques. The first is the Project Management Institute's *A Guide to the Project Management Body of Knowledge* (2008), which was developed over the last 30 years to serve as a template for managing projects in a wide range of industries including oil and gas, petrochemical, and mining. Five project management process groups are outlined in the guide: initiating, planning, executing, monitoring and control, and closing. The second system, the stage-gated approach, is described in Section 2.1 of this project plan. Both project management systems emphasize the need to perform the project definition phase adequately. AGDC chose the IPA stage-gated process to provide a road map for advancing the in-state gasline project.

The management approach to producing the ASAP project plan was to use best project management practices. A work breakdown structure was established and compiled into activities. The activities were prioritized and scheduled accordingly, and task orders were executed with various contractors to perform the work.

AGDC used AHFC contracting personnel and procedures in performing contract initiation and procurement. After contract award, AGDC administered and controlled the contracts through the execution phase. Project controls were established to manage project costs and schedule. Weekly staff meetings were established to review progress on the schedule and to take corrective action on costs being incurred.

1.5.4 Stakeholder Engagement

In developing this project plan, AGDC has engaged with project stakeholders to develop and build long-term relationships with state and federal regulatory agencies, non-governmental organizations, communities potentially affected by the project, and Alaskans in general. A detailed stakeholder engagement plan has been developed and implemented, and this plan is described in detail in the project plan.

SECTION 2
The Project Plan



2. THE PROJECT PLAN

This section presents AGDC's proposed plan for the ASAP Project. This plan is designed around the "stage-gated process," which emphasizes front-end loading in project planning to achieve a successful project that avoids cost overruns and delays. This approach, which is the industry standard for projects such as the ASAP Project, is discussed in Section 2.1 below. Section 2.2 contains a description of the proposed project, followed by a discussion of the project delivery approach in Section 2.3. Details of the project plan are presented in Sections 2.4 through 2.8 for commercial; financial; engineering; environmental, regulatory, and lands (ERL); and stakeholder engagement. The analyses and detailed information supporting the plan are contained in Sections 3 through 7.

Table 2-1 provides a cross-reference of the sections of this document to the requirements of House Bill 369.

Table 2-1. Cross-Reference of Project Plan to House Bill 369, AS 38.34

ALASKA STATUTE (AS)	HOUSE BILL 369 TEXT	PROJECT PLAN SECTION
38.34.040(a)	The Joint In-State Gasline Development Team shall produce a project plan for the development of an in-state natural gas pipeline. The development team shall ensure that the project plan is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state natural gas pipeline can be designed, financed, constructed, and made operational by December 31, 2015.	This entire document; Sections 2.1 and 2.3 describe AGDC's proposed schedule.
38.34.040(b)	The Joint In-State Gasline Development Team shall assume executive authority over and managerial responsibility for all activities enumerated under sec. 19, ch. 14, SLA 2009, including work previously completed, work in process, and work for which money has been encumbered but that is not completed on the effective date of this subsection.	—
38.34.040(c)	The project plan must include specific plans to coordinate and facilitate construction, ownership, operation, and management of a natural gas pipeline serving Fairbanks, the Southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater in the Southcentral region of the state.	Section 2
38.34.040(d)	The development team's work product shall include an analysis of alternative possible routes and the selection of a route that, consistent with the other requirements of this section,	Section 5.2
	(1) is economically feasible;	Sections 3.1.5, 5.2
	(2) makes natural gas available to residents at the lowest possible cost;	Sections 3.1, 5.2
	(3) allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;	Sections 3.1.3, 3.1.5, 5.2.2.3
	(4) uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;	Section 5.2.2.4
	(5) uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible.	Section 5.2.2.5

Table 2-1 (Cont'd). Cross-Reference of Project Plan to House Bill 369, AS 38.34

ALASKA STATUTE (AS)	HOUSE BILL 369 TEXT	PROJECT PLAN SECTION
38.34.040(e)	With the intent that any project-related assets acquired or developed be available for transfer or sale to the entity best able to complete the project, the development team shall (1) prepare plans and designs necessary for construction of the in-state natural gas pipeline project;	Entire document
	(2) coordinate with entities qualified to build, own, and operate the natural gas pipeline;	Sections 3.1.7, 3.2
	(3) identify, apply for, and obtain rights-of-way and other permits for the project route;	Section 6.4
	(4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable;	Section 3.3.1
	(5) prepare cost estimates for the project design, construction, and operation to determine the project's economic feasibility and the projected cost of natural gas to consumers;	Sections 3.1, 5.6
	(6) coordinate with and, to the fullest extent possible, use existing work by other state agencies and entities before contracting for new reports and research and analysis;	Section 1.2
	(7) determine regulatory authority over the pipeline project and perform any necessary compliance requirements;	Section 6.3
	(8) identify and apply for, or support extension of, existing permits for export of Alaska natural gas if that export improves project economics and will reduce the price of natural gas to in-state consumers.	Section 2.7
38.34.040(f)	Notwithstanding any other provision of law, any rights to a natural gas pipeline corridor obtained by a state agency under eminent domain may be transferred to a private entity.	—
38.34.040(g)	Notwithstanding any other provision of law, a state agency acquiring an interest in land by eminent domain may grant a permit authorizing a private person to construct, manage, and operate a gas pipeline over, under, along, across, or upon the land.	—
38.34.040(h)	In preparing the project plan required in this section, the development team may consider all aspects of the in-state natural gas pipeline project, including	—
	public, private, or joint construction alternatives,	Section 6
	marketing of natural gas,	Section 3.3.3
	financing alternatives for pipeline construction,	Section 4
	procurement of natural gas from producers,	Section 3.1
	maximization of local hire,	Section 2.3.4
	opportunities for promoting value added industries,	Section 3.1.5.3
	gas-to-liquids manufacturing opportunities,	Section 3.1.5.3
	production and delivery of liquefied natural gas or propane to Yukon River, interior, and coastal communities,	Section 3.3.2
	alternatives for transporting natural gas to other locations in the state,	Section 3.3.2
	the acquisition of natural gas commitments sufficient to ensure the long-term feasibility of the in-state natural gas pipeline project,	Section 3.3.1

Table 2-1 (Cont'd). Cross-Reference of Project Plan to House Bill 369, AS 38.34

ALASKA STATUTE (AS)	HOUSE BILL 369 TEXT	PROJECT PLAN SECTION
38.34.040(h) (Cont'd)	the development of a global natural gas trading hub in the state, and	Section 3.3.3
	facilitating the project developer's commitment, to the maximum extent permitted by law, to (1) hire qualified residents from throughout the state for management, engineering, construction, operations, maintenance, and other positions on the proposed project; (2) contract with businesses located in the state; (3) establish hiring facilities or use existing hiring facilities in the state; and (4) use, as far as is practicable, the job centers and associated services operated by the Department of Labor and Workforce Development and an Internet-based labor exchange system operated by the state.	Section 2.3.4
38.34.040(i)	The Joint In-State Gasline Development Team shall take all action necessary to complete its responsibilities under this section.	—
38.34.050(b)	...The development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by other state entities.	Sections 1.2, 2.1
Transitional Provisions (a)	In discharging its obligations, the Joint In-State Gasline Development Team shall	—
	(1) seek letters of intent from buyers and sellers of natural gas to ship gas using the facilities of the project and, from information obtained, define the project parameters that would allow the project to be commercially viable;	Section 3.3.1
	(2) seek letters of interest from private pipeline construction and operating companies to develop the project;	Section 3.2
	(3) prepare and submit to the governor and the presiding officer of each house of the legislature, by December 15, 2010, any initial legislation necessary to advance the project;	—
	(4) prepare and submit a report to the governor, the speaker of the house of representatives, and the president of the senate when each duty set out in (1) - (3) of this subsection is complete.	—

2.1 PROPOSED PROJECT APPROACH: THE STAGE-GATED PROCESS

In July 2010, the team for the Stand Alone Gas Pipeline (SAGP) Project transitioned all project files and work product to AGDC. As part of the effort to evaluate the work, AGDC retained Independent Project Analysis, Inc. (IPA) to assess the status of the project and to assist in developing this project plan. IPA is internationally known for its *stage-gated project delivery approach*, which is the industry standard for megaprojects such as the ASAP Project. IPA conducts statistical analysis of projects from a database compiled of over 1,500 megaprojects conducted in the oil, chemicals, consumer products, and other capital-intensive industries. IPA uses statistical models and database comparisons to evaluate a project's status.

IPA's key recommendation was that this project plan be based on the "stage-gated approach". Stage-gated project delivery emphasizes what is called "front-end loading" or "FEL", whereby the definition of a project progresses through three distinct phases, with decision points ("stage gates") to proceed or not following each phase. As the project passes through FEL 1, FEL 2, and FEL 3, the uncertainty of the cost and schedule are progressively reduced. The FEL phases are followed by Execution and then Operation. Figure 2-1 illustrates the stage-gated process.

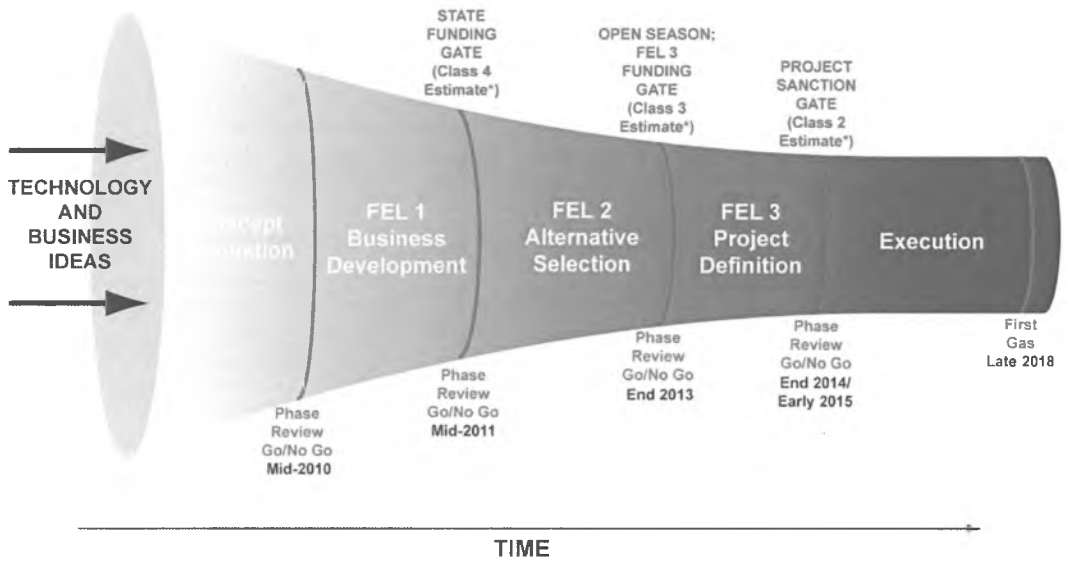


Figure 2-1. Stage-Gated Project Delivery Approach

Following is a summary of the five phases of the stage-gated project delivery approach:

- **FEL 1:** This is the early phase of project definition, where the feasibility of the project is assessed. During this phase, the business case for the project is developed, along with basic engineering and cost estimates. The cost estimate at the end of this phase is an AACE Class 4 estimate. (AACE is the Association for the Advancement of Cost Engineering. The lower the class number, the higher the confidence in the accuracy of the estimate.). During FEL 1, a roadmap for FEL 2 is developed, so that management can determine whether to proceed through the gate between FEL 1 and FEL 2.
- **FEL 2:** Project definition continues, along with development of a business plan, acquisition of permits, and holding of an open season. More detailed engineering is conducted, and the cost estimate is refined to an AACE Class 3 estimate.
- **FEL 3:** Project definition and engineering are finalized. Materials are purchased and contracts are issued for construction. The cost estimate is refined to AACE Class 2 at the end of FEL 3.
- **Execution:** The project is built.
- **Operation:** Operation of the project begins.

Research shows that the disciplined application of a stage-gated process is strongly correlated with producing superior project outcomes. The gated approach involves breaking a capital project into discretely defined phases, where a clear set of deliverables or outcomes is outlined for each phase, which must be completed before the project is approved to move into the next phase. AGDC is employing the stage-gated approach.

2.1.1 Evaluation of the Pace of the ASAP Project

IPA's evaluation of the project is contained in a report prepared for AGDC entitled *An Early Pacesetter Evaluation of the Alaska Stand Alone Gas Pipeline Project* (January 2011). AGDC used this document as the basis for this project plan. According to IPA, the ASAP Project is in the early stages of project definition and reaches the end of FEL 1 with the completion of this project plan on July 1, 2011. The results of the initial phases provide critical input for making the final authorization decision to move forward with the project. The primary objective of FEL is to achieve an understanding of the project that is sufficiently detailed so that significant and costly changes in engineering, construction, and the startup phases of a project will be minimized.

Figure 2-2 outlines the front-end loading phases for the ASAP Project. As of June 30, 2011, the project has spent about $30 million and has reached the end of FEL 1. The end of an FEL phase is called a "stage gate". AGDC recommends proceeding through FEL 2, which requires the spending of an additional $240 million sourced from the State of Alaska. At that point, the project will reach a level where a binding open season can be held. The results of the open season will determine the FEL 3 financial requirements necessary to deliver a decision support package to the pipeline owner that will enable project approval or sanction of construction. Currently, AGDC estimates that FEL 3 will cost $130 million. This estimate is based on industry experience and could be more or less depending on the requirements of the sanctioning entity. Whether the FEL 3 funding is sourced by the State of Alaska or another entity depends on the strength of the commitments made for firm transportation at the open season and the ownership business model chosen.

IPA concluded that the House Bill 369 schedule of completing the ASAP Project by the end of 2015 is impractical because it does not allow enough time for project definition. Moving too fast on project definition is the primary root cause of poor performance including cost overruns and delays for megaprojects such as the ASAP Project. Such large, complex projects have inherent difficulties that are exacerbated by proceeding too quickly through the project definition phase. Figure 2-3 shows both the current schedule based on the December 31, 2015 project completion date required in House Bill 369 and an optimized schedule based on the stage-gated approach.

2.1.2 Summary of Issues that Drive the Recommended Schedule

Following is a summary of the reasons for using the stage-gated process and for extending the project completion schedule:

- Potential builders/owners/operators contacted by AGDC have emphasized the need to use the stage-gated process so that the transition of the project from AGDC to the builder/owner/operator can be accomplished smoothly and with minimal delay. In developing

a front-end loaded project plan, AGDC is proceeding the way any builder/owner/operator would.

- Proper levels of project definition are needed to get commitments for gas.
- Accelerating front-end loading leads to increases in cost and delays in schedule. Costly design changes also lead to delays.
- No private developer is willing to take the project at this time.

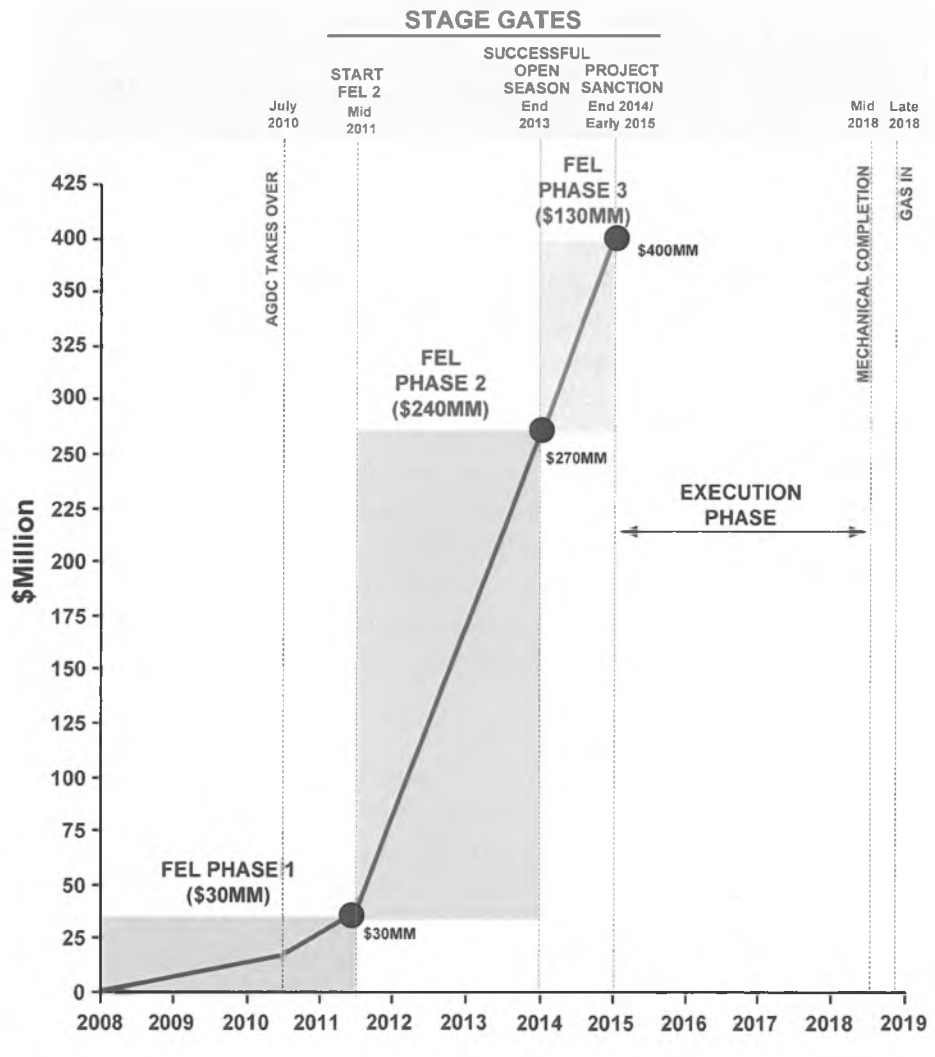


Figure 2-2. Front-End Loading Financial Requirements for the ASAP Project

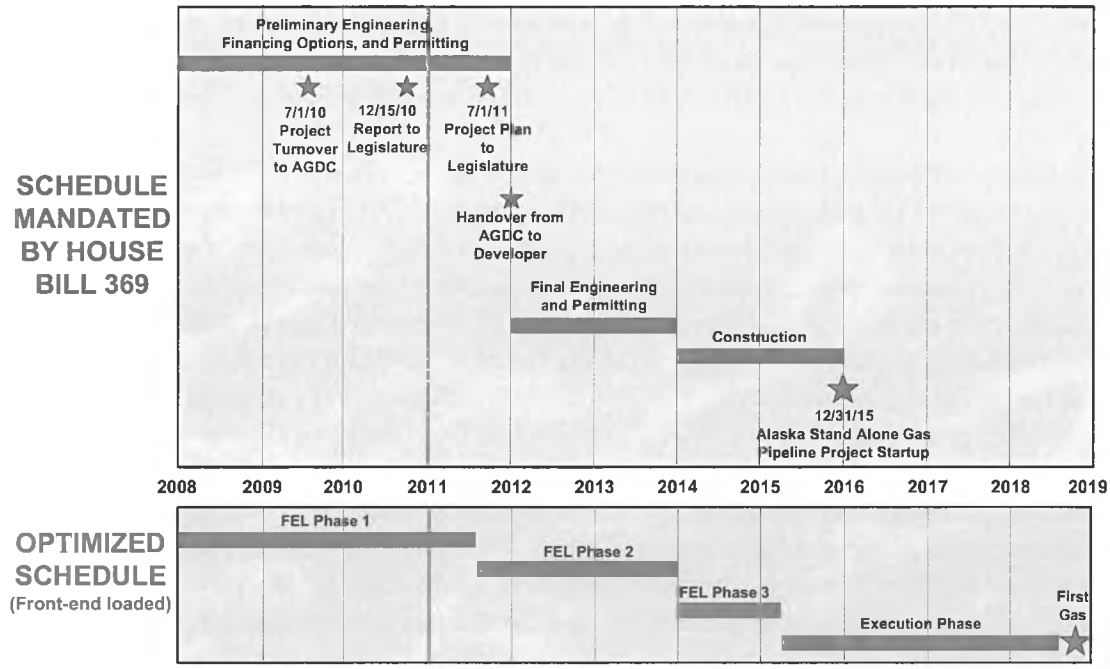


Figure 2-3. Current Schedule vs. Optimized Project Schedule

2.2 THE PROPOSED PROJECT

2.2.1 Selection of the Base Case for the Proposed Project

When AGDC took over the project in July 2010, a total of 16 cases had been selected for study based on varying pipeline capacities and products[5] (see Section 3.1.1 of this project plan for a detailed discussion of the cases). These cases involved flow capacities from 250 to 1,000 MMscfd (million standard cubic feet per day) and products including conditioned, unconditioned, and utility-grade gas with or without natural gas liquids (NGLs). AGDC eliminated the cases over 500 MMscfd to conform to the terms of the Alaska Gasline Inducement Act (AGIA), which limits other projects receiving state support to 500 MMscfd. The cases involving processing North Slope gas at Cook Inlet were eliminated because of the higher resulting tariffs, the inefficiency

[5] *Alaska Stand Alone Pipeline Project Update and FY 2010 Deliverables,* submitted to AGDC on July 15, 2010 by the Alaska In-State Gasline Coordinator.

associated with carrying 10% carbon dioxide in the pipeline, and the issues associated with levels of water vapor and hydrogen sulfide not conducive to safe and low-cost operation of a pipeline.

Section 3.1.1 of this project plan discusses in detail the criteria for selection of the Base Case, which is a 500 MMscfd pipeline carrying conditioned natural gas and an enriched stream of NGLs. This Base Case was used for commercial, financial, engineering, and environmental/regulatory work done by AGDC over the past year to develop this project plan.

The pipeline route and facilities included in the Base Case are discussed below. It is important to note that the 500 MMscfd capacity minimizes the tariff for use of the pipeline but requires an industrial anchor to underpin full capacity. An industrial anchor is a consumer or exporter of natural gas or NGLs who reserves a dependable, long-term portion of the capacity with minimal seasonal variation above the residential, commercial, and power generation demand of the pipeline. Historically, the Kenai Agrium Fertilizer Plant and the Nikiski LNG Plant have served as industrial anchors for the natural gas industry in the Cook Inlet. Enriched natural gas (containing NGLs) also helps minimize the cost of service. NGLs add significantly to the energy content of the gas stream and hence its value. NGLs must be removed at the terminus, separated into their components, stored, and shipped to market. The capital cost of downstream industrial anchors like an NGL extraction/export plant or an LNG export plant are not in the scope of this project since they are stand-alone facilities that would typically be owned by the LNG or NGL exporter. AGDC has undertaken studies to determine whether they are feasible; the open season will determine whether shippers concur.

2.2.2 Proposed Project Facilities

The pipeline system is being designed to transport a conditioned natural gas that is highly enriched in non-methane hydrocarbons. Table 2-2 provides a description of project facilities. A map of the proposed ASAP system is shown in Figure 2-4, and the system is depicted schematically in Figure 2-5.

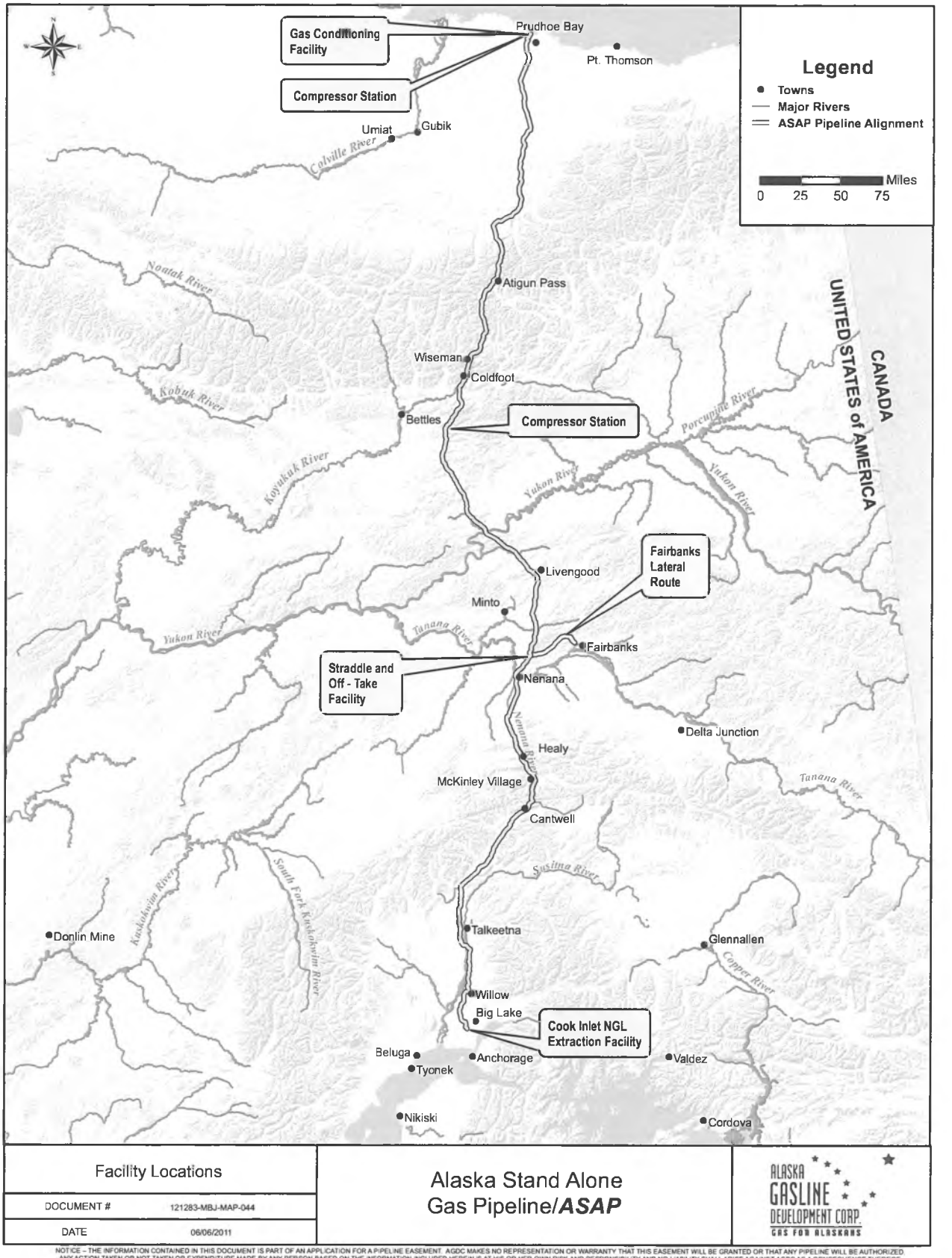
Although the principal inlet connection is assumed to be at Prudhoe Bay, other inlet connections could be accommodated for suppliers anywhere along the pipeline route. Based on the most recent gas exploration activity, the most likely interconnects would be at the Brooks Range Foothills (which could include Gubik Field), near the Yukon River (Yukon Basin), and from the Nenana Basin south of Dunbar. AGDC assumes that supplier proposals for new inlet connections will become apparent during the open-season process or after that as *proposals to expand capacity* where it is allowed under the provisions of AGIA (south of the 68th parallel).

The system includes a 24-inch-diameter mainline pipeline that will run from Prudhoe Bay following the Trans Alaska Pipeline System (TAPS) and Dalton Highway corridors, generally paralleling the highway corridor from the North Slope to near Livengood, northwest of Fairbanks. At Livengood, the pipeline route heads south, joining the Parks Highway corridor west of Fairbanks near Nenana. From there it continues south and terminates at milepost (MP) 737, connecting at MP 39 of the Beluga Pipeline near Big Lake (ENSTAR Beluga Distribution System). A lateral pipeline to Fairbanks will take off from the main pipeline a few miles north of Nenana near Dunbar and will travel northeast to Fairbanks, a distance of approximately 35 miles. The mainline

pipeline will be buried except from MP 0 to 6, and at elevated bridge stream crossings, compressor stations, possible fault crossings, pigging facilities, and off-take valve locations.

Table 2-2. Summary of Proposed ASAP Project Facilities

FACILITY	DESCRIPTION
Mainline Pipeline	• Prudhoe Bay to milepost (MP 39) of the Beluga Pipeline near Big Lake (ENSTAR Beluga Distribution System). • 737 miles long. • 24-inch-diameter. • 2,500 psi maximum operating pressure.
Fairbanks Lateral	• 35 miles long. • 12-inch-diameter. • 1,400 psi maximum operating pressure. • Tie-in with mainline at MP 458.
Gas Conditioning Facility	• A 70-acre facility at Prudhoe Bay to provide conditioning necessary to remove carbon dioxide, hydrogen sulfide, and other impurities from the source gas stream. • Natural gas will be obtained from the existing Central Gas Facility located approximately 1,000 feet north of the planned Gas Conditioning Facility.
Compressor Stations	• A maximum of two compressor stations will be required: the pipeline head compressor station at MP 0 and one pipeline compressor station near MP 286. • Gas turbine-driven centrifugal compressors. • Propane-cycle gas-chiller plants will be installed at compressor stations located north of Minto Flats. • Two gas-turbine-driven electric-power generators per station. • Each compressor station site will be on a gravel pad and will be fenced.
Straddle and Off-Take Facility	• Located at the Fairbanks Lateral tie-in at MP 458 near Dunbar. • Will separate NGLs from the gas stream to Fairbanks, providing 60 MMscfd of utility-grade gas to Fairbanks. NGLs will be re-injected into the main pipeline.
Cook Inlet NGL Extraction Facility	• Located at MP 737 (mainline terminus at the Beluga Pipeline near Big Lake). • Will separate NGLs from the gas stream and inject utility-grade gas into the ENSTAR local distribution system. NGLs extracted from the gas stream will be sold separately. • Not included in tariff, an NGL fractionation plant would be needed to make marketable products from the NGL stream.
Custody-Transfer Gas-Metering Stations	• At Dunbar and at Big Lake terminus.
Other Permanent Facilities	• Mainline block valves at a maximum of every 20 miles. It is expected that 30 mainline block valves will be required and that two valves will be required along the Fairbanks Lateral. • A pig launcher will be located at the Gas Conditioning Facility. Pig launcher/receiver assemblies will be located at the compressor stations, and a pig receiver will be located at the pipeline terminus. A pig launcher will be located at the tie-in for the Fairbanks Lateral and a receiver at the end of the alignment. • Operation and maintenance facilities will be located in Prudhoe Bay, Fairbanks, and Wasilla.
Material and Water Sources	• Material sites (gravel pits) will be distributed along the route minimizing hauling distances. Existing material sites will be used whenever possible. • Water for construction needs will be collected from surface water sources such as lakes and streams.
Construction Support Facilities	• Project offices, personnel housing and support, and logistics support sites. • Port facilities. • Access roads. • Construction workpads (gravel, ice or snow, and grade). • Laydown yards and storage facilities. • Airports and airstrips.



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Figure 2-4. ASAP Route Map and Major Facilities

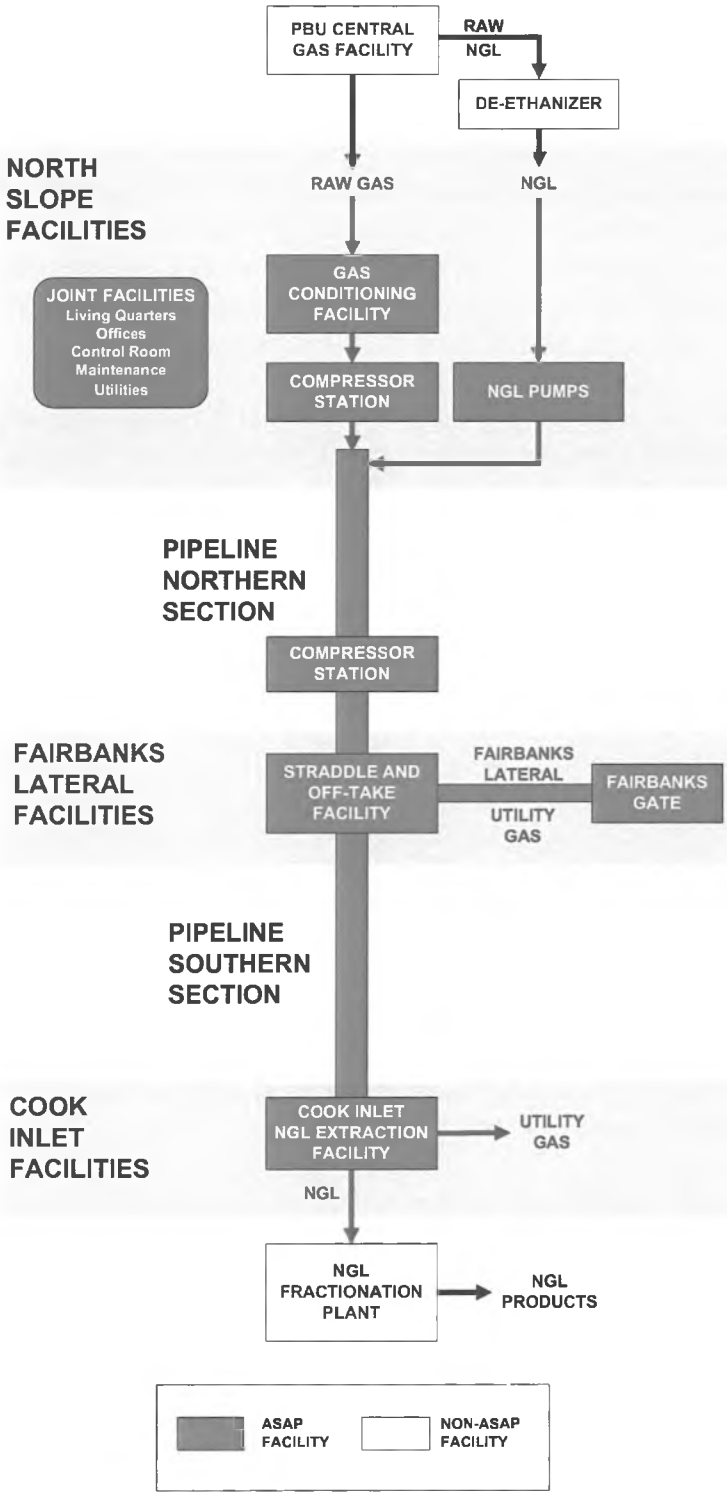


Figure 2-5. Flow Schematic of ASAP Facilities

The proposed 24-inch-diameter mainline has a capacity of 500 MMscfd with a maximum allowable operating pressure (MAOP) of 2,500 pounds per square inch (psi). The capacity of the proposed 12-inch-diameter Fairbanks Lateral is 60 MMscfd with an MAOP of 1,400 psi. The natural gas and NGLs would be received from the Prudhoe Bay Central Gas Facility and would be conditioned at the ASAP Gas Conditioning Facility (GCF) at Prudhoe Bay to remove such contaminants as carbon dioxide, water vapor, and hydrogen sulfide. NGLs would be added to the line at the GCF and would be removed at the Cook Inlet NGL Extraction Facility to be located near Big Lake. The NGLs would then have to be delivered to a new NGL fractionation plant and sent to market. The Straddle and Off-Take Facility will be built at the start of the Fairbanks Lateral near Dunbar to provide utility-grade natural gas to the Fairbanks area.

The project includes two compressor stations for the initial design throughput: the pipeline head compressor station at MP 0 and one pipeline compressor station near MP 286. For future expansion beyond 500 MMscfd throughput, additional stations will be required. After responses to an open season are evaluated, the final number and location of the compressor stations will be confirmed. Through the FEL 2 phase, two alternative sites, besides those mentioned above, are being carried forward in the project plan and associated environmental impact statement (EIS) and permitting efforts.

2.3 PROJECT DELIVERY

2.3.1 Project Team

As the ASAP Project progresses into the FEL 2 stage and beyond, it will be necessary to develop an integrated project team comprised of people with a wide range of capabilities who can perform key functional roles in the organization. Project skill sets that will be required to move the project forward include business, process design, operations, maintenance, project design, project controls, construction management, procurement and contracting, quality assurance, health and safety, and permitting. Figure 2-6 illustrates the early stages of the FEL 2 organization. When the owner organization does not have sufficient resources to staff positions, the balance will shift from direct employees to contractor staff.

For ASAP, the overall execution will be initiated and controlled under the supervision of AGDC until such time that the pipeline builder/owner/operator or builder/operator has been selected and transition plans initiated.

2.3.2 FEL 2 Stage Activities and Deliverables

FEL 2 activities focus first on the open season, including preparing all the necessary information needed for conducting the open season, holding the open-season solicitation, and finalizing the open-season agreements/commitments. This step will eliminate alternatives and provide the business premises to move the project forward towards FEL 3. Figure 2-7 charts the activities that will occur during FEL 2.

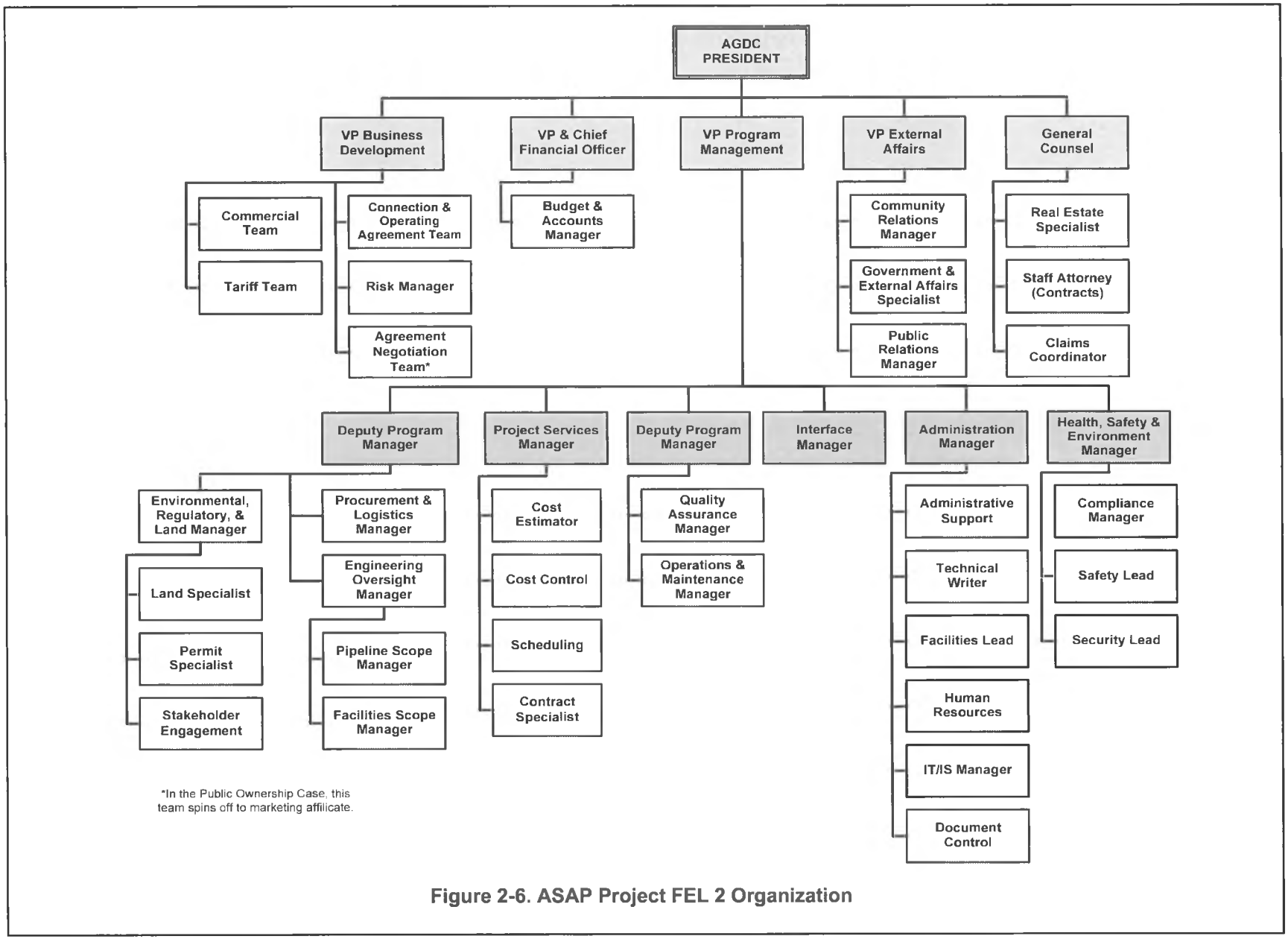


Figure 2-6. ASAP Project FEL 2 Organization

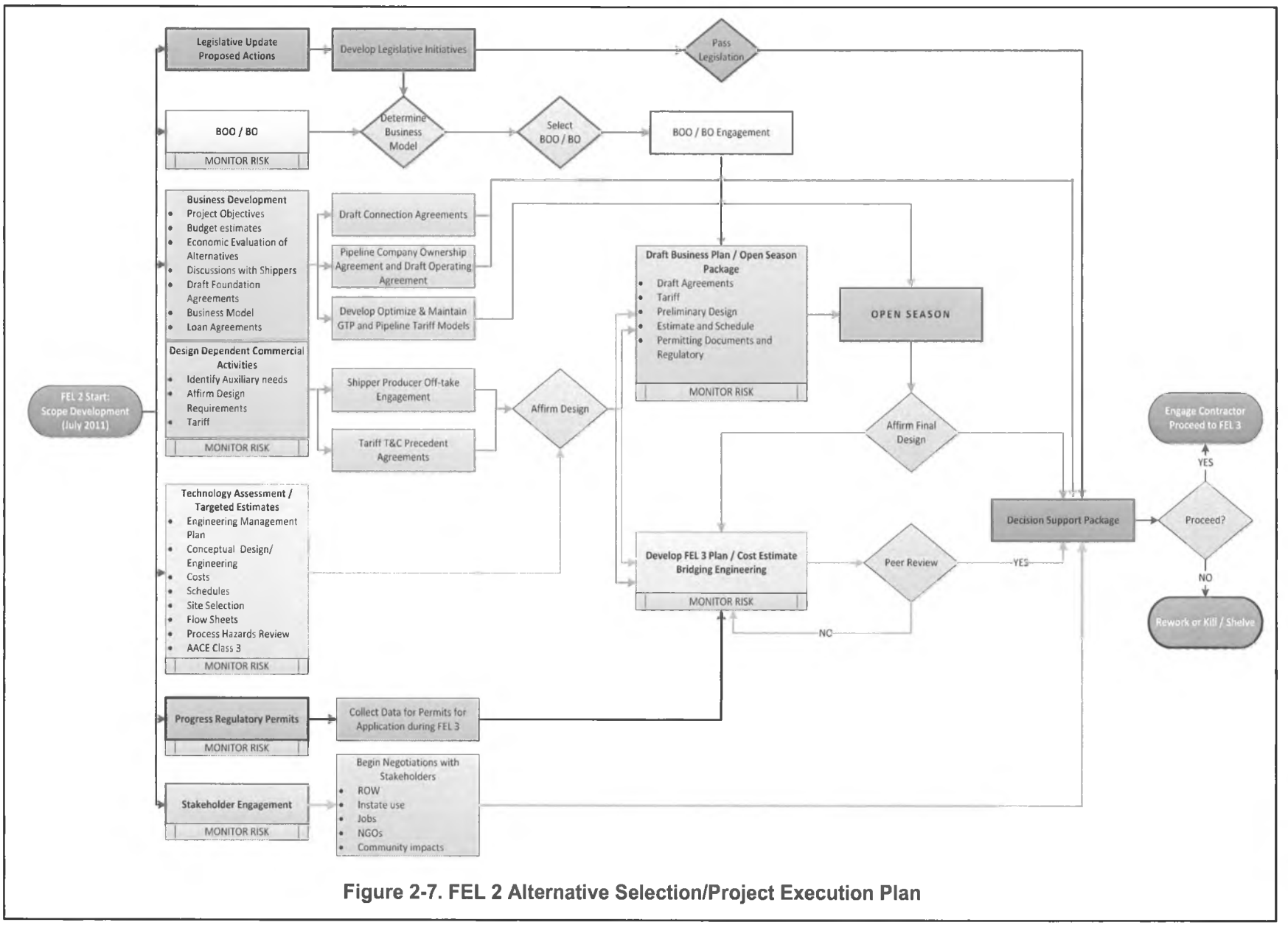


Figure 2-7. FEL 2 Alternative Selection/Project Execution Plan

Based on the open-season agreements, adjustments will be made to the design basis and then integrated into the engineering design, cost estimates, and schedules for the AACE Class 3 level estimates. The estimates will provide the basis for evaluating the overall status of the project to determine if the project is ready to move to the next project funding and development stage — FEL 3.

The deliverables for each of the FEL 2 activities represent the progression of project definition, narrowing of the scope, and the development/refinement of the work products. The key for FEL 2 is tightening the project definition, locking down the scope, and increasing the project level of maturity in line with the commercial agreements made during the FEL 2 phase.

2.3.3 ASAP Project Schedule

The project execution schedule spans several years. Figure 2-8 provides a high-level schedule of activities commencing with FEL 2 and progressing through project startup. Any effort to shorten the project schedule and rush the execution poses a significant risk to project success. Not thoroughly completing the project definition work before starting detailed engineering often results in significantly longer project schedules and much higher costs.

2.3.4 Contracting and Procurement Strategies

Several primary groups will need to be brought onto the project during FEL 2 — pipeline and facilities engineering, environmental, and the pipeline operator, along with numerous minor contracts. AGDC will develop the project requirements and deliverables for each contract along with the commercial requirements. Potential contractors will be solicited for level of interest. Before sending out a request for proposals (RFP), AGDC will prepare a selection evaluation process of technical and commercial issues for use in making the final selection.

The project is expected to generate thousands of jobs as it progresses through design, construction, and into operations. AGDC is committed to maximizing local hire. All contracts and agreements will include language requiring each contractor to support our commitment to local hire.

During FEL 2, the level of procurement will be relatively minor. There will be some discussions with potential suppliers of major engineered equipment and construction services, but these discussions will be to support development of engineering data and cost estimates. No commitments for major equipment will be solicited until later project phases.

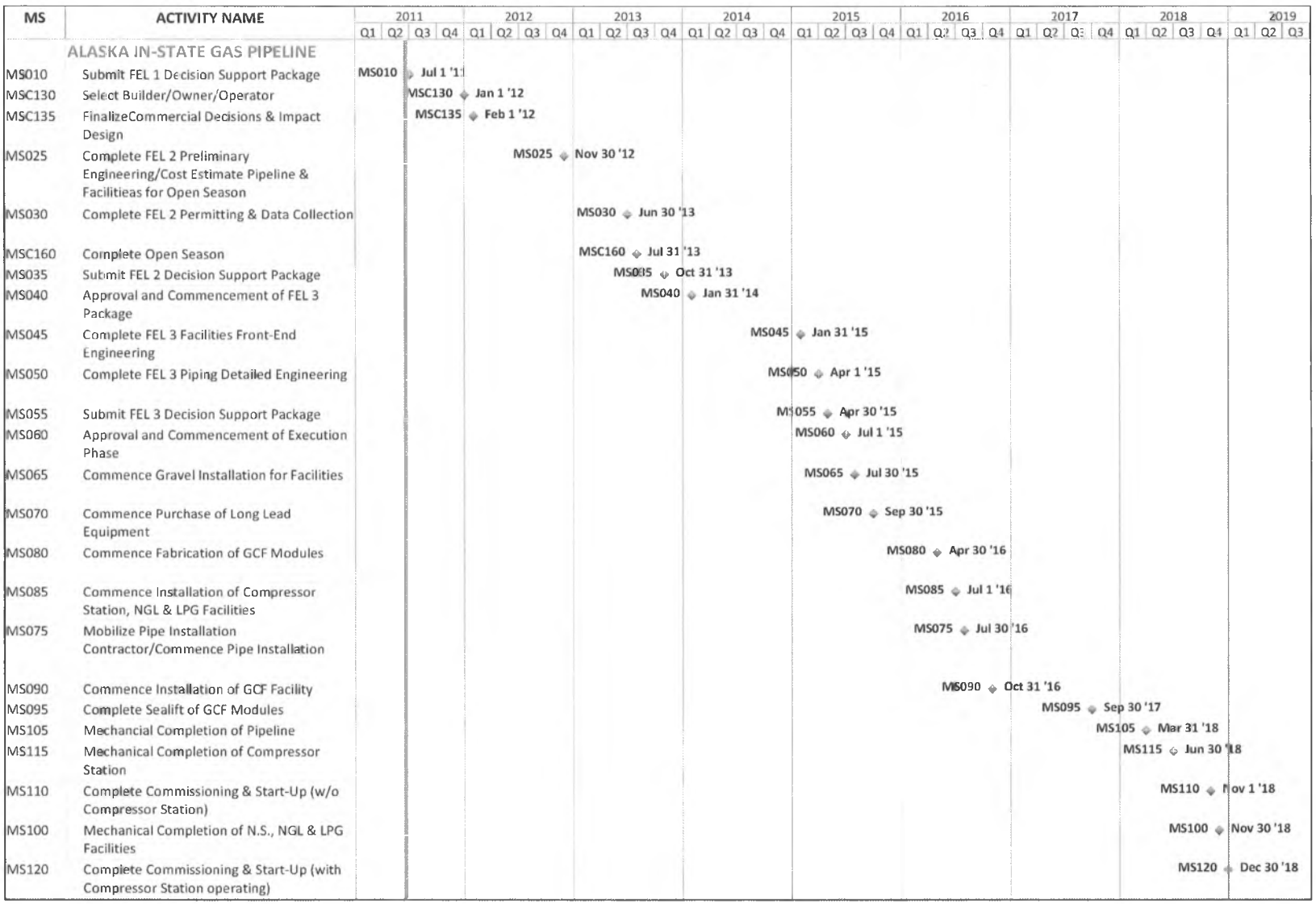


Figure 2-8. ASAP Project Schedule

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.

2.4 COMMERCIAL PLAN

The commercial plan for the project was developed with the assistance of Science Applications International Corporation (SAIC), R.W. Beck Inc., and Hatch Associates Consultants, Inc. for economic feasibility studies, and Black & Veatch for tariff modeling. The commercial work completed by AGDC in the past year was focused to address the specific commercial questions raised or implied by House Bill 369. Those include:

- Assess the commercial viability of the project investment for pipeline owners and industrial anchors utilizing optimized capital costs and tariffs.
- Determine the business risks for the builder/owner/operator or builder/operator.
- Evaluate the commercial requirements of a potential builder/owner/operator.
- Address other commercial considerations of House Bill 369.
- Determine the actions required and define the commercial work plan to ensure commercial viability, mitigate business risk, and attract a competent builder/owner/operator.

The proposed commercial plan for FEL 2 establishes the process for selecting a builder/owner/operator, describes the agreements that must be created in the front-end-loading phase of the project (before sanction), and lays out the activities necessary to execute the open-season process. Also, the following sections identify the commercial tasks and activities required in FEL 2 to facilitate project development and execution.

2.4.1 Commercial Strategy, Targets and Milestones for the FEL 2 Phase

The overarching strategy for the commercial team will be to select a builder/owner/operator as early as possible in 2012, then execute a successful open season at the end of FEL 2, negotiate pre-emptive transportation agreements with foundation shippers[6] before open season, and complete drafts of the required commercial agreements in an appropriate timeframe.

Also, the team will work with the State of Alaska, the Prudhoe Bay Unit (PBU) owners, and other stakeholders to encourage them to undertake the supporting actions outlined below.

2.4.2 Commercial Tasks and Actions for AGDC in FEL 2/FEL 3

AGDC will undertake the following commercial tasks and actions for completion during the FEL 2 and FEL 3 phases:

- Support the legislative effort to address carrier operation status (common vs. contract), confidentiality, and in the case of state ownership, grant AGDC certain regulatory powers. The legislative actions should be complete by May 2012.

[6] Foundation shippers are a class of shippers that have made long-term capacity commitments (usually above a fixed level) on a pipeline prior to the close of open season that entitles them to certain distinct rights to capacity and tariff, separate and apart from all other shippers.

- Develop the process and select a builder/owner/operator or builder/operator as early as possible in 2012.
- Negotiate with anchor/foundation shippers for tariff and capacity before the open season occurs at the end of FEL 2.
- Establish and maintain an ongoing dialogue with shippers on changes in cost or design.
- Define the pipeline specifications for NGLs entering the pipeline through the miscible injectant (MI) pumps above the pipeline inlet manifold for the purposes of the tariff specification as part of the open-season package.
- Define the pipeline specifications for natural gas entering the ASAP Gas Conditioning Facility for the purposes of the tariff (H_2S and rare metals) and as part of the open-season package.
- Define the pipeline specifications for natural gas entering the pipeline inlet manifold from the Gas Conditioning Facility or any other connection delivering gas to the pipeline compressors as part of the open-season package.
- Formalize the Gas Conditioning Facility tariff methodology.
- Determine the variety of pipeline tariffs to be offered and the methodology used for computing each in preparation for the open season.
- After the open season, negotiate precedent agreements.
- Draft standard connection agreements for the Gas Conditioning Facility, Fairbanks LDC, and ENSTAR connections.
- Draft CO_2/ethane disposal and connection agreement.
- Draft the shared services agreements between ASAP and PBU.
- Draft the shared services agreement between ASAP and TAPS owners.
- Plan open season.
- Hold open season.
- Monitor Cook Inlet supply developments.
- Maintain a current commercial risk register with mitigation plans throughout FEL 2 and FEL 3.
- Execute cogeneration agreements, if practical, with North Slope Borough, Livengood, Golden Valley Electric Association, or other parties ready and willing to receive power from ASAP facilities.

The following supplemental tasks are required in the public ownership case:

- Establish a gas marketing affiliate.
- Negotiate supply contracts with gas producers (through gas marketing affiliate).
- Negotiate off-take agreements (through gas marketing affiliate).

2.4.3 Actions Required for the State of Alaska

AGDC will support the efforts by the State of Alaska to:

- Evaluate the merits of the recommended legislation and take appropriate actions.
- Establish the option to bid firm transportation of royalty-in-kind (RIK) gas.
- Continue to support the FEL 2 and FEL 3 funding of AGDC.

2.4.4 Commercial Actions Required for the Prudhoe Bay Unit Owners and Other Potential Suppliers

AGDC will work with the PBU owners and other potential suppliers to help expedite the following commercial actions:

- Link the producers with potential off-takers to negotiate supply or off-take agreements.
- Request amendments to the unit operating agreements that address gas balancing in a manner that enables individual unit owners to ship freely without undue gas balancing requirements (in public ownership case).
- Negotiate gas-supply agreements (through AGDC gas marketing affiliate) in the public ownership case.

2.4.5 Commercial Actions Required by Shippers/Off-takers

AGDC will enlist potential shippers to do the following:

- Negotiate foundation shipper agreements prior to open season.
- Attend open season.
- Keep abreast of project developments.
- Negotiate precedent agreements.
- Negotiate gas-supply and off-take agreements (through AGDC gas marketing affiliate in the public ownership case).

2.4.6 Commercial Actions Required by the Fairbanks Community

The Fairbanks community should develop the natural gas infrastructure necessary to position Fairbanks to take their forecast capacity as soon as possible after startup.

2.4.7 Commercial Actions Required by Mining Entities

Mining entities should undertake the following:

- Negotiate agreements with gas suppliers subject to project completion.
- Fund and build interconnects.

2.5 FINANCING PLAN

The financing of ASAP will be dependent upon the ultimate ownership structure. AGDC has recommended the state ownership model and with the assumption that it is the chosen structure, will undertake the following plan:

- Financing using debt issued by the Alaska Railroad:
    - Determine, through a Private Letter Ruling (PLR) request to the Internal Revenue Service, the ability of the Alaska Railroad to finance ASAP with the issuance of tax-exempt debt.

  - Negotiate agreements with the Alaska Railroad for the issuance of debt.
  - Issue an RFP for a financial advisor, bond counsel, and special tax counsel for the debt issuance; review the responses received for each; and negotiate contracts with the winning respondents.
  - Create and distribute an RFP for bond underwriters to leading investment banks. Review and evaluate the responses; appoint a team of underwriters.
  - Create a plan for investment options by individual Alaskans, with options to include possible mutual fund or preferred stock issuance.
  - Construct a bond issuance calendar based upon expected cash draws to fund construction, including letters of credit or other facilities to finance the project during the construction period.
  - Issue debt in multiple series to minimize negative arbitrage.
- Assuming the PLR is unsuccessful, debt would need to be issued by the State or AGDC. There would be additional steps involved with this scenario.
  - Negotiate with State Department of Revenue to determine the optimal credit structure for the debt, including drafting and supporting necessary legislation.

If a private ownership model is the preferred structure, the financing function will be limited as the builder/owner/operator will obtain its own financing.

2.6 ENGINEERING PLAN

The engineering plan for FEL 2 includes work necessary to support an open-season package, development of a draft business plan, and production of a decision support package for FEL 3 gate review and endorsement. This work includes the following activities:

- Affirm design requirements.
- Finalize site selection.
- Perform preliminary engineering (as compared to FEL 1 conceptual work).
- Perform process hazard reviews.
- Refine capital cost estimates to AACE Class 3 level.
- Perform pipeline stress design capacity/demand testing for a special permit from the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA).
- Acquire field data for regulatory and design requirements.
- Develop an engineering plan for FEL 3.

Table 2-3 provides a comparison of ASAP Project engineering work completed to date against work planned for FEL 2. This effort is organized by engineering deliverables with a breakdown by general project data, facilities engineering deliverables, and pipeline engineering deliverables.

Table 2-3. Maturity Matrix for Engineering Deliverables: Present vs. End of FEL 2

ELEMENT	STATUS AT END OF FEL 1	STATUS PLANNED FOR END OF FEL 2
GENERAL PROJECT DATA		
Scope	Preliminary	Defined
Plant Production	Preliminary	Defined
Location	Approximate	Specific
Soils	Approximate	Defined
Integrated Project Plan	Preliminary	Defined
Master Schedule	Preliminary	Defined
Escalation	None	Defined
Work Breakdown	Preliminary	Defined
Project Code	None	Defined
Contracting Strategy	Assumed	Preliminary
ENGINEERING DELIVERABLES - FACILITIES		
Block Flow	Preliminary	Complete
Plot Plans	Preliminary	Complete
Process Flow Diagrams (PFDs)	Preliminary	Complete
Utility Flow Diagrams (UFDs)	Preliminary	Complete
Piping & Instrumentation Diagrams (P&IDs)	Preliminary	Complete
Heat & Material Balances (H&MB)	Started	Complete
Process Equipment List	Preliminary	Complete
Utility Equipment List	Started	Complete
Electrical One-Line Drawings	Started	Complete
Specification and Datasheets	Started	Preliminary
General Equipment Arrangement Drawings	Started	Complete
Spare Parts Lists	None	Started/Preliminary
Mechanical Discipline Drawings	None	Started
Electrical Discipline Drawings	None	Started
Instrumentation/Control System Drawings	None	Started
Civil/Structural/Site Discipline Drawings	None	Started
ENGINEERING DELIVERABLES - PIPELINE		
Alignment Sheets	Started	Preliminary
Special Design Areas	Preliminary	Complete
Logistics Plan	Preliminary	Complete
Material Specifications	Started	Preliminary
Terminus Configurations	Started	Preliminary
Trench Details	Started	Preliminary

2.7 ENVIRONMENTAL, REGULATORY, AND LANDS (ERL) PLAN

The environmental, regulatory, and lands (ERL) plan for FEL 2 includes work necessary to support an open-season package and draft business plan, and production of a decision support package for FEL 3 gate review and endorsement.

Plans for the FEL 2 phase include continued work on permits, particularly support of the efforts to obtain the federal and state rights-of-way. Critical to this work is support of the ongoing EIS process required for the federal right-of-way. In addition, obtaining agreements from public and private landowners, leaseholders, Native allottees, and other parties is required before construction. A survey and complete title verification will be needed to identify the number of parcels and land ownership. Field surveys will be undertaken to support data development for regulatory and permitting requirements. Development of an ERL plan for FEL 3 is included in this work plan.

In the past year, AGDC developed a permit acquisition plan to identify the necessary permits and develop a timeline for obtaining them. This permit acquisition plan will be updated for FEL 2 activities.

Permits were categorized in three "tiers" based on when applications should be submitted and their relative importance.

- **Tier 1 Permits:** Permits or permit applications that trigger other activities, such as National Environmental Policy Act (NEPA) review, or which are long-lead items.
- **Tier 2 Permits:** Those not required to kick off the NEPA process but may require several months to develop data for inclusion in the permit applications or for agency review.
- **Tier 3 Permits:** Less time-sensitive or may be required late in the permitting process.

The following environmental fieldwork will be conducted during FEL 2 to support Tier 1 and 2 permits:

- Cultural resources survey and sensitivity model.
- Wetlands survey and evaluation.
- Stream crossing surveys for fish and fish habitat.
- Water resources availability studies.
- Air quality baseline data collection.

AGDC's permitting plan also includes proactive coordination with federal, state, and local regulatory agencies and quick response to agency requests for information.

Title work is needed on a regular schedule to maintain the land database with applicable lands sales, exchanges, and third-party encumbrances. The most significant future land work includes:

- Title examination as a follow-up to preliminary title work.
- Mining claims (federal and state).
- Identification of third-party interest (leases, occupational interests, trapping).
- Right of entry and access agreement acquisition for studies.

- Survey control (property surveys, platting, right-of-way mapping).
- Agency land-use permits (utility, letter of non-objection).
- Preconstruction private property inventory, also known as encroachment inventory.
- Appraise and acquire.
- Right-of-way lease appraisal.
- Utility encroachment coordination and relocation.
- Eminent domain.

Discussions were conducted with ConocoPhillips, operator of the Nikiski LNG export facility, to confirm that existing permits for the facility would continue if and when the plant was moth-balled, in order to preserve the option of exporting natural gas from the North Slope. Other permits for export of Alaska natural gas would be sought by potential exporters at a time subsequent to reaching successful agreements for transporting their product through ASAP.

2.8 STAKEHOLDER ENGAGEMENT PLAN

The mission of AGDC's stakeholder engagement plan is to connect Alaskan communities and ASAP stakeholders through collaborative and effective outreach. The goal of stakeholder engagement is to support the project mission by providing the most effective avenue for delivering the project message while encouraging the opportunity for stakeholders to have a voice in the project so that ASAP can receive information critical to achieving a successful project outcome.

The calendar for stakeholder engagement spans the life of the project. AGDC's stakeholder engagement plan identifies the tasks and schedule for outreach activities to support project communication needs, including AGDC's participation in the formal regulatory permitting, consultation, and EIS activities. AGDC's goal is to develop and build long-term relationships with Alaskan people, communities, and entities along the ASAP route.

Following are the elements of the FEL 2 plan, which is discussed in detail in Section 7:

- Create a project message to educate the public and stakeholders on the importance and purpose of the ASAP Project.
- Continue presenting project information in a variety of forums and to a wide array of audiences, such as Chamber of Commerce forum presentations in Kenai and Fairbanks, Alaska Oil and Gas Congress, Industry Trade Alliance meeting, radio appearances in Kenai and Anchorage, Anchorage Mayor's Energy Task Force meeting, Joint In-State Gasline Development Team meeting, board of directors meetings, and public education at community council meetings and community planning meetings.
- AGDC will meet with specific communities on a heightened schedule to maintain a balance of communication within population areas along the route. The communities of Barrow, Kenai, Nuiqsut, Minto, Fairbanks, Nenana, and Willow will be visited quarterly during FEL 2 to keep the project progress in front of these stakeholders and to answer questions and concerns in a timely manner.
- Other communities will be visited for the first time, and subsequent visits will be planned based on the issues discovered during the community diligence. These communities in-

clude but are not limited to Anderson, Anaktuvuk Pass, Livengood, Talkeetna, and Trapper Creek.

- Throughout the project, AGDC will work with Native corporations, non-governmental organizations, and tribal organizations including Ahtna, Cook Inlet Region, Inc., Toghotthele Corporation, Minto Development Corporation, Nenana Native Association, Seth-De-Ya-Ah Corporation, Tanana Chiefs Council, Doyon Regional Corporation, Kenaitze Indian Tribe, Arctic Slope Regional Corporation, and other organizations identified in the 2011 stakeholder engagement process. AGDC plans to continue dialogue with these entities and incorporate meetings into the stakeholder calendar.
- AGDC will progress the stakeholder communication database and maintain a record of all engagements and requests for information.
- Methods of communication will include:
    - Meetings and consultations.
    - Reports and updates to legislators and local government officials.
    - Community presentations.
    - Public appearances.
    - Industry forums.
    - Electronic communication via the project website and contributions to other websites such as those of state and federal regulatory agencies.
    - Newsletters and direct mail to stakeholders.

SECTION 3
Commercial Analysis and Findings



3. COMMERCIAL ANALYSIS AND FINDINGS

The commercial plan proposed for this project is based on the commercial work completed prior to passage of House Bill 369 (formation of AGDC), the commercial work completed to address the requirements of House Bill 369 in FY 2011, and the commercial activities and analysis known to be required by stakeholders (builder/owner/operator, pipeline shippers, and pipeline product buyers/consumers) to sanction a pipeline project of this size.

The commercial work completed prior to the formation of AGDC includes an analysis of 16 different capacity, facility siting, and throughput scenarios for a gas conditioning facility and pipeline. The cost of each scenario was estimated and tariffs were run for each case. The results of this analysis are summarized in the report *Alaska Stand Alone Pipeline Project Update and FY 2010 Deliverables* submitted to AGDC on July 15, 2010[7]. The requirement of House Bill 369 that the recommended commercial case result in the lowest cost to consumers led to the selection of a FY 2011 Base Case with the highest legal throughput (500 MMscfd), the most NGLs, and a gas conditioning facility sited on the North Slope.

The commercial work completed by AGDC in the past year was focused on addressing the specific commercial questions raised or implied by House Bill 369. Those include the following:

- Assessing the commercial feasibility of the project investment for pipeline owners and industrial anchors using optimized capital costs and tariffs.
- Determining the business risks for the principal stakeholders (builder/owner/operator, pipeline shippers, and pipeline product buyers/consumers). See also Section 4 of this project plan.
- Evaluating the commercial requirements of a potential builder/owner/operator.
- Defining the financial options and estimating the cost of debt (see Section 4).
- Addressing other commercial considerations of House Bill 369.
- Determining the actions required and defining the commercial work plan to ensure commercial viability, mitigate business risk, and attract a competent builder/owner/operator.

The proposed commercial plan presented for this project establishes the process for selecting a builder/owner/operator, describes the agreements that must be created in the front-end loading phase of the project (before sanction), and lays out the activities necessary to execute the open-season process. Section 4 addresses the business and pipeline ownership model.

[7] *Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables.* Presented to AGDC by the State of Alaska In-State Gasline Coordinator, July 15, 2010.

3.1 COMMERCIAL VIABILITY OF THE PROJECT

The purpose of this section is to:

(1) Update and optimize the full capital costs of the project to be used in the tariff.
(2) Reassess the natural gas supply and demand requirements to determine when adequate demand exists for the pipeline capacity.
(3) Update the tariff model with the new estimate for capital from (1) and start-up schedule based on (2).
(4) Use the new optimized tariff to determine whether the cost of delivered natural gas from this pipeline project will be low enough to compete with the next best natural gas alternative for Southcentral consumers (imported liquefied natural gas, or LNG) and low enough to allow industrial anchors to procure long-term gas sales agreements.

3.1.1 Capital Costs of the Project

The last major effort to quantify the capital cost of this project was the report *Alaska Stand Alone Pipeline Project Update and FY 2010 Deliverables* submitted to AGDC on July 15, 2010. At that time, capital costs had been determined for 16 options for different capacities and products (Table 3-1). AGDC eliminated the cases over 500 MMscfd to conform to the terms of the Alaska Gasline Inducement Act (AGIA), which limits other projects funded by the State of Alaska to 500 MMscfd. The cases involving processing North Slope gas at Cook Inlet have been eliminated because of the higher resulting tariffs, the inefficiency associated with carrying 10% carbon dioxide in the pipeline, and the issues associated with levels of water vapor and hydrogen sulfide not conducive to safe and low-cost operation of a pipeline.

The commercial options were further narrowed to three primary commercial cases for study over the past year:

(1) **Option 4: 250 MMscfd capacity[8] carrying conditioned natural gas and an enriched NGL stream:** The capital estimated for this case allows for calculating a tariff when no commercial anchor is available.
(2) **Option 7: 500 MMscfd capacity carrying utility-grade natural gas:** The capital determined for this case provides the maximum gas that can be delivered through the pipeline without violating the terms of AGIA but without the benefit of NGL for in-state consumption or export. It eliminates the need for Btu balancing and NGL handling in Fairbanks and Big Lake.
(3) **Option 8: 500 MMscfd capacity carrying conditioned natural gas and an enriched stream of NGLs:** *This is currently the commercial Base Case against which all other options and variances will be measured.* The capital determined for this case provides for the maximum pipeline capacity that can be carried without violating the terms of AGIA,

[8] "Capacity" used in this context means the pipeline is capable of carrying this volume under continuous optimum operating conditions. The actual annual throughput will be approximately 8% less after accounting for fuel, seasonal compression variations, and annual maintenance turnarounds.

while delivering enough natural gas and NGLs to satisfy the long-term forecast needs of Southcentral Alaska including residential, commercial, power generation, and the existing LNG export plant at Nikiski.

Capital and tariffs for some other options were estimated to determine variances[9].

Option 8 was selected as the recommended option and Base Case because it delivers both natural gas and NGLs, and has the lowest tariffs to most consumers. The Base Case (500 MMscfd enriched with NGLs) is currently estimated to cost $7.52 billion (in 2011$), as show in Table 3-2. This estimate includes capital for all pre-sanction engineering, pipeline owner costs, the 12-inch-diameter Fairbanks Lateral, the Straddle and Off-Take Facility, the Cook Inlet NGL Extraction Facility, North Slope infrastructure, and initial rolling stock for emergency response.

Table 3-1. Summary of Options for Capacities and Products

OPTION	PIPELINE CAPACITY (MMscfd)	PRODUCT TRANSPORTED	DISPOSITION OF OPTION
1	250	Conditioned Natural Gas	Eliminated based on unacceptable tariff
2	250	Unconditioned Natural Gas	Eliminated based on unacceptable tariff and integrity concerns
3	250	Utility-Grade Natural Gas	Eliminated based on unacceptable tariff
4	250	Conditioned Natural Gas and Enriched NGL Stream	Unacceptable tariff but maintained as an option for comparative purposes
5	500	Conditioned Natural Gas	Eliminated based on unacceptable tariff
6	500	Unconditioned Natural Gas	Eliminated based on unacceptable tariff and integrity concerns
7	500	Utility-Grade Natural Gas	Maintained as an option subject to non-binding open season
8	500	Conditioned Natural Gas and Enriched NGL Stream	Determined to be the base commercial case
9	750	Conditioned Natural Gas	Eliminated to conform to AGIA
10	750	Unconditioned Natural Gas	Eliminated to conform to AGIA
11	750	Utility-Grade Natural Gas	Eliminated to conform to AGIA
12	750	Conditioned Natural Gas and Enriched NGL Stream	Eliminated to conform to AGIA
13	1000	Conditioned Natural Gas	Eliminated to conform to AGIA
14	1000	Unconditioned Natural Gas	Eliminated to conform to AGIA
15	1000	Utility-Grade Natural Gas	Eliminated to conform to AGIA
16	1000	Conditioned Natural Gas and Enriched NGL Stream	Eliminated to conform to AGIA

[9] "Variances" used in this context means a change in input, such as capacity, to understand the relative impact of that change on the economic outcome of the project.

Table 3-2. Summary Capital Costs for ASAP Base Case (2011$)

FACILITY	CAPITAL COST ($BILLION)
Gas Treatment Plant and Related Infrastructure	$1.84
Pipeline North Slope to Dunbar	3.41
Fairbanks Straddle and Off-Take Facility and Fairbanks Lateral	0.28
Pipeline Dunbar to Big Lake	1.99
Total Estimated ASAP Capital	$7.52

This estimate excludes interest on financing or return on equity during construction, linefill, ad valorem tax during construction, and financing fees. This estimate does not include the capital required to fractionate NGLs, transport, and load NGLs downstream of a fractionation plant near Big Lake ($954 million in 2011$), the cost of investment for any anchor tenant (for example, the cost on an LNG plant), or the cost of the local distribution system in Fairbanks.

To arrive at the above capital estimate, the July 2010 estimate of $8.4 billion was:

- Revised and optimized for a pipeline and facilities carrying 500 MMscfd of natural gas and NGLs.
- Adjusted to include contingencies to reflect a Class 4 AACE[10] estimate with an expected probability that the actual outcome has an equal likelihood of being above or below the estimate (p50).
- Adjusted to ensure that NGL costs upstream of the discharge side of the NGL pumps at the compressor station located at the Gas Conditioning Facility and NGL costs downstream of the outlet flange of the Cook Inlet NGL Extraction Facility at Big Lake are separated from pipeline and Gas Conditioning Facility tariff costs since those are not services the project intends to provide. This ensures consistency with LNG and gas-to-liquids (GTL) anchor tenants.
- Peer-reviewed by Independent Project Analysis, Inc. (IPA).
- Peer-reviewed by WorleyParsons.

For details on the basis for this estimate, see Section 5.6 of this project plan.

During the next phase of the project (FEL 2)[11], the capital estimate will be further refined to an AACE Class 3 estimate[12]. At that point, the estimate will be sufficient to support an open season for reserving firm capacity.

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[10] AACE is the Association for the Advancement of Cost Engineering. See AACE International Practice No. 18R-97, *Cost Estimation Classification System – As Applied in Engineering, Procurement, and Construction for the Process Industries, TCM Framework: 7:3 – Cost Estimating and Budgeting*, 2005.

[11] "FEL 2" refers to the project development period between July 2011 and the successful conclusion of an open season. It primarily involves continued design engineering but also includes commercial activities such as rate design and draft agreement preparation.

3.1.2 Southcentral Alaska Natural Gas Supply and Demand

The objective of this section is to review the most recent forecasts of Cook Inlet natural gas supply and make a forecast judgment to be used as an assumption for the expected future demand for capacity in the ASAP pipeline.

3.1.2.1 Natural Gas Supply

The supply of natural gas to consumers of Southcentral Alaska has historically come from large natural gas reserves discovered in the Cook Inlet as a consequence of oil exploration during the period 1963-2000. To monetize these gas reserves, industrial exporters were established at the Agrium and Nikiski LNG export facilities near Kenai, and a regional pipeline system was built to accommodate Southcentral users.

By 2002, significant declines in Cook Inlet production led to the closing of the first train of the Kenai Agrium Fertilizer Plant. By late 2011, continued field declines will have contributed to the closing of both the Agrium and Nikiski LNG plants. Further expected declines in the period 2011-2014 have led to significant private investments in natural gas storage anticipating an imminent inability of the local distribution system to meet peak residential and commercial demand. Industry forecasts[13] have led private investors to evaluate importing LNG as early as 2014 anticipating that the field declines may not meet the threshold demand for natural gas even if "perfect storage"[14] is in place.

A number of useful natural gas production forecasts were created in the past three years.[15] The most recent is a study undertaken for the Alaska Department of Natural Resources (DNR) and AGDC that forecasts a production stream as a function of gas price assuming effectively perfect investment [all reserve development and rate acceleration projects envisioned by the DNR with a positive net present value (NPV) are completed]. This study forecasts that the principal gas fields could maintain their current production levels until 2018, after which investment is likely to rapidly diminish and production is likely to fall at annual rate of more than 8%.

Based on the recent upstream natural-gas investment history in the Cook Inlet area, AGDC believes that upstream investment should not be expected to be "perfect" and that some fraction of the low-NPV or low-reserve projects identified in the study will be deferred or never drilled. It

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[12] AACE International Practice No. 18R-97, 2005, p. 4.
[13] "Cook Inlet Natural Gas: The Way Forward", Petrotechnical Resources Alaska, Tom Walsh, March 13, 2010 RDC Special Luncheon Presentation.
[14] "Perfect storage" describes a scenario when every gas field produces at maximum capacity throughout the year and that when consumers cannot take gas production, it is flowed into gas storage, and then released into the distribution system when peak demand exceeds the collective instantaneous gas production.
[15] See the following: (a) "Cook Inlet Natural Gas: The Way Forward", Petrotechnical Resources Alaska, Tom Walsh, March 13, 2010 RDC Special Luncheon Presentation. (b) *Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Reserves* DNR report by Hartz et al., edited by Paul Decker, December 2009. (c) *An Economic Evaluation and Forecast of Remaining Cook Inlet Production*, DNR/AGDC Report in Progress, 2011 by Jeff Dykstra et al.

should be noted that lowering the natural gas supply forecast neither materially improves nor degrades the commercial viability of ASAP; it merely changes the construction start date.

The AGDC forecast of Cook Inlet production assumes that upstream natural gas projects identified in the DNR study with an NPV less than $5 million will not be brought on stream. This assumption can be tested during the FEL 2 phase by monitoring the level of upstream projects (development wells completed) by the Cook Inlet operators. The AGDC/DNR forecast of Cook Inlet production is shown in Figure 3-1.

3.1.2.2 Natural Gas Demand for ASAP Capacity

AGDC has relied upon previous studies of in-state demand for natural gas and NGLs — specifically, the Northern Economics, Inc. et al. *In-State Gas Demand Study Prepared for TransCanada Alaska Company, LLC* (January 2010). In addition, AGDC has studied the effect of potential hydroelectric projects, and the demand created by mining projects not envisioned in the Northern Economics study. AGDC has undertaken economic feasibility studies of the potential demand by industrial anchors such as GTL, NGLs, and LNG[16]. Using a reasonable set of economic assumptions, these studies indicate that both LNG and NGL projects would likely achieve close to a 12% return on equity (ROE) and still provide a positive North Slope netback to upstream producers with product prices pegged to a forecast of $82.40/barrel for West Texas Intermediate (WTI) for the Pacific Rim (2011$).

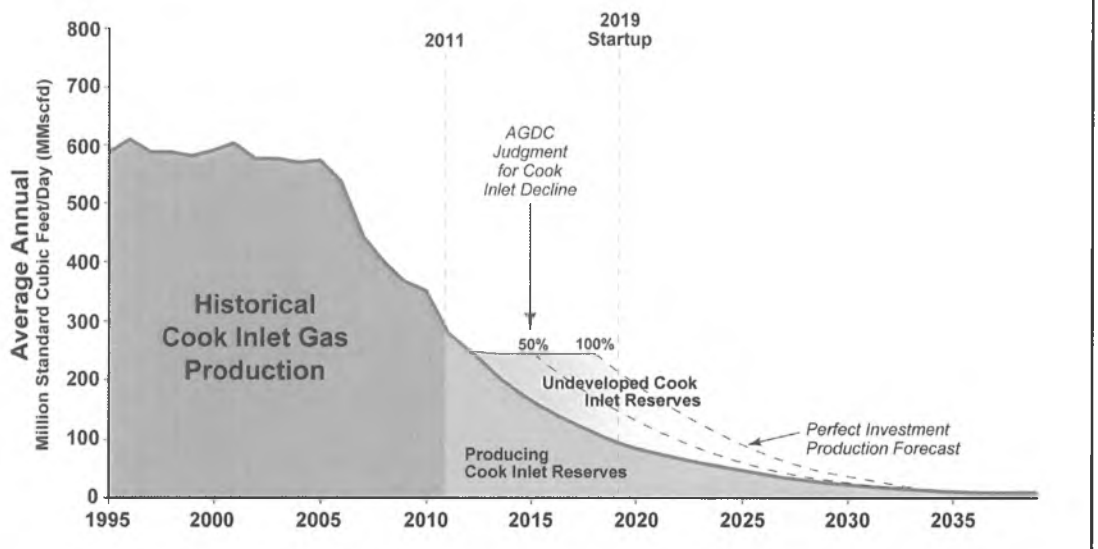
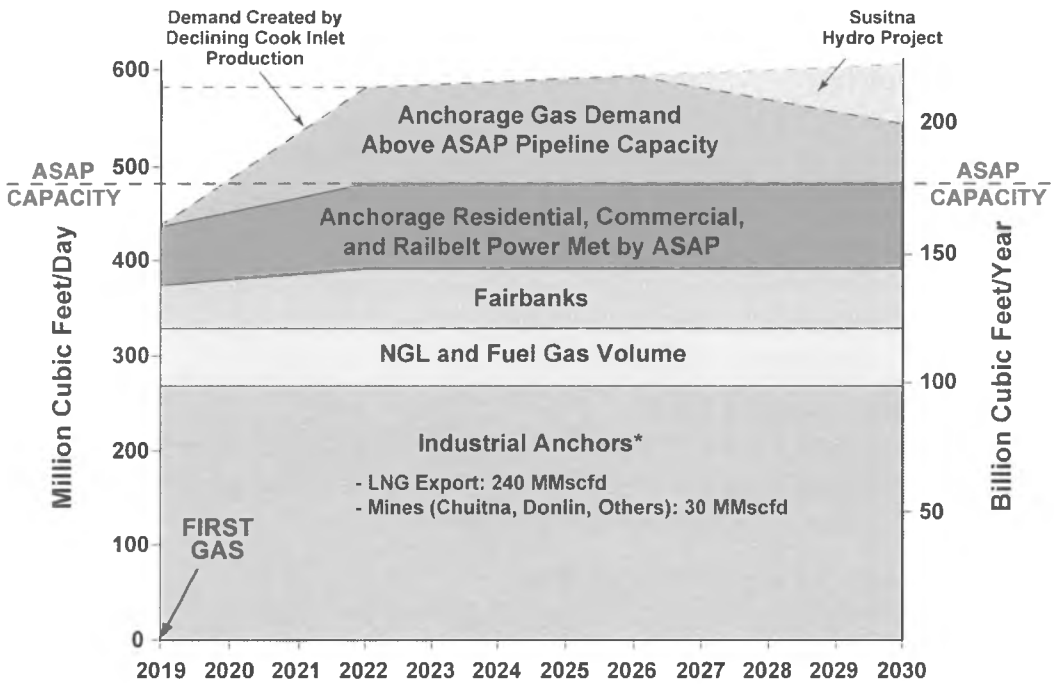


Figure 3-1. AGDC/DNR Cook Inlet Production Forecast

[16] (a) Hatch Associates Consultants, Inc.: *Alaska Stand Alone Gas Pipeline/ASAP Gas to Liquids Feasibility Study*, prepared for AGDC, June 2011. (b) R.W. Beck Inc.: *Economic Feasibility Study of the Transportation and Sale of the Natural Gas Liquids for the Alaska Gasline Development Corp.*, prepared for AGDC, June 2011. (c) Science Applications International Corporation (SAIC): *Greenfield LNG Economic Feasibility Study*, prepared for AGDC, June 2011.

As a result, AGDC's forecast for demand assumes that either the existing Nikiski LNG Plant, a greenfield LNG plant, or some other industrial anchor will export or consume about 250 MMscfd of LNG and that NGLs will be marketed locally and also exported to Pacific Rim markets.

The forecast demand for ASAP capacity is shown in Figure 3-2.



*"Industrial Anchors" wedge assumes only one mining project becomes a gas off-taker for 30 MMscfd.

Figure 3-2. AGDC Cook Inlet Demand Forecast for ASAP Gas (Demand Net of Cook Inlet Production)

3.1.3 Tariff Estimates

Although the tariffs computed in this section assume a single supplier inlet connection at Prudhoe Bay, other suppliers who connect at other points (for example, Brooks Range Foothills including Gubik Field, the Yukon Basin at the Yukon River, or the Nenana Basin just south of Dunbar) should assume a distance-based tariff methodology will apply. AGDC assumes that supplier proposals for new inlet connections will be presented during the open-season process or after that as *proposals to expand capacity* where it is allowed under the provisions of AGIA (south of the 68th parallel).

The tariffs for the ASAP Project Base Case presented below were estimated[17] using the following assumptions:

- **Tariff Structure**
  - The tariff will be levelized[18] over 20 years.
  - The tariff will be calculated on a heating value basis, in dollars per MMBtu.
  - Facilities and pipeline will be depreciated over the initial 20-year contract term.
- **Financing Structure**
  - Financing will be arranged at a 5.7% average cost of debt (see Section 4).
  - Debt-to-equity ratio will be 70/30%.
  - Return on equity will be 12%.
- **Capital and Operating Costs**
  - The total capital investment in the project will be $7.52 billion (2011$).
  - Operating costs will average about 2% of capital investment per year in 2011$.
  - Capital and operating costs will escalate at 3% from 2011.
- **Throughput and Operating Assumptions**
  - The Gas Conditioning Facility will be sized for volumes above 500 MMscfd in order to accommodate fuel and allow for pipeline design capacity of 500 MMscfd.
  - Ramp-up of capacity from about 90% to 100% will occur over 3 years starting in 2019. The pipeline will remain full for the rest of the 20-year contract term.
  - ASAP will have an operating efficiency of 96.5% of design capacity on an annual average basis.
  - Fuel for each section of the project will be contributed in-kind by the shippers. In total, fuel will constitute approximately 7% of gas required above pipeline inlet quantities on a heating value basis. For example, a shipper that reserves

[17] Tariff estimates were calculated using the Black & Veatch tariff model. This is essentially the same model used for AGIA and for tariff calculations done for the July 2010 report*, updated with current capital cost estimates, billing determinants, and rate structure assumptions. *(*Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables.* Presented to AGDC by the State of Alaska In-State Gasline Coordinator, July 15, 2010).

[18] A levelized tariff is one that is fixed at a nominal rate over the life of the firm transportation commitment. In this case, it means that the tariff stated in the first year is the same tariff in nominal dollars for the last year of the contract.

100,000 MMBtu/day capacity on the project will be charged tariffs based on that quantity, but will deliver approximately 107,000 MMBtu/day at the receipt point.

- **Taxes**
  - Property and income tax assumptions made in the ASAP tariff model by Black & Veatch were consistent with current federal and state tax requirements and with Black & Veatch's previous analysis of AGIA.
- **State of Alaska Contribution**
  - The State of Alaska will contribute 100% of the initial linepack from royalty-in-kind (RIK)[19].
  - The State of Alaska will contribute $320 million[20] to project development costs, which are not reflected in the tariff. This is a tariff modeling assumption and the actual amount may be higher or lower depending on the results of the open season.

Figures 3-3, 3-4, and 3-5 summarize the estimated tariffs for the Base Case and two comparison options described in Section 3.1.1. The tariffs represent estimated cost of delivering gas on a dollar-per-MMBtu basis to the Big Lake meters and to the Fairbanks city gate, excluding any costs associated with LDCs or North Slope gas purchase. The Base Case tariffs are presented as levelized nominal tariffs (taking into account assumed inflation of costs over time) and levelized tariffs without any cost escalation from 2011 dollars.

Figure 3-3 illustrates the estimated Base Case levelized tariff in nominal dollars over the first 20 years of the pipeline life. This case is optimized for throughput, capital, and NGLs. It assumes conventional private industry ownership. This tariff is the basis for the transportation costs used to determine economic feasibility. Section 4 presents alternative ownership models that provide an opportunity to further reduce the transportation tariff.

Figure 3-4 restates Figure 3-3 with no cost inflation from 2011 dollars. The purpose is to illustrate the estimated ASAP tariffs if the project were built today. This means that assuming gas-supply cost of $2/MMBtu and local distribution charges of $2/MMBtu, Anchorage homeowners would pay $9.63/MMBtu for gas at the burner tip if there were no future cost inflation. Fairbanks would pay $10.45/MMBtu, assuming equivalent local distribution costs.

Figure 3-5 illustrates that the 250 MMscfd (spiked with NGL) case has a transportation cost of $11.82/MMBtu to Big Lake in nominal dollars. If you assume the gas-supply cost to be $2.53/MMBtu ($2 inflated at 3%), the 250 MMscfd case delivers gas to Cook Inlet at slightly more than $14/MMBtu in 2019. Figure 3-5 also includes a comparison of the utility gas case and illustrates that eliminating NGLs significantly increases the tariff to a majority of off-takers (Anchorage).

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[19] This assumes the Prudhoe Bay Unit will allow the State of Alaska to contribute a non-cash benefit to the pipeline by accelerating "out-of-balance" royalty-in-kind as an incentive to all shippers and the builder/owner/operator.

[20] This is the portion of the state contribution that was used in the tariff calculations.

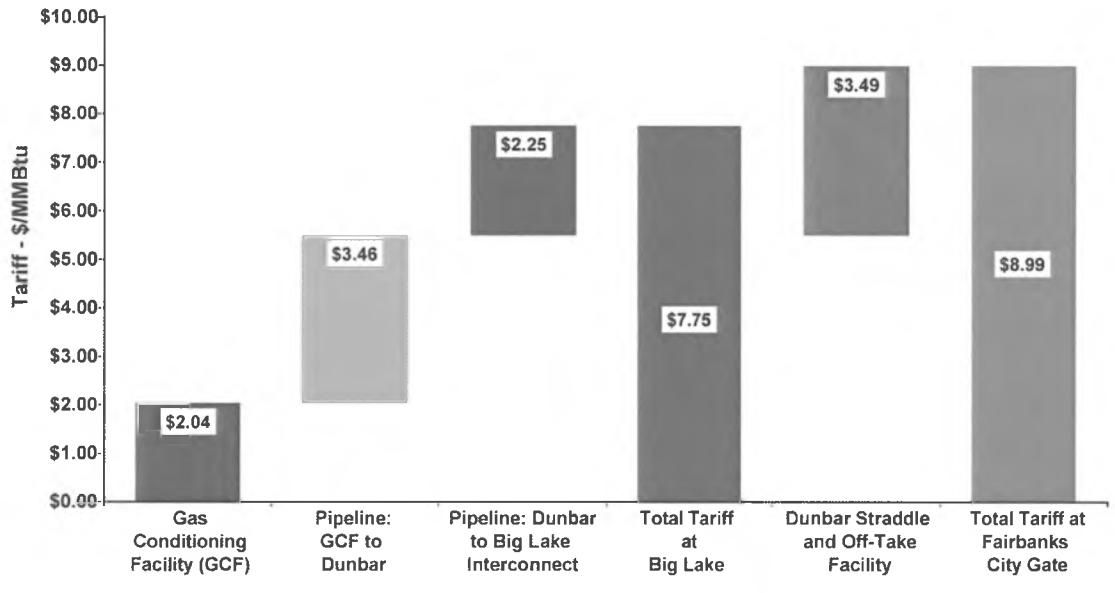


Figure 3-3. Estimated Tariff Build-Up for Base Case Design in Nominal Dollars (Option 8)

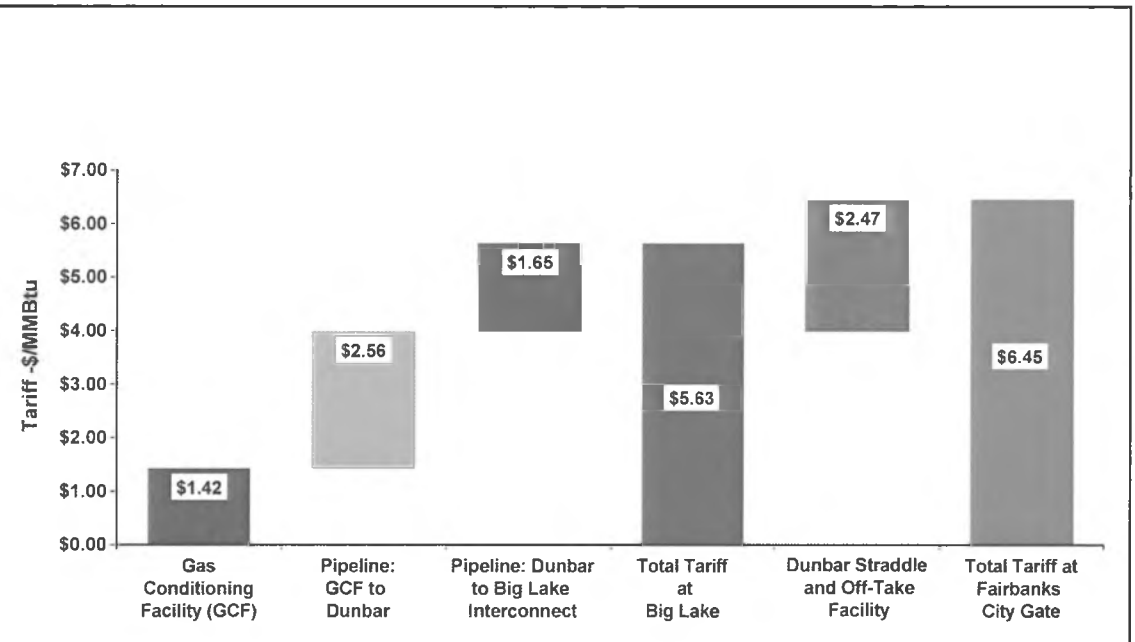
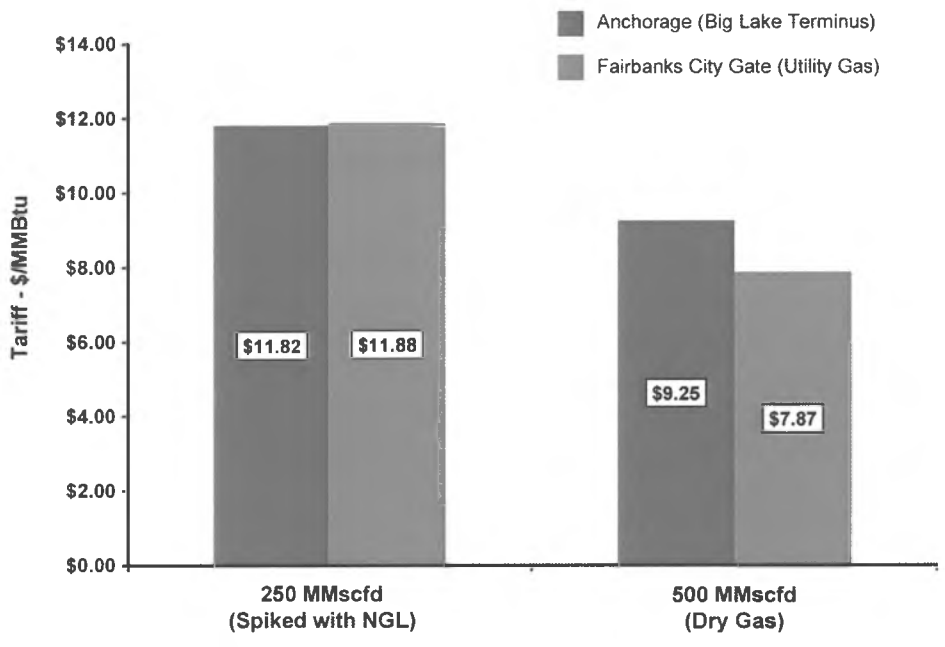


Figure 3-4. Estimated Tariff Build-Up for Base Case Design with No Inflation from 2011 Dollars (Option 8)



NOTE: Tariffs for the 250 MMscfd (Spiked with NGL) case were derived from respective tariffs listed on p. 8 of *Alaska Stand Alone Gas Pipeline - Tariff Report* by Black & Veatch Corporation, July 2010, by subtracting the portion associated with NGL processing and adjusting for 2019 start-up.

Figure 3-5. Estimated Nominal-Dollar Tariffs for Alternative Design Options (Option 4 and Option 7)

3.1.4 Lowest-Cost Alternative to ASAP Gas

3.1.4.1 Imported LNG Alternative

AGDC assumes that imported LNG is the only practical commercial alternative that can deliver gas to the Cook Inlet area in a timeframe that materially addresses the forecast natural gas supply shortfall. The technology exists to bring imported LNG to Cook Inlet via tankers that are able to re-gasify LNG and pump it into Cook Inlet storage.[21] In addition, permanent facilities could be built onshore to re-gasify LNG, or a floating LNG re-gasification facility could be moored in Cook Inlet to provide the same service.

A study undertaken by SAIC on behalf of AGDC[22] forecasts that imported natural gas will cost from $14 to $19/MMBtu (2011$) depending on the period over which the facility investors are allowed to recover capital costs. In nominal dollars, LNG imports will cost, assuming 3% infla-

[21] See SAIC: *Greenfield Liquefied Natural Gas (LNG) Economic Feasibility*, prepared for AGDC, June 2011, pp. 2-10 through 2-20.
[22] Ibid., p. 4-20.

tion, $17.75 to $24/MMBtu in 2019. This forecast is for the price of gas at the re-gasification facility connection with the ENSTAR system. As a result of this analysis, AGDC assumes that for the ASAP Project to be commercially viable, it must deliver gas to an ENSTAR connection for less than $14/MMBtu (2011$).

3.1.4.2 Large-Diameter Pipeline Projects as an Alternative

The large-diameter pipeline project (Alaska Pipeline Project, or APP) would likely bring natural gas to the greater Fairbanks and Anchorage areas (assuming construction of a spur line) for a significantly lower tariff than the ASAP Project. The ASAP Project was never intended to compete with a large-diameter pipeline project. Rather, ASAP has been developed through House Bill 369 as a fallback if the large-diameter pipeline open seasons do not result in precedent agreements in a timeframe that makes a spur line a viable alternative to a stand-alone pipeline. ASAP is predicated on the uncertainty of the timing of APP, which is therefore not considered a comparable economic alternative to ASAP.

An economic analysis could be done comparing the net present value of the two alternatives; however, for either the State of Alaska, the pipeline owners, or the producers, the outcome would depend heavily on forecasts of the sales price and demand in the product destination markets. For APP, that market is the Alberta Hub and for the ASAP it is the Pacific Rim product markets. It is not in the scope of this project to forecast the price or demand for Alaskan gas at the Alberta Hub. The open-season process established for APP compels the producers/shippers to evaluate that opportunity competitively, and the measure of success will be determined by the commitments for firm transportation. An additional consideration may be the ability of the State and producers to reach mutually agreed-upon fiscal terms for natural gas.

It is in the scope of this project to forecast the sales price and demand in Pacific Rim markets for products transported through ASAP. The economic feasibility studies for the ASAP Project assume about half the gas transported will be sold into the Pacific Rim at a price related to $82.40/barrel WTI (2011$) and the historic South Korean LNG price[23] and that NGLs will be sold at their historic WTI discount in Pacific Rim markets. The assumptions used by AGDC to test economic feasibility (netbacks) similarly can be validated or invalidated only in an open-season process. The economic assessments of commercial viability for industrial anchor tenants in this study were done by industry experts in the respective fields of LNG, NGLs, and GTL based on current market assessments.

3.1.4.3 ANGDA Spur Line Alternative

The Alaska Natural Gas Development Authority (ANGDA) spur line to Anchorage is only viable if the APP route to the Alberta Hub successfully negotiates precedent agreements that enable a startup timeframe that coincides with depletion of the Cook Inlet supply. The ASAP Project is predicated on the uncertainty of that timing.

[23] The price of LNG in the South Korean market is based on a pricing formula tied to the long-term South Korea liquefied natural gas CIF (commodity-insurance-freight) price correlated to WTI. The study assumed the price of WTI will be $82.40/barrel (2011$) for the term of the contracts.

3.1.4.4 Alaska Gasline Port Authority All-Alaskan Gas Pipeline Project

This project, in various forms over the past 20 years, is currently structured as a combination of several parts. It relies on TransCanada constructing the gas pipeline to Valdez (one of the AGIA alternatives), TransCanada or a North Slope producer constructing the gas treatment plant, and ANGDA building the spur line to Southcentral. The Alaska Gasline Port Authority is focused on development of a greenfield LNG terminal in Valdez, and is planning "significant technical, environmental, and other development work," according to its public statements. While not subject to the AGIA capacity limitations, this project is dependent on the two projects above being progressed to the stage of firm shipping commitments. It is therefore subject to the timing uncertainties described above, along with the significant undertaking of constructing a greenfield LNG terminal on Prince William Sound.

3.1.4.5 Hydroelectric Development as an Alternative

The current plan for hydroelectric development assumes that the Susitna River Hydroelectric Project (Lower Watana Dam)[24] will be completed by 2026. This project is planned to generate about 50% of the base-load electric-power demand currently generated using natural gas for Southcentral Alaska. Since the commercial power-generation demand for natural gas (average annual) without hydroelectric is forecast to be 100 MMscfd in 2020-2025, AGDC assumes that the project will displace about 50 MMscfd of total natural gas demand at that time. Since the total natural gas demand in 2025 is forecast to be about 600 MMscfd (if ASAP is built) and the Cook Inlet supply is forecast to be effectively depleted by then, the lower power-generation demand will have no impact on the ASAP Project. Simply said, the demand for natural gas is projected to be about 600 MMscfd in 2025. If hydroelectric displaces 50 MMscfd, forecast natural gas demand in 2025 is high enough that capacity expansion of the pipeline or more hydroelectric expansion would be required to create an adequate supply of energy for Southcentral Alaska.

Furthermore, any delay in startup of the Susitna River Hydroelectric Project could be addressed with ASAP natural gas supplies into existing commercial power plants. As a result, AGDC views the ASAP Project as complementary to the hydroelectric projects and not an exclusive alternative.

3.1.5 Commercial Feasibility of ASAP in Current Phase of Project Development

The objective of this section is to test whether the ASAP Project is commercially feasible. This section defines commercial feasibility and sets out the economic feasibility criteria set by AGDC[25]. It then analyzes whether the transportation costs implied by this pipeline project are likely to achieve a natural gas price to in-state consumers less than the next best alternative and is likely to attract sufficient industrial anchors to satisfy 100% capacity requirements for the ASAP Project.

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[24] See Alaska Energy Authority Railbelt Large Hydro Evaluation Preliminary Decision Document, November 23, 2010.

[25] This section addresses the requirement of House Bill 369 [AS 38.34.040(d)(1) and (3)]: The development team shall select a route that "is economically feasible" [and] serve[s] industrial, residential and utility customers…at commercially feasible rates.

3.1.5.1 AGDC Definition of Commercial Feasibility for a Pipeline Project

AGDC's definition of a commercially feasible pipeline project has three elements:

- A commercially feasible project is one that meets a set of economic criteria and addresses and mitigates the principal identified business risks of a project.
- The economic criteria are set at a level sufficient to encourage investment by the private sector in the pipeline and sufficient to attract shippers to use 100% of pipeline capacity.
- The principal business risks are identified and are mitigated to a level sufficient to procure a builder/owner/operator and long-term firm-transportation commitments needed to finance the construction and pay for operation of the pipeline.

3.1.5.2 Principal Economic Criteria that Determine Commercial Feasibility

The criteria listed below represent the minimum economic hurdles assumed for the project:

- Pipeline investors will receive at least a 12% ROE.
- Natural gas and NGL prices at consumer delivery points must be significantly[26] less than the lowest price practical and available alternative energy source or fuel. Examples of alternatives considered not practical are nuclear, tidal generated power, wind, and the burning of biomass.
- The price of natural gas delivered to industrial anchors must be sufficient to allow them at least a 12% ROE invested assuming conservative price forecasts.
- Producers will require at least a $2/MMBtu (2011$) netback price at the inlet flange to the ASAP Gas Conditioning Facility.

The 12% ROE on pipeline investments comes from discussions AGDC had with 11 potential builder/owner/operators. The requirement that natural gas from the project be delivered at a price less than LNG imports assumes that any pipeline that delivers gas at a higher price would face market competition that would never deliver 100% capacity commitments. The assumption that a $2/MMBtu netback (2011$) will be sufficient to incentivize producers to enter into long-term gas-sales agreements is based on the historical sales price of North Slope natural gas by the Prudhoe Bay Unit (PBU) owners to their pipeline affiliates in the Trans Alaska Pipeline System (TAPS) at Pump Station 1. Those transactions are required under the federal Elkins Act to be at fair price without prejudice to the affiliate relationship.

3.1.5.3 Commercial Feasibility for Industrial Anchors (LNG, NGL, GTL)

The estimated levelized tariff for the 500 MMscfd NGL-saturated case ($5.63/MMBtu 2011$) combined with a reasonable assumption for North Slope netback and LDC cost ($4/MMBtu 2011$) illustrates that the cost of gas for residential and commercial sectors ($9.63/MMBtu) will be less than the forecast cost of imported LNG ($14/MMBtu imported LNG plus $2/MMBtu

[26] In this context "significantly" means the upper range of uncertainty in the ASAP tariff must be less than lowest cost alternative. So, for example, if the range of uncertainty in the tariff is ±$2, then the tariff plus the uncertainty plus the gas supply cost must be less than the lowest-cost alternative.

LDC fee or $16/MMBtu total). For 500 MMscfd throughput to be commercially feasible, it must also support one or more industrial anchors to use the additional capacity since only 250 MMscfd are required to satisfy residential/commercial burnertip users and power generation.

To determine commercial feasibility each potential industrial anchor was evaluated separately. Each study determined the likely gas product price at the destination market (where the gas product was assumed to be consumed). Then transportation costs from the plant locations to the sales market were determined and subtracted from the destination price. Then the studies determined the plant inlet price required to generate an acceptable return on equity, making assumptions on plant capital and operating costs, typical capital structures for each type of project, taxes, construction schedules, and other relevant economic modeling parameters. The cost of pipeline service was then subtracted from the required inlet gas price, and the remainder was determined to be the "North Slope netback". The computed North Slope netbacks for the three principal industrial anchors are shown in Figure 3-6.

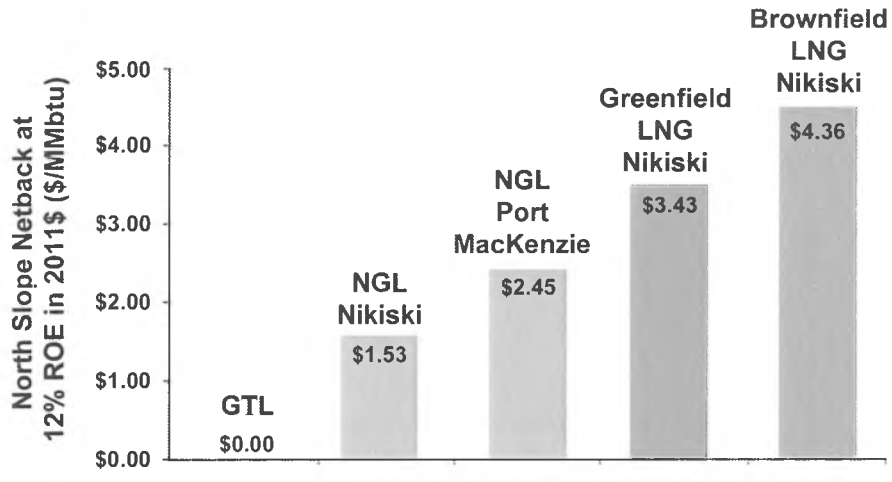


Figure 3-6. North Slope Netbacks for Industrial Anchors

Assuming that WTI oil prices are $82.40/barrel (2011$) inflated at 3% per year, and that LNG and NGL product markets demand their historical pricing relating to WTI for long-term gas sales prices,[27] AGDC's economic feasibility studies indicate that a ROE more than 12% and an acceptable North Slope netback could likely be achieved by either an LNG anchor tenant in Nikiski exporting 250 MMscfd or an NGL exporter located near Port MacKenzie. The economic feasibility study of a Fischer-Tropsch GTL conversion plant did not result in a 12% ROE under any reasonable scenario in Fairbanks or the Anchorage Bowl.[28] This means that satisfying economic break-even conditions for the ASAP and GTL projects would not allow for any positive North Slope gas netbacks at the assumed price forecasts for GTL products.

Regarding GTL, it is not the purpose of this study to eliminate any potential industrial anchor from consideration as a potential shipper but rather to show that one or more industrial anchors meet the economic criteria. AGDC encourages all potential shippers to negotiate with North Slope producers to better refine their understanding of possible inlet gas prices to determine the commercial viability of their individual projects.

The industrial anchor feasibility studies are AACE Class 4 or Class 5 estimates. Applying the same criteria for *significance* as we did for the next best supply alternative would suggest that the North Slope netbacks should be 30% to 50% higher than the $2/MMBtu hurdle to demonstrate a *significant* measure of feasibility for industrial anchors. AGDC will leave it up to the industrial anchor shipper/off-takers to decide the margin of significance required to offset the risks implied with corresponding transportation agreements.

3.1.6 Business Risks that Must be Mitigated for Commercial Feasibility

The commercial feasibility of pipeline projects cannot be viewed without an assessment of business risks. The investment decision of builder/owner/operators depends on their assessment of the project ROE and the business risk that the forecast ROE will be delayed or not achieved. Therefore, AGDC's ability to attract a builder/owner/operator depends on the expected rate of return for the pipeline investment and the perceived risk of achieving that level of return.

To obtain financing, pipeline projects ask shippers to enter into long-term commitments to pay for capacity in the pipeline. These commitments are sometimes called "firm transportation" or simply "transport agreements". To obtain adequate financing, shippers and buyers will be ***required*** to enter into contracts for firm transportation. Before these commitments are made, producers and buyers of natural gas typically enter into long-term contracts to sell and buy natural gas from each other. The gas sales contracts are the "backstop" for the transportation agreements.

Producers and gas buyers enter into long-term sales contracts when the seller and buyer both believe they can lock in a sales price for gas that meets their financial criteria for margins and re-

[27] These studies satisfy House Bill 369 requirement that promoting value-added industries be considered [AS 38.34.040(h)].
[28] This document satisfies House Bill 369 requirement that GTL manufacturing opportunities be considered [AS 38.34.040(h)].

turns. For this project, the transportation cost of the natural gas appears to be the largest component of the supply cost, and the transportation cost can significantly erode the margin for the seller and buyer if that cost increases. Therefore, stability of the transportation cost in this project is very important, and the uncertainty that the transportation cost will be arbitrarily changed is a significant risk for potential sellers and buyers of natural gas in the ASAP Project.

The purpose of this section is to deal only with the principal business risks perceived by the builder/owner/operators and conveyed in the face-to-face interviews we had with them. Other financial risks are discussed in detail in Section 4.

3.1.7 Risks Identified for the Builder/Owner/Operator

The source of business risks and commercial requirements for builder/owner/operators was a series of interviews AGDC held with 11 North American pipeline companies or their parent affiliates.[29] AGDC's approach was to address the issue in a series of frank interviews with potential builder/owner/operators. AGDC retained the retired CEO of Colonial Pipeline, Mr. David Lemmon, to establish links with the key business development executives at El Paso Natural Gas, Enbridge, Kinder Morgan, and Williams Energy. AGDC management already had contacts with producer pipeline affiliates, ATCO, and Mid-American Energy Pipeline Group. Each meeting included an overview of the project as it was presented to AGDC by the State of Alaska In-State Gasline Coordinator in July 2010,[30] and the overview was followed by an informal question-and-answer session on the commercial requirements and portfolio fit for each company.

Following are the principal business risks they identified, along with recommended mitigating measures:

1. ***There is a risk that at the open season, shippers will not make firm long-term commitments for 100% of the pipeline capacity through the first 20 years of operations.***

Builder/owner/operators were generally not willing to assume the risk of open capacity. Currently, there are a number of issues that could either enable shippers to sign up for firm capacity or exist as barriers to shippers committing to firm capacity.

A major barrier to shippers is the requirement that ASAP be a common carrier pipeline under the state statutory requirements of the Alaska Pipeline Act. Shippers will be reluctant to bid reserve capacity 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 enforceable transportation agreements over the financing term. Common carrier rules introduce the possibility that some future shipper could move volumes of gas into the pipeline that cause foundation shippers to be prorated and fail to meet their contractual requirement to deliver gas to their customers.

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[29] AGDC held interviews with Williams Energy, Mid-Continent, Enbridge, El Paso, Kinder Morgan, ATCO, ONEOK, ExxonMobil, Anadarko, BP, and ConocoPhillips during August-November 2010.

[30] *Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables.* Presented to AGDC by the State of Alaska In-State Gasline Coordinator, July 15, 2010.

To mitigate this risk, the Legislature needs to address the requirement for ASAP to be a common carrier. ASAP has virtually no chance of attracting adequate firm transportation shipping commitments as a common carrier.

Another significant enabling action, as expressed by builder/owner/operators, would be for the State of Alaska to make firm transportation commitments of royalty-in-kind (RIK) gas to ASAP. Their view is that the State of Alaska can demonstrate faith in the project by assuming some of the transportation commitment risk and backstop a shortfall in capacity if it exists after an open season.

The Prudhoe Bay Unit Agreement specifically does not allow the State of Alaska to take RIK at a percentage greater than the royalty percent of the total gas leaving the unit. In other words, the unit agreement forbids the State to be "out of balance" with unit production. That requirement introduces conditions on State of Alaska gas production that make long-term sales of State of Alaska RIK gas almost impossible.

Enabling this action is not an easy or simple process. The PBU owners would need to agree to amend the Prudhoe Bay Unit Agreement to allow the taking of royalty gas at levels not limited by the unit production. As oil production is currently limited by gas handling capabilities in the PBU, it is possible that this action by the State would serve to debottleneck[31] some oil production and benefit both the State (by increasing royalty production) and the unit owners (by increasing unit production).

As an alternative, the State of Alaska could negotiate with individual unit owners to exchange RIK gas for an owner's share of unit production. This would likely involve negotiating an agreement with respect to operating costs and would likely require the State to pay an exchange cost of some kind.

2. ***There is a risk to builder/owner/operators that the actual capital cost of the pipeline will significantly exceed the planning estimate.***

Builder/owner/operators generally assume some level of risk associated with construction capital overruns, but their tolerance is low. To mitigate this risk, AGDC must ensure the pipeline and Gas Conditioning Facility are built at the lowest possible capital cost and that the estimate used to determine the proposed tariffs is accurate.

There are three key mitigating measures:

- The design needs to be appropriate and optimized for the expected throughput of shippers.

[31] "Debottleneck" in this context means to remove the limiting physical factor, in this case wellhead gas handling, in such a way that it improves the productivity or throughput of the primary resource or product (oil).

- AGDC must execute the FEL 2 engineering to decrease the uncertainty of the capital cost estimate.
- The builder/owner/operator must plan and execute the final design and construction in the most efficient and cost-effective manner (FEL 3 and execution phases of the project).

3. ***There is a risk that the actual operating cost of the pipeline will greatly exceed the planning estimates.***

Builder/owner/operators cannot be expected to accept a risk that they will be prevented from recovering all their operating costs through a tariff. This risk is best mitigated by developing a tariff structure that recovers all costs, including capital overruns and operating costs.

4. ***There is a risk that the federal government or the State of Alaska will make significant adverse changes in the fiscal regime relating to the netback value, margin, or commodity price of North Slope natural gas or gas liquids that undermine the firm transportation commitments.***

The State of Alaska is well aware of the commercial risks associated with making changes to the fiscal regime in the oil sector. The natural gas business has thinner wellhead margins, much longer term sales commitments, contractual obligations to use capacity (reserved capacity), higher transportation costs as a percent of the value chain, major financial obligations, and take-or-pay commitments in gas sales contracts. Once the firm transmission and gas sales contracts are in place, any change in the fiscal rules could have a far-reaching impact on all involved parties.

It is the perception of most of the PBU owners that for natural gas, the Federal Energy Regulatory Commission (FERC) and Congress have been relatively predictable and stable influences on the fiscal stability of interstate shipments of natural gas. The extent to which the executive and legislative branches of state government can address through legislation the fiscal stability over the first 20-year term of the project would serve to increase the confidence that the business climate is conducive to stable investment.

3.2 COMMERCIAL REQUIREMENTS OF A BUILDER/OWNER/OPERATOR[32]

The objective of this section is to communicate the commercial requirements that the potential builder/owner/operators conveyed to AGDC during the process for seeking letters of intent to participate in the project. (See Section 3.1.7 above.)

In June 2011, AGDC officially solicited and received letters of interest from potential builder/owner/operators. Those responding with interest will be invited to participate in a request for proposals meant to select either a builder/owner/operator or builder/operator as early as possible in 2012. AGDC asked each potential builder/owner/operator the following questions:

[32] This section satisfies House Bill 369 requirements that the development team "coordinate with entities qualified to build, own, or operated the natural gas pipeline" [AS 38.34.040(e)(2)].

1. ***Having seen our outline of the project, do you see any aspects of this project that make it impossible for you to consider yourself as a potential builder/owner/operator?***

One company asked not to be considered as a potential builder/owner/operator because they only invested in pipeline projects in which they had an affiliate shipper interest.

One company asked not to be considered as a potential builder/owner/operator because they were wholly unfamiliar with the physical and commercial operating climate.

All the other builder/owner/operator candidates stated that their participation was possible under the right set of conditions and circumstances.

2. ***What rate of return would you expect from a project of this size and risk?***

The builder/owner/operators expressed an opinion that their expected return on equity would depend on the relative risk implied by the tariff structure, the terms of the precedent agreements, the participation by the State of Alaska, and the perceived fiscal stability during the investment period. Generally, they gave a range between 12% and 14%, consistent with the returns currently allowed under FERC ratemaking.

3. ***What other commercial requirements do you see as enablers for your participation?***

There was a broad spectrum of feedback on this issue, but the recurring themes focused on firm transportation bids equivalent to 100% of the pipeline capacity. This could only be achieved by a contract carrier operation and would preclude the pipeline from being a common carrier.

Most of the builder/owner/operators were reluctant to accept risk associated with capital cost overruns, and many expressed the opinion that the State of Alaska should participate through both a capital subsidy, if necessary, and through firm transportation bids of royalty gas to help guarantee capacity.

Most of the builder/owner/operators said that the State of Alaska needs to wholly subsidize the project development costs (engineering and permitting) before a successful open season. Their view generally was that the uncertainty of the outcome and the cost during that phase were too high.

Others had requirements concerning minimum working interest.

The producer parent affiliates generally gave the same message. They welcome any proposal that can help monetize their resources, but participation will depend on the fundamental economics of the project and how the investment opportunity compares on a portfolio basis. Generally, the producer parent affiliates were underwhelmed with the scale of the project. One producer affiliate parent asserted that no pipeline would carry their gas without their equivalent equity ownership in the pipeline.

4. What role do you see the State of Alaska playing in this project?

The principal response was for the State of Alaska to reserve firm transportation for its royalty gas and fund project development through the open season.

5. If ASAP were a fit to your future portfolio, at what point would you be interested in participating and at what level?

Companies said that if they elected to participate, the appropriate time to enter the project with financial and organizational support would be during and after a successful open-season process. Two companies said they would be willing to participate sooner with organizational support but not financial support.

3.3 OTHER COMMERCIAL CONSIDERATIONS OF HOUSE BILL 369

The purpose of this section is to address specific commercial requirements of House Bill 369 not addressed in other sections of this project plan.

3.3.1 Letters of Intent from Buyers and Sellers of Natural Gas[33]

On April 25, 2011, AGDC announced a Non-Binding Expression of Interest (EOI) process on its website and by publication in the *Petroleum News* (a weekly industry newspaper based in Anchorage). AGDC directly contacted a number of parties that it considered the most likely and material participants in the EOI, based on their readiness to participate in a binding open season for pipeline shippers on ASAP within the desired timeframe. The parties contacted included North Slope and Cook Inlet producers with known gas reserves, Railbelt utility companies and aggregators, and major mining projects under development along the route of the pipeline that could use natural gas as a source of power.

Twelve separate organizations signed confidentiality agreements and participated in a project information meeting held on May 18, 2011. In the meeting, AGDC shared a technical and commercial summary of ASAP prior to its release in this project plan in order to enable the EOI participants to respond as to their intent prior to June 15, 2011.

The results of the EOI are summarized below:

- All expressions were of a non-binding nature, and AGDC will treat all individual responses as confidential.
- A diverse group of stakeholders participated, including producers, utilities, and mining interests.
- The total interest expressed to off-take natural gas is near the pipeline capacity.

[33] This section fulfills the House Bill 369 requirement to seek letters of intent from buyers and sellers of natural gas [Transitional Provisions (a)(1)].

- AGDC believes that there is additional upside to achieve full capacity at the open season, since not all potential shippers participated in the EOI process.
- AGDC's estimate of achieving the necessary threshold capacity demand by 2019 appears to roughly match expressions of interest in off-taking gas.
- Potential gas suppliers expressed an interest in negotiating gas-supply agreements with interested off-takers.
- Some potential natural-gas buyers intend to reserve firm transportation, and others will rely on other shippers to deliver gas to their desired off-take point(s).
- Shippers and off-takers generally expressed a desire to enter into long-term contracts.

3.3.2 In-State Propane Use and Alternatives for Transporting Energy to Other Locations in the State[34]

The commercial feasibility of in-state propane use was evaluated by R.W. Beck Inc. as part of an expanded phase of its NGL economic feasibility study. Of the available natural gas liquids, propane is the most likely product to lend itself to cost-competitive storage and transportation for in-state use outside the pipeline's reach.

The price of propane sold at any connection to ASAP will be determined by the competing price of the least expensive alternative fuel (low-sulfur No. 2 diesel oil) and the export price of the propane netted back to the competing sales point. So, for example, if shippers are selling propane FOB[35] to South Korea at the Alaskan loading terminal, Alaskan propane users should expect to pay not less than the propane price at Nikiski plus an adjustment for transportation costs anywhere else in Alaska. The export price will likely set a floor for propane market pricing. The retail propane price ceiling will likely be set by the cost of the next lowest-cost fuel alternative. The market dynamics between the buyers and retail marketers will determine where the actual retail price falls between the floor and ceiling. The R.W. Beck Inc. study indicates the potential exists for substantially lower-cost propane along the road system. Consumers should be cautioned that uncertainties around the price North Slope producers will demand, margins retail marketers will require, and the effect of foreign export prices all have the potential to erode perceived savings.

The SAIC analysis shows that communities accessible by truck along the Railbelt will likely have a price incentive to replace diesel oil with propane. Communities within barge distance from Nikiski will not have a price incentive to replace fuel oil with propane. Similarly, communities along the river transportation system will not likely have an incentive to replace fuel oil with propane because the high cost of transportation, delivery, and storage will more than offset the lower wholesale price of the propane.

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[34] This section and the *In State Propane Utilization Study for the Alaska Gasline Development Corp*, SAIC, June 2011, fulfill the requirements of House Bill 369 to consider production and delivery of liquefied natural gas or propane to Yukon River, interior, and coastal communities, as well as alternatives for transporting natural gas to other locations in the state [AS 38.34.040(h)].

[35] FOB is an acronym for "freight on board" and means sold to a buyer after it is metered (or loaded onto) to a vessel, excluding shipping costs or insurance.

3.3.3 Development of a Global Trading Center in the State of Alaska[36]

Natural gas trading centers or "hubs" are created as an outfall of transportation projects and usually occur at a major transshipment intersection. An example is the pipeline interconnect at the Henry Hub Gas Plant in southern Louisiana. Natural gas is wheeled through the hub from shipper to shipper to delivery on any of the connecting systems. The pipelines upstream from the Henry Hub carry gas primarily from producing fields to the interconnect, while pipelines downstream from the interconnect carry gas from the hub to major regional distribution centers for consumers. The center of the hub is the logical point for markets to price natural gas.

The major transshipment point for ASAP gas and NGLs will be at transshipment meters linking the ASAP system with the ENSTAR distribution system near Big Lake. At that point, utility-grade gas will be metered into the ENSTAR system for sales to gas-storage customers, the ENSTAR LDC, power companies on the ENSTAR system, and to the LNG plant (or other industrial anchors) in Nikiski. Propane and butane will be extracted and metered into either a pipeline to Nikiski or Port MacKenzie for export to Pacific Rim markets.

The establishment of the physical facilities for a trading center at the ASAP Cook Inlet NGL Extraction Facility will happen when the pipeline and facilities are completed. The vision of a global trading center implies that gas merchants will use that location as the basis for pricing North Slope gas sales export contracts for delivery to the ASAP Big Lake meters or for purchase at the meters. Whether they will or will not depends on a variety of complex marketing factors known only to the individual gas merchants and their customers. The expectation that most of the export gas will be sold under long-term contracts suggests the ASAP Cook Inlet NGL Extraction Facility will not be an active trading center. However, some individual merchant shippers may elect to commit to some capacity under the expectation of sales on a short-term or even a spot basis. This is especially true of the sales of propane and butane, but to some extent could also be true for LNG.

The results of the EOI indicate that some natural gas consumers intend to reserve firm transportation and others will rely on other shippers to deliver gas to the Big Lake meters. This appears to substantiate the contention that there will be more than one pricing point for gas moving into and out of the ASAP system. Also, shippers and off-takers generally expressed a desire to enter into long-term contracts, further substantiating the contention that once the transport agreements are in place, little active trading will occur.

[36] This section fulfills the requirement under House Bill 369 that the development team consider development of a global natural gas trading hub in the state [AS 38.34.040(h)].

SECTION 4
Financial Option Evaluation



4. FINANCIAL OPTION EVALUATION

The development of financial options for ASAP involved evaluating potential ownership structures and the impact of their inherent risks on the projected cost of financing for each case.

The three project-delivery scenarios which were analyzed for ASAP are summarized in Table 4-1 and discussed in detail below. It is important to note that the tariffs in Table 4-1 do not include a wellhead netback to the producers nor the local distribution costs (i.e., it is only for transportation from the North Slope to the Cook Inlet NGL Extraction Facility). It is estimated that those costs will add $4.00 (2011$) to the transportation tariffs. Tariff results represent levelized transportation costs over the initial 20-year operating term of the project ("lifecycle tariff"). Those tariff differentials are quoted in 2019 dollars assuming 3% inflation per year.

The state/public ownership scenario yields the lowest tariff and therefore is AGDC's recommended model. Alternatives to the base case scenarios pose issues which in AGDC's view make them impractical. The scenarios presented for both a 30-year-term and a shortened construction time frame add additional risk that makes these options unacceptable. The former will require shipper contracts of 30 years, which are commercially unlikely, while the latter adds construction risk into the stage-gated process that will be used for construction management. Thus, while in theory both of these options could reduce the overall tariff, their ability to *actually* reduce the tariff is limited at best. Financing by the Alaska Railroad Corporation (ARRC) is discussed in Section 4.3.4 below.

Table 4-1. Lifecycle Transportation Tariff Differentials ($/MMBtu)

	PRIVATE OWNERSHIP (RATE REGULATED)	PUBLIC-PRIVATE (AVAILABILITY FEE)	STATE/PUBLIC OWNERSHIP[1]
Base Case	Benchmark	($1.38)	($1.55)
Alaska Railroad (ARRC) (Tax-exempt Financing)	($0.20)	($1.73)	($2.16)
30-year Term	($0.91)	($1.80)	($1.93)
Shortened Construction	($0.09)	($1.48)	($1.60)
Combination: 30-year Term, ARRC and Shortened Construction	($1.19)	($2.20)	($2.56)

(1) In addition, there is approximately $0.45/MMBtu in free cash flow to the State of Alaska as a result of a 1.10x debt service coverage. This could be used to reduce the tariff in future years.

4.1 BACKGROUND

Financing of megaprojects such as the ASAP Project is challenging in the best of economic times. The economic crash experienced by most countries in the world during the last three years has increased those challenges. As a result of large losses during the financial crisis, some investors now have an aversion to risk at any cost. Investors who are willing to commit capital are demanding higher returns, with the resulting challenges to financing plans.

As a result, AGDC issued a request for proposals (RFP) for a financial structuring advisor to assist in preparing a financing plan and selected a joint proposal of Citigroup Global Markets, Inc. and Samuel A. Ramirez & Co., Inc. (C&R), two firms with international experience with large infrastructure projects, including gas pipelines.

To optimize the financing plan, the project must be modeled around project risks and identify which entity or entities are willing to take the risks and at what cost. Major risks to be undertaken with ASAP include the following:

- Supply and demand (as they impact the ability to achieve 100% capacity).
- Environmental, permitting, and rights-of-way (as they relate to project delays).
- Cost escalation.
- Completion.
- Operations and maintenance.

To the extent an entity controls a particular risk, it will typically require a lower return for assuming that risk. Therefore, the focal point of any successful financing plan is the appropriate allocation of risks between parties that results in the parties accepting those risks which they either control or understand the best. For instance, a contractor that understands and controls completion risk would be more willing to take that risk than a bond investor. The optimal allocation of risk will result in the overall lowest cost of capital for the project, which will give the project the lowest possible tariff and the best opportunity for success.

4.2 OWNERSHIP

The decision as to what entity or entities will make a capital investment in ASAP will help determine most of the other variables in the financing plan. Making this determination early will aid in the development of a comprehensive plan for ASAP.

The range of ownership possibilities presented below begins with full privatization and ends with state ownership and control. It is the transfer of risk that will eventually determine the structure of the project; or in other words, the more risk a private entity is willing to accept, the closer to private ownership the project will be. As mentioned above, in the current economic environment, many companies and investors are highly risk-averse. Specifically, the majority of build-

er/owner/operators will not be willing or in many cases, financially able to carry all the risk of a project of this magnitude.[37]

The three scenarios analyzed by C&R are outlined in Figure 4-1.[38]

While the above scenarios include the analysis by C&R, it is important to note that preliminary feedback from potential builder/owner/operators indicates that their appetite for certain risks is very limited. If that feedback is confirmed through the process of selection and negotiation with a builder/owner/operator, then more state involvement will be necessary to complete the project.

Potential builder/owner/operators have also indicated their desire to take firm transportation commitment risk is limited. This led to the assumption that 100% firm transportation commitments will be required to secure financing for ASAP.

Different financing assumptions are applicable to each of the scenarios presented above, and they are described in Table 4-2.[39] There are benefits to both public and private ownership, as well as a hybrid public-private partnership ("P3") and each is discussed below.

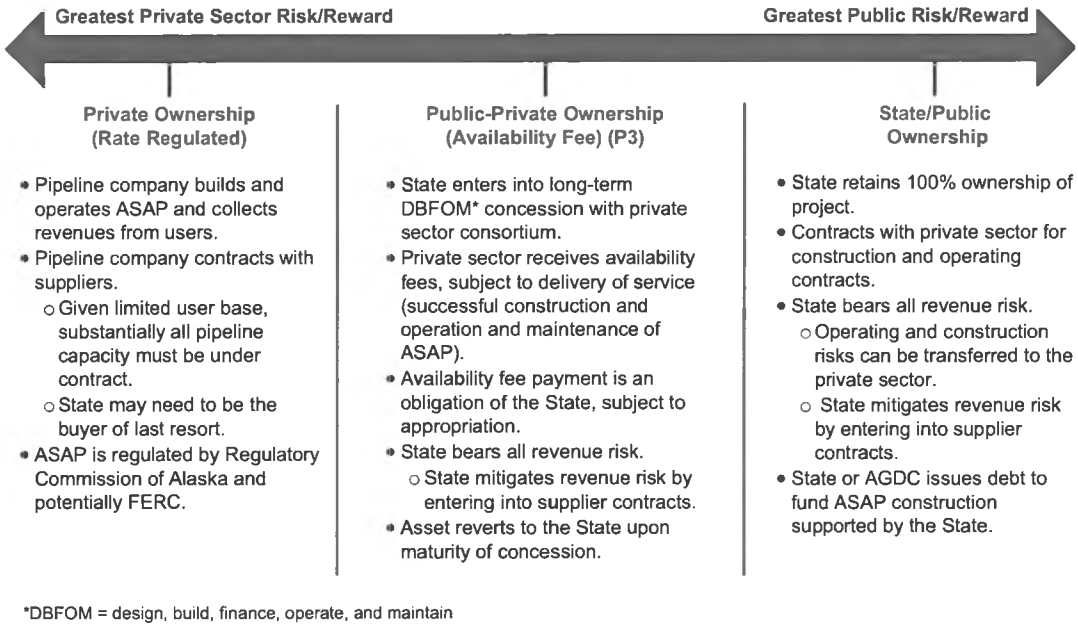


Figure 4-1. Three Financing Scenarios Analyzed by C&R

[37] *Industrial Megaprojects*, Edward W. Merrow. John Wiley & Sons, Inc., Hoboken, New Jersey. 2011.
[38] *Alaska Gasline Development Corp. Plan of Finance.* Prepared by Citigroup Global Markets Inc. & Samuel A. Ramirez & Co., Inc. for AGDC, 2011.
[39] Ibid.

Table 4-2. Financing Assumptions for the Three Scenarios

	DEBT TO EQUITY RATIO[1]	TAXES PAID	DEBT SERVICE COVERAGE	RETURN ON INVESTMENT (ROE)	TARIFF STRUCTURE
Private Ownership (Rate Regulated)	65:35	Income, Property	Driven by return on equity (ROE)	12.0% after tax	Level annual
Public-Private Partnership (Availability Fee) (P3)	88:12	Income, Property	Driven by ROE with minimum 1.15x coverage	12.0% pre-tax	Increases by 0.75% annually
State/Public Ownership	100:0	Property Only (Payments-in-lieu-of-taxes)	1.10x debt service coverage	–	Increases by an average of 0.25% annually

(1) As percentages of construction draws.

4.2.1 Private Ownership

A privately owned and operated pipeline is the typical model for gas transmission in the United States and is considered the base case for this analysis. Such pipelines are built to connect large gas sources (historically in the Gulf Coast of the U.S.) with large customer bases or distribution systems and are designed to move enough gas such that the amortization of the cost results in a commercially viable tariff. They are financed by capital contributions and debt issued by the builder/owner/operators and supported by shipper and customer contracts for throughput in the line. The risks, which are similar to the risks on ASAP, are assumed by both bondholders and equity investors and require returns in excess of those on more typical investments such as municipal bonds or corporate debt.

What makes ASAP different from the classic private ownership model outlined above is that unlike its continental U.S. counterparts, its small customer base does not generate enough demand to allow sufficient throughput without industrial anchor tenants. Without large volumes of gas moving through the pipe, amortization of the large capital expenditure for construction will result in a tariff that is not commercially viable, and the pipeline would not be built.

4.2.1.1 Cost of Capital

Debt

Many pipeline companies have relatively low ratings when compared to the State of Alaska which will result in a higher cost of debt if that debt is to be sold by the builder/owner/operator (Table 4-3). The expected cost of debt increases without state support from 21% to nearly 50% depending on the term. This fact makes a 100% privately owned and financed pipeline the least likely scenario to yield an acceptable tariff.

Table 4-3. Potential Builder/Owner/Operators

BUILDER/OWNER/OPERATOR	MOODY'S	S&P
The Williams Companies, Inc.	Baa3	BB+
Mid-American Energy	Baa1	BBB+
Enbridge Inc.	Baa1	A-
El Paso Corp.	Ba3	BB
Kinder Morgan Energy Partners, L.P.	Baa2	BBB
ATCO Ltd.	Not rated	A
OneOK	Baa2	BBB
ExxonMobil Corporation	Aaa	AAA
Anadarko	Ba1	BBB-
BP p.l.c.	A2	A
ConocoPhillips Company	A1	A

Equity

Feedback from pipeline companies surveyed by AGDC indicates that a return of more than 11% (post-tax) is expected for equity investors to participate in a pipeline project (see Section 3.2 of this project plan). For this return, builder/owner/operators are willing to take surprisingly little risk and indicated that additional risk could push the required return greater than 13%. While such returns may seem high from a state perspective, they are in line with the 12% to 13% quoted by the Alaska Department of Revenue (DOR) report *State Financial Participation in an Alaska Natural Gas Pipeline*, dated January 31, 2002. The combination of high cost of debt, 12% ROE, and highest required equity makes the private ownership option the most costly to finance.

4.2.1.2 Project Control

Total private ownership of a pipeline will result in the State having little, if any, control over the project. It may be argued that private ownership will improve the likelihood of project success because the State of Alaska is not in the business of building or operating gas pipelines and therefore, any input it has into the project may be seen as uninformed and detrimental to the project. However, since the private sector has been unwilling to date to accept the development risks and the project will be financed at least in the development stage by the State, some form of project oversight by the State will be necessary.

4.2.2 Public-Private Partnership (P3)

The focus of the public-private partnership (P3) option is allowing a project with a desired public purpose to proceed with a measure of public support that, lacking such support, would never be completed. A project in this category typically has risks that private sector contractors are unwilling to take on their own. It also allows the State to take advantage of the expertise that private sector contractors have to design, build, finance, operate, and maintain (DBFOM) a facility while the State retains long-term ownership of the project.

A majority of P3 financings completed to date have been transportation projects in the continental U.S. and abroad. The work is done through a DBFOM concession contract with a large, capable contractor (concessionaire). Upon completion of the contract term, the ownership reverts to the sponsor, in this case the State of Alaska.

4.2.2.1 P3 Transfer of Risk

Typical P3 projects have one or more categories of risk that the private sector either cannot or will not undertake. Risk categories for ASAP include usual project risks such as environmental, permitting and rights-of-way, cost escalation, completion, and operations and maintenance. They also include risks specific to a gas pipeline such as upstream supply and downstream demand.

Availability Fee

Under a P3 structure, revenue risk for the concessionaire is mitigated by the State paying an "availability fee" when certain conditions are met — generally when the asset is available for its intended use. Thus, with ASAP the State will pay the concessionaire a fee when the pipeline is complete and ready to ship gas. That fee will service the project debt, provide a return on the concessionaire's equity, and fund operations and maintenance costs.[40] The availability fee will be subject to appropriation by the Legislature on an annual basis. Availability-fee payments are expected to be recovered by revenues the State receives from shippers and/or customers for gas transportation.

This transfer of risk shifts the credit profile of the financing toward the State's credit rating, which is currently higher [Aaa/AA+/AA+ (Moody's/Standard & Poor's/Fitch)] than most of the potential concessionaires (typically between BB and BBB), and as a result, lowers the cost of debt and the resulting tariff. With the shift of revenue risk to the State of Alaska, the availability-fee approach is assumed by C&R to result in "A" ratings during operations and gives a projected tariff reduction of $1.38/MMBtu from the base case.

Concessionaire Contract

The contract between the State and the concessionaire could be segmented to allow for different contractors to perform the portion of the DBFOM in which they specialize, thus reducing overall risk exposure on the project and reducing the tariff. For example, a contractor may be in the best position to take construction risk but may not have any expertise in operating a facility. The firm that will eventually operate the facility will need to be included in overseeing design to ensure the facility is constructed for operational efficiency.

[40] *Alaska Gasline Development Corp. Plan of Finance.* Prepared by Citigroup Global Markets Inc. & Samuel A Ramirez & Co., Inc. for AGDC, 2011.

4.2.2.2 P3 Cost of Capital

Debt

Since the bonds issued by the concessionaire will be backed by the availability fee to be paid by the State, the rating on the bonds will be based in part on the State's credit rating. The result will be a more attractive tariff structure. Reliance on the State's credit may affect the State's credit rating (see Section 4.3); however, project revenues should help to mitigate that risk. Thus, the State is assuming similar risks in the P3 model as in the public ownership model, but at a higher tariff to account for the concessionaire's return on equity.

Equity

With state backing through the availability fee, a 12% concessionaire equity contribution is assumed. As the concessionaire is taking less risk than the strictly private case, a 12% pre-tax return on its equity is assumed. The lower borrowing cost and reduced ROE make this scenario more likely to result in a lower tariff than the private ownership case.

4.2.3 Public Ownership

Ideally, a project like ASAP would be designed, financed, and built entirely by the private sector; however, that has not, and in all probability will not, happen in a timeframe that will prevent critical shortages of natural gas in Southcentral Alaska.

The public ownership scenario involves the State providing all of the capital for the construction of the project, and the source for this report was assumed to be 100% debt. Through an RFP process, AGDC would select a firm (or firms) to design, build, operate, and maintain ASAP. This would allow the State to take advantage of the considerable expertise available in the private sector while achieving the lowest cost of capital to finance the project.

The State would be assuming most of the risk in this scenario, but as discussed, it is likely that the State will have to assume similar risks regardless of the ownership structure. Under the private ownership and P3 scenarios, the private sector firms that build and operate ASAP will be earning a 12% return, but may be unwilling to take on significant project risks. Under the State-owned scenario, the State is able to reduce the tariff by replacing that 12% equity with debt, resulting in the lowest projected tariff — $1.55/MMBtu lower than the base case and $0.17 lower than the P3 model.

A risk the State will be taking under the current regulatory structure is that when ASAP is completed, a determination is made that the tariff methodology upon which ASAP was structured is unacceptable. This will have the effect of requiring an annual subsidy by the State to buy down the tariff from one based upon actual costs of ASAP to a lower tariff. This is AGDC's rationale for requesting legislation to create an entity — similar to one in place in other gas-producing states — which is set up to own and self-regulate pipelines.

4.2.3.1 Cost of Capital

In its analysis, C&R assumed 100% debt financing for the public ownership scenario. The resulting cost of capital is the lowest of the three scenarios. "State/AGDC ownership may actually reduce or eliminate the State's potential level of required support, may decrease its net risk versus required guarantees/backup credit on Availability Fee P3 or Private Ownership structures, and should lead to higher credit ratings and significantly lower financing costs."[41]

The return to the State for the risks it assumes is in the 1.10x debt service coverage ratio.[42]

Debt

Bonds issued by the State or a state entity such as AGDC will be highly rated and will most likely[43] have the lowest interest rate of any of the three scenarios. To minimize the impact on the State's credit rating, the bonds should be structured as "double-barreled" project revenue bonds, secured by revenues received from ASAP and backing by the State. Debt service on the bonds will be subject to appropriation and will not require a state vote for approval.

Equity

The state equity contribution required is the same as the other two scenarios: an initial capital outlay of approximately $292 million for project definition. The return of that capital with interest could come from the 10% debt service coverage ratio required with the structured financing.

4.3 STATE SUPPORT

If the impetus for construction of ASAP was to make a profit, then it would be designed, financed, and built entirely with private capital. In such a case, tariffs generated from the operation of the pipeline would be sufficient to service the debt, fund operations, and provide an acceptable return on the owners' equity contribution.

While acceptable returns on capital are important on any project, the primary reason for the ASAP Project is stated in House Bill 369 passed by the 26th Legislature, "completion of construction of an in-state natural gas pipeline that will provide significant direct benefit to the people of the state at the earliest possible date" [Section 1(a)(7)]. Had the project been able to yield acceptable returns to a private contractor, one could argue that a private contractor would have already built it.

Since the State has determined that its citizens have a need for natural gas that will not be met by the private sector and that it is unacceptable for those citizens to be without natural gas, some

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[41] *Alaska Gasline Development Corp. Plan of Finance.* Prepared by Citigroup Global Markets Inc. & Samuel A Ramirez & Co., Inc. for AGDC, 2011.
[42] A debt service coverage ratio is cash flow in excess of debt service required to obtain a given rating.
[43] "Most likely" due to the chance that, under the private scenario, an AAA-rated oil company could build the pipeline.

support for ASAP by the State will likely be necessary. The exact nature and size of that support will be determined after negotiations with the builder/owner/operator but may take one or more of the following forms.

4.3.1 Capital Contribution/Investment

Assistance provided by the State could be in the form of a capital contribution or equity investment; the distinction is the State would have no expectation of repayment for the contribution, while an investment would yield a return to the State.

In the State Department of Revenue's *State Financial Participation in an Alaska Natural Gas Pipeline* report dated January 31, 2002, DOR questions the constitutionality of a cash subsidy by the State. Article IX, Section 6 of the Alaska Constitution provides that public funds cannot be appropriated except for a public purpose. The public purpose of the subsidy was questioned in the context of a pipeline from Alaska's North Slope through Canada to the Lower 48 states. In House Bill 369, the Legislature determined that construction of a pipeline would "provide significant direct benefit to the people of the state," significantly alleviating this concern for ASAP.

The purpose of a capital contribution would be to lower the tariff to an acceptable level and fund development costs when no other party is willing to do so. All three ownership scenarios assume a $292 million up-front cash contribution from the State to fund a portion of the project development costs, which includes amounts expended to date.

4.3.2 Debt Issued by State

The State of Alaska is very highly rated, as shown in Table 4-4.[44]

Table 4-4. State of Alaska Credit Rating History

MOODY'S INVESTOR SERVICE		STANDARD AND POOR'S CORP.		FITCH INVESTORS SERVICE	
DATE	RATING	DATE	RATING	DATE	RATING
July 13, 1961	Baa	June 4, 1971	A	May 3, 1994	AA
September 12, 1969	Baa1	January 23, 1975	A+	March 25, 2010	AA+
August 29, 1974	A1	June 14, 1980	AA-		
June 13, 1980	Aa	August 5, 1992	AA		
November 26, 1998	Aa2	March 27, 2008	AA+		
November 22, 2010	Aaa				

[44] Alaska Public Debt, State of Alaska Department of Revenue, January 2011.

The approximately $8 billion debt required for ASAP if the entire project was bond-financed would make the entire State-supported debt nearly $12 billion — which would make Alaska's percentage of debt compared to gross domestic product three times any other state.

State financing of ASAP through the issuance of debt may result in a downgrade of the State's ratings, depending on the rating agencies' views of the risks and reliability of the ASAP revenues that are anticipated to offset the additional debt. AGDC takes this risk very seriously and will demonstrate to the rating agencies the credit positives of ASAP in terms of tariffs, increased state royalty income, and essential services provided to the citizens of Alaska.

In response to inquiries by AGDC staff, Deputy Commissioner of the Department of Revenue Jerry Burnett said that he would "expect this to be a very significant credit negative for the State of Alaska as an entity in the near term." A downgrade to the State could have an impact statewide, as the ratings on political subdivisions and state corporations (whose ratings generally cannot be higher than the State) could be downgraded as well.

4.3.3 State Credit Enhancement on Contractor Debt

If the State were to elect to contract with a builder/owner/operator for construction and financing of ASAP, the State could reduce the tariff by providing credit enhancement on the debt issued by the builder/owner/operator. The benefit is a lower tariff but again at the expense of potential impact to the State's credit rating.

4.3.4 State Financing Options

Assuming that the State will finance some or all of ASAP, there are a number of different models that could be utilized to provide necessary capital.

- The Alaska Railroad Corporation may have broad powers to issue tax-exempt debt for a variety of purposes. A literal reading of the law [45 USC § 1207(a)(6)] says that debts of the Alaska Railroad Corporation are deemed to be state obligations not subject to private activity volume cap, without regard to the purpose of the debt issuance. This means that in theory the ARRC could issue such debt for any project including ASAP. Such a broad interpretation of the language would be an aggressive position, and AGDC would not proceed with that approach without seeking out a private letter ruling (PLR) from the Internal Revenue Service. AGDC will begin the PLR process immediately as it could be quite time-consuming and the outcome is uncertain.
- Upon completion of construction and after first firm transportation of gas, the State could offer ASAP for sale. This would result in a lower tariff than the private equity model due to the operator taking no up-front risk. The tariff would be slightly higher than the state-owned option due to private sector financing having a higher cost than the state cost of funds.
- The state capital budget is funded annually with cash — cash that could be used to fund ASAP if the State were to sell bonds for its capital projects. In the State-owned model, the tariff would be available as General Fund revenue of the State, allowing it to be used

to pay the debt service on the capital project bonds. This could have the effect of financing ASAP with tax-exempt debt.

- A similar approach could be worked out with a state corporation that was created to finance state capital projects. If annual budget General Fund surpluses (prior to capital budget expenditures) were to be swept to the corporation and the capital budget appropriated from bond proceeds of that corporation, the cash it received could finance ASAP. Remaining cash and project revenues would be available for debt service on the bonds. Some very important technical tax issues are associated with this approach, but AGDC believes it could be accomplished.
- An option for equity participation could be individual investments by citizens of the State — either through Alaska Permanent Fund Dividend "check-offs" or direct cash investment. This program could be structured like a mutual fund or preferred stock purchase plan. An equity participation by Alaskans in the ASAP Project could provide a solid return for their investment and help build a strong constituency of in-State support for the project.
- A final option for consideration results from an opportunity and a challenge facing the State. The opportunity is a budget surplus in recent years which is projected to continue in the near term, while the challenge is a 38.2% (as of June 30, 2009) unfunded liability in the State's Public Employees' Retirement System (PERS). If the State were to use some of the surplus cash to finance all or a portion of the construction of ASAP, the cash flow from ASAP could be contributed to the PERS and help to narrow the gap between assets and liabilities. AGDC estimates that a 6% to 8% return on the investment would be likely. The result of this approach would be the State ensuring that Fairbanks and South-central Alaska have access to reasonably priced energy while removing a large off-balance sheet liability from its books.

SECTION 5
Engineering Analysis



5. ENGINEERING ANALYSIS

5.1 INTRODUCTION

This section contains a summary of the engineering work conducted by AGDC and its engineering contractors Michael Baker, Jr., Inc., DoyonEmerald, Larkspur, and WorleyParsons since July 2010. The engineering team continued work it began for the Alaska Department of Natural Resources (DNR) for the Stand Alone Gas Pipeline (SAGP) Project. As of June 2011, the engineering work has been completed for FEL 1 and work has begun on building the project execution plan that will serve as the basis for subsequent project phases.

The engineering work focused on the Base Case developed from the 16 options for different capacities and products identified in July 2010. The Base Case, which involves a 500 MMscfd pipeline carrying natural gas enriched with natural gas liquids (NGLs), is discussed in detail in Section 3.1.1 of this project plan.

In support of development of this project plan, the engineering team undertook the following:

- Optimized the route, diameter, and design for Special Design Areas (SDAs) for the Base Case pipeline configuration.
- Performed field reconnaissance to establish baseline data for detailed design.
- Optimized cost estimates for facilities using the Base Case configuration.
- Conducted peer review of facilities design.
- Provided technical support to the U.S. Army Corps of Engineers (USACE) environmental impact statement (EIS) process.

5.2 SELECTION OF ROUTE

5.2.1 Alternatives Analysis

House Bill 369 requires that the AGDC project plan include an analysis of alternative routes and the selection of a route that is economically feasible and makes natural gas available to residents at the lowest possible costs. The alternatives and routing modes discussed below were considered but not carried forward as the proposed action because they did not optimize the number of users, minimize pipeline length, minimize engineering constraints and costs, and minimize opportunities that could adversely affect the environment.

Following are the House Bill 369 guidelines for analysis and selection of the pipeline route [see AS 38.34.040(c) and (d)]:

- "The project plan must include specific plans to coordinate and facilitate construction, ownership, operation, and management of a natural gas pipeline serving Fairbanks, the

Southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater in the Southcentral region of the state."

- "The development team's work product shall include an analysis of alternative possible routes and the selection of a route that, consistent with the other requirements of this section,
    - is economically feasible;
    - makes natural gas available to residents at the lowest possible cost;
    - allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;
    - uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;
    - uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible."

The proposed ASAP route was identified as the most efficient route by the work summarized in the *Stand Alone Gas Pipeline Route Alternatives Analysis* published by the State in September 2009[45]. As part of this project plan, AGDC confirmed that the routing requirements specified by House Bill 369 were addressed by the proposed route, and AGDC optimized the selected route with various alignment changes in 2011. The selected route, along with alternative routes and alignments, were also analyzed to support development of the Plan of Development (see Section 5.3) and the project description for the EIS being prepared by the USACE for the project.

The analysis of other reasonable routes for ASAP considered the following alternatives to the proposed Parks Highway route:

- **The Richardson Highway Pipeline Alternative** shares a common routing with the proposed ASAP route as far as Livengood. At Livengood, the alternative route heads southeast along the TAPS and Richardson Highway corridors to Glennallen, where it turns to the west along the Glenn Highway to connect with the existing gas distribution system at MP 39 of the Beluga Pipeline. The alternative route is 860 miles long. Also included is an approximately 9-mile-long spur connecting the main pipeline to the local distribution network in Glennallen.
- **The Parks Highway Spur Route Alternative** route assumes construction of an Alaska-Canada gas pipeline and an off-take point at Fairbanks and follows the Parks Highway to MP 39 of the Beluga Pipeline. With this spur line route, a Fairbanks Lateral line from Dunbar is not required.
- **The Richardson Highway Spur Route Alternative** route assumes construction of an Alaska-Canada gas pipeline and an off-take point at Delta Junction and follows the Richardson Highway to Glennallen heading west generally following the Glenn Highway to

[45] *Stand Alone Gas Pipeline Route Alternatives Analysis,* prepared by Michael Baker Jr., Inc. for the In-State Gas Program, State of Alaska, Office of the Governor, September 17, 2009.

MP 39 of the Beluga Pipeline. A lateral connecting the local distribution network in Glennallen would be required.

The two spur line alternatives were not pursued as part of this project plan because the timing requirement in House Bill 369 requires a plan for gas earlier than any of the Alaska-Canada pipeline projects forecast such a mainline to be available.

Substantial analysis has been applied to the relative cost-effectiveness, public benefits, and environmental impacts of pipeline route alternatives, such as the Richardson Highway route and numerous smaller pipeline segment alternatives. These analyses have been conducted by AGDC and its predecessors at DNR on the commercial side, and, with respect to environmental impacts, by the USACE and the cooperating agencies under the National Environmental Policy Act (NEPA).

5.2.1.1 Background on EIS Alternatives

As part of the EIS process, it is necessary to evaluate alternative routes and concepts. In general, three evaluation categories are relevant to the selection of alternatives for any EIS:

- Ability to meet the overall project purpose and need.
- Technical, logistical, regulatory, and economic practicability.[46]
- Significant environmental advantage over the proposed project.[47]

There are two categories of EIS alternatives: action and no-action alternatives. The defining element of all no-action alternatives is a federal decision denying the requested authorization.

For the ASAP Project, the no-action alternative includes any outcome that does not result in the grant of federal and state rights-of-way, or a USACE Clean Water Act Section 404 permit for a natural gas/NGL pipeline from the North Slope to Southcentral Alaska.

For EIS analysis, the ASAP Project no-action alternative also includes any non-project such as energy conservation, use of different renewable, nuclear or hydrocarbon energy sources, or complete system alternatives (e.g., a spur line from a large-diameter natural gas pipeline extending from the North Slope to Calgary) to meet the ASAP Project purpose and need definition. Even if these alternatives are practicable, these alternatives would still be a subset of the no-action alternative because they would not result in the grant of federal and state rights-of-way or an associated USACE Section 404 permit.

In the NEPA scoping and alternatives process, both a Richardson Highway route and other route alternatives have been considered. The USACE and cooperating agencies have made initial

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[46] In addition to being common-sense considerations, these practicability criteria are also mandatory considerations for USACE as part of its 404(b)(1) permitting analysis. See 40 CFR 230.10(a)(2).

[47] To fulfill NEPA's purposes, it is important to focus the environmental impact analysis on those alternatives that offer potentially significant environmental advantages. It is not productive to focus detailed analysis on alternatives that merely transfer impacts from one area or group of landowners to another, or that do not present probable and significant environmental advantages.

screening decisions for alternatives and are overseeing the draft EIS analysis of AGDC's proposal and a range of alternatives. Those decisions and associated analyses will be made public and subject to comment when the draft EIS is published this fall. Consequently, the NEPA process assures interested parties of an independent and fully transparent environmental analysis of the ASAP Project.

5.2.1.2 Route Alternatives

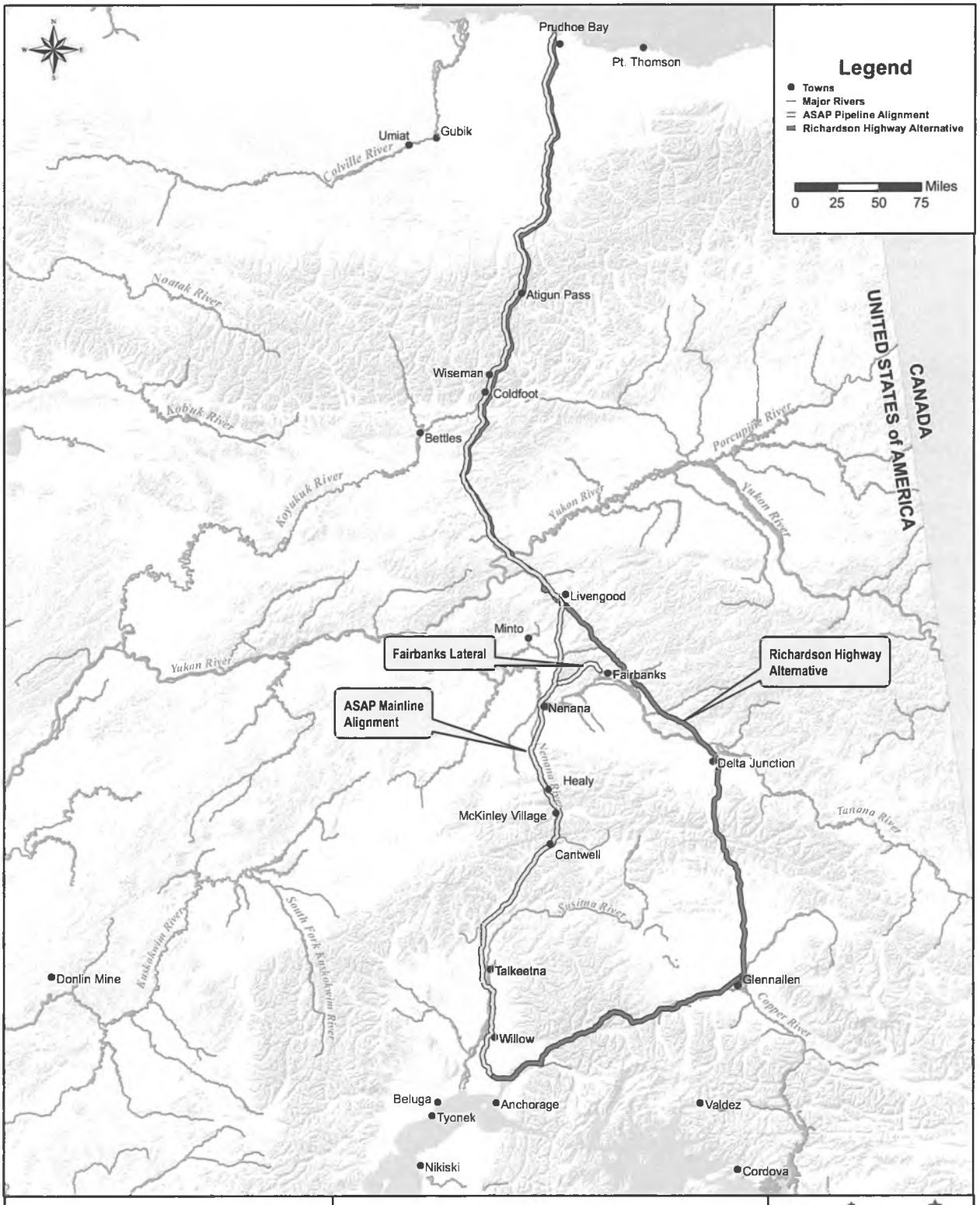
The proposed ASAP Project right-of-way and construction corridor is the most direct feasible route, maximizes use of state lands, and maximizes use of pre-existing pipeline, highway, and railway transportation corridors. As proposed, approximately 82% of the preferred route is co-located with or closely parallels existing pipeline or highway rights-of-way. This approach generally reduces environmental impacts in comparison with route variations and alternatives that are less direct (and thus longer) or that impact lands distant from existing pipeline and highway corridors.

The number of route alternatives and variations that hold the potential for significant environmental benefits over the selected route should be relatively few. The only major route alternative is the Richardson Highway route (Figure 5-1), which diverges from the proposed ASAP Project route near Livengood. Although the Richardson Highway route is a conceivable alternative, this route offers no significant environmental benefits. Both routes are identical from the North Slope to the Livengood area, and both cross similar terrain and provide similar design challenges. The Richardson Highway alternative is 15% or roughly 100 miles longer than the proposed route (845 miles long versus 737 miles). As a result, existing data indicate that the Richardson Highway alternative would impact 23% more wetland features and 35% more wetland habitat (Table 5-1).[48] Given this information and the availability of a practicable alternative impacting substantially fewer wetland acres and features, AGDC does not see a reasonable environmental justification for detailed analysis of the Richardson Highway alternative. Furthermore, this alternative would cost approximately $580 million more than the proposed route.

Table 5-1 also shows the population along both alignments based on the 2010 Census information obtained from the State of Alaska. It will be possible to serve Eielson AFB and North Pole from either the Parks or Richardson alternatives. In either case, a local distribution system would need to be developed. It must be noted that the ASAP Project Base Case design generally precludes service to the majority of the communities on either alignment because of the expensive requirement to remove NGLs from consumer gas. It is more likely the communities such as Nenana near the Straddle and Off-Take Facility or Big Lake, Houston, and Willow near the terminus would be served in the future as there would be utility-grade gas within a reasonable proximity.

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[48] See *Stand Alone Gas Pipeline Route Alternatives Analysis,* prepared by Michael Baker Jr., Inc. for the In-State Gas Program, State of Alaska, Office of the Governor, September 17, 2009, p. 4-5 (Tables 4.1 and 4.2). Notably, the Richardson Highway route alternative, in comparison to the proposed route, also impacts more or an equal amount of wetland acreage under every wetland type. While more recent analyses of wetlands along the proposed route will increase the wetland acreage figure cited, it is likely that a similar analysis of the Richardson route would also result in similarly increased wetland acreage.



Richardson Highway Alignment Alternative	Alaska Stand Alone Gas Pipeline/*ASAP*
DOCUMENT # 121283-MBJ-MAP-049	
DATE 06/06/2011	

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Figure 5-1. Richardson Highway Alignment Alternative

Table 5-1. Impact Comparison of Proposed Route and Richardson Highway Alternative

ROUTE ALTERNATIVE (FROM LIVENGOOD TO TERMINUS)	LENGTH*	COST DIFFERENCE	WETLAND ACREAGE IMPACTED	POPULATION ALONG ROUTE
Parks Highway	737 miles	–	1,288	10,844
Richardson Highway	845 miles	$580 million	1,735	7,274

*The millage for the ASAP line reflects the current length. The length of the Parks route in the 2009 alternatives analysis was 753 miles.

5.2.1.3 Minto Flats Alignment Options

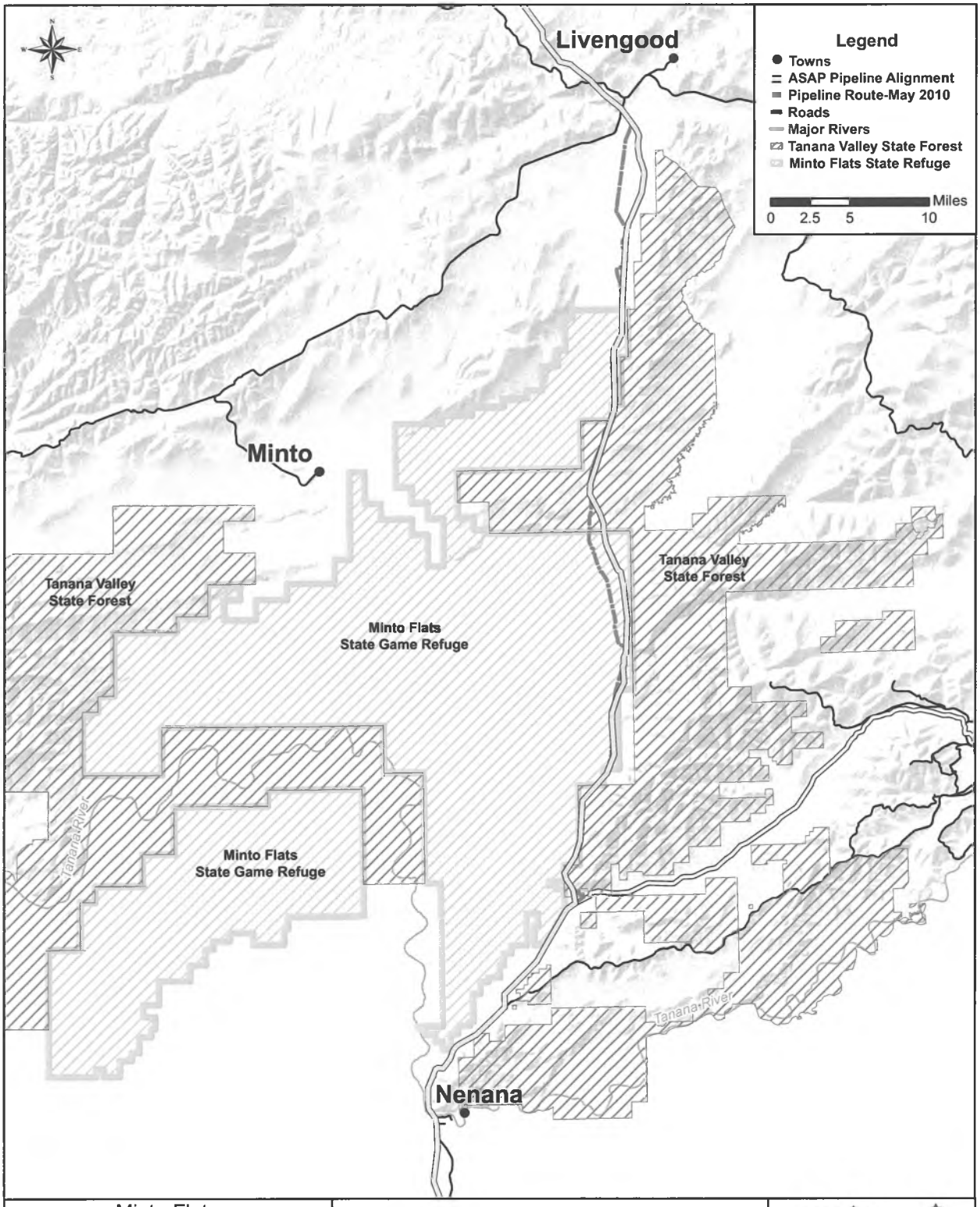
The alignment from Livengood to Nenana is the only portion of the route that does not follow existing highway or railroad corridors. It roughly follows the upland areas of the eastern boundary of the Minto Flats State Game Refuge (Figure 5-2). Several options in the Minto Flats vicinity were evaluated during the alternatives study phase. One option was to roughly follow the existing TAPS/highway alignment from Livengood to Fairbanks and then along the Parks Highway/Alaska Railroad to Nenana (see Figure 5-3). While this option avoided an area with logistical access issues, the study identified numerous conditions not conducive to pipeline construction. Unfavorable elements included constructability constraints because of unfavorable geotechnical conditions such as permafrost, as well as excessively rugged terrain throughout the route. Additionally, this option is longer, which increases cost (by approximately $240 million) and environmental impact compared to the proposed route (Table 5-2).

Furthermore, the proposed route roughly follows an existing RS 2477 trail[49] along the eastern edge of the Minto Flats. Other routes farther west would also add mileage and potentially interfere with the Minto Flats State Game Refuge. It is also likely a compressor station would have to be located in the Fairbanks area. Because the Fairbanks area is a U.S. Environmental Protection Agency (EPA) air quality non-attainment area, permitting would be more challenging.

Table 5-2. Livengood to Dunbar Route Comparison

ROUTE (LIVENGOOD TO DUNBAR)	LENGTH	NUMBER OF STREAM CROSSINGS	NUMBER OF ROAD CROSSINGS	MAXIMUM ELEVATION
ASAP Proposed Route	51 miles	32	0	600 feet
Fairbanks Route	96 miles	52	38	2,200 feet

[49] A form of traditional-use right-of-way established under Section 8 of the federal Mining Law of 1866.



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Figure 5-2. Minto Flats State Game Refuge

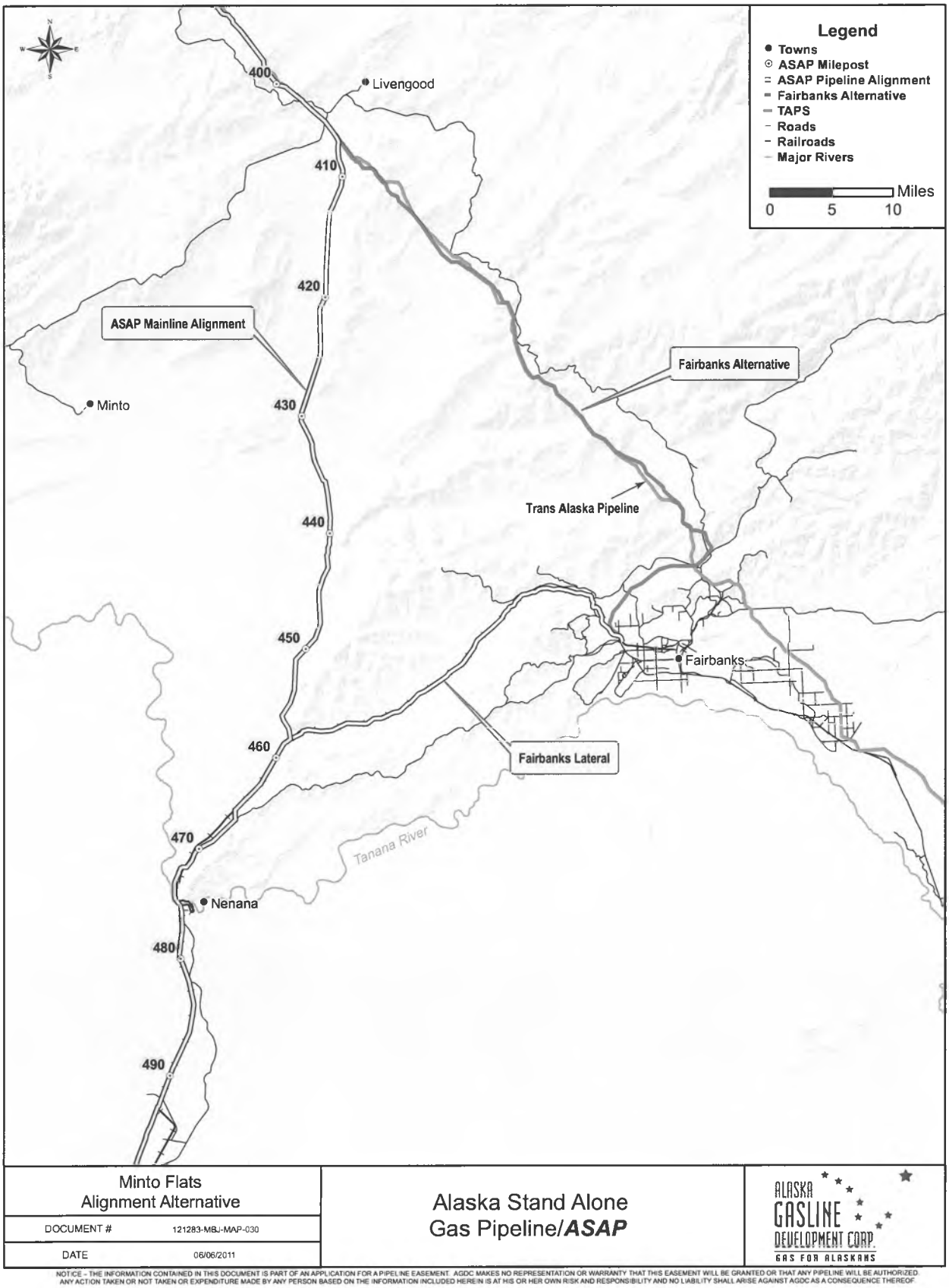


Figure 5-3. Minto Area Route Comparison

There are also significant concerns with the high-pressure portion of the pipeline being routed through Fairbanks. The route would affect several U.S. Department of Transportation designated High Consequence Areas. In addition, up to 150 schools, parks, public buildings, churches, and two known cemeteries are found along the alignment. This option would cross the most developed section of the entire ASAP line. There would be numerous conflicts with existing and future utilities, and it is likely the project would adversely affect property values and require a more expensive right-of-way. Maintenance activities could be disruptive in residential areas.

5.2.2 Discussion of Route Selection Criteria (House Bill 369)

This section discusses how the proposed ASAP route addresses the mandate in House Bill 369 AS 38.34.040 (d) that the pipeline route:

- "is economically feasible;
- makes natural gas available to residents at the lowest possible cost;
- allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;
- uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;
- uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible."

5.2.2.1 Economic Feasibility

Section 3.1 of this project plan discusses the economic feasibility of the ASAP Project.

5.2.2.2 Lowest Cost of Gas to Residents

Section 3.1 of this project plan discusses how the commercial plan for the project minimizes the cost of gas to residents.

5.2.2.3 Allowance for Connecting Lines

The only gas off-take points proposed for the ASAP Project are at Fairbanks and at the terminus of the pipeline at the Beluga Pipeline.

To reduce the overall tariff for natural gas transported via the ASAP Project, AGDC's proposal includes up to 35,000 barrels of NGLs in the gas stream from the North Slope to the pipeline terminus, where the Cook Inlet NGL Extraction Facility will be located. The NGLs in the gas stream must be removed to provide utility-grade gas for residential and most commercial purposes. The current proposal accomplishes NGL removal at this facility and at the Straddle and Off-Take Facility at the intersection of the main pipeline with the proposed Fairbanks Lateral.

Due to the need for NGL removal, it is not economical to serve the smaller areas along the pipeline route, regardless of the alignment, except via a new distribution system developed off the proposed Fairbanks Lateral. Even if the main pipeline transported only utility-grade gas, development of local distribution systems for the smaller communities and users along the pipeline would very likely be cost-prohibitive regardless of the alignment.

5.2.2.4 Use of State Land and Existing Rights-of-Way

The State Pipeline Coordinator's Office (SPCO) has processed the AGDC right-of-way application for state lands along the proposed route, in accordance with guidance in House Bill 369. The right-of-way lease was signed in late June and transfers an interest in land for 30 years, with the option for renewal.

This lease is the first non-conditional pipeline right-of-way granted by the State of Alaska for the purpose of transporting natural gas from the North Slope to market, and will likely be perceived as a significant milestone and increase project interest and confidence among potential shippers and developers.

5.2.2.5 Use of Existing Infrastructure

The Alaska Department of Transportation and Public Facilities (ADOT&PF) has actively participated in the preliminary design of the ASAP pipeline, realizing that the existing highway corridors from Prudhoe Bay to Port MacKenzie will be a prominent state asset in the eventual success of this project. During the last fiscal year, ADOT&PF has supplied information on numerous bridges along the route, reviewed typical designs for utility highway crossings, investigated material sources along the corridor, and supplied right-of-way boundaries.

AGDC has identified proximity and safety issues related to the potential hazard of routing a 2,500-psi gas pipeline through residential areas such as Fairbanks or near existing infrastructure, and mitigation measures will be developed in the next phase of work. This work could result in numerous additional High Consequence Areas – for example, areas associated with the University of Alaska at Fairbanks and with tourist accommodations and attractions. Additional design, construction, maintenance, and right-of-way costs result from these proximity issues and associated risks.

According to ADOT&PF, three highway bridges along the Parks Highway are appropriate for dual use to support the pipeline and traffic. In addition, ADOT&PF agrees that the E.L. Patton Yukon River Bridge could be modified to accommodate the proposed pipeline, and negotiations with Alyeska regarding proposed modifications are ongoing. Utility permits from ADOT&PF are the typical method of approval for use of highway bridges, and the permits are usually granted near the end of final design when detailed engineering is available.

The state right-of-way lease requires that AGDC agree to a highway use agreement with ADOT&PF that addresses use of utility permits for proximity issues, permanent access road design, public airport usage, joint-use material sites, and mutual aid agreements. The highway use agreement is required prior to construction of ASAP. AGDC and ADOT&PF are working on a

memorandum of agreement to define the beneficial working relationship between the parties to jointly use highway rights-of-way and materials, and to co-exist for the benefit of both the transportation and utility needs of Alaska.

The Alaska Railroad Corporation (ARRC) owns material sites along the Parks Highway and has indicated that the material would be available to the ASAP Project. The ARRC has also indicated that gravel haul using the rail could efficiently position materials along the pipeline route.

The Foothills West transportation corridor from the Dalton Highway to Umiat/Gubik is being developed by the State to promote oil, gas, and mining exploration through more affordable access to the resources. Initially, an all-season road is envisioned to provide access; if exploration is successful, additional infrastructure may include spur roads, pipelines, pump stations, or other facilities. AGDC has been coordinating with this project as there is a future potential natural gas supply from the Umiat/Gubik gas field the Foothills West project would access. Currently, the preferred road alignment intersects the Dalton Highway just south of Toolik Lake, at approximately MP 140 of the ASAP pipeline.

5.3 PLAN OF DEVELOPMENT FOR PROPOSED PROJECT

AGDC prepared a Plan of Development (POD) to support project planning and development of the ASAP. The POD was developed as a single document to provide detailed information to support regulatory processes, permit applications, and preparation of required NEPA documents. The POD was submitted with the following applications:

- U.S. Bureau of Land Management (BLM) Application for Federal Grant of Right-of-Way.
- State of Alaska Application for Pipeline Right-of-Way Lease.
- Draft USACE Section 404 Permit Application.

The POD, which was submitted as the basis for development of the project EIS, provides the following detailed information to support regulatory processes, permit applications, and preparation of required NEPA documents. The POD[50] addresses the following topics:

- Purpose and need for the project.
- A general project description.
- Descriptions of facilities.
- Permits required.
- Construction methods:
    - How construction will be carried out, including pre-construction activities, pipeline preparation, installation, special design areas (e.g., Atigun Pass).
    - Special construction areas (e.g., road, railroad, and utility crossings).
    - Pipe installation methods at waterbody crossings (rivers and wetlands).
    - Installation of mainline block valves.

[50] See http://www.asapeis.com/ProjectDocuments.aspx.

- Natural resources within the project area and how they are likely to be affected by the project.
- Measures to be taken to stabilize and rehabilitate the project area after construction is completed.
- Operation and maintenance.
- Pipeline termination and restoration methods.

By providing a detailed project description in a single document, AGDC eliminated the risk that project details developed to respond to various permit applications or agency requests for additional information (RFAI) will provide conflicting or outdated information, and assures the reader that the information provided is accurate as of the date of publication.

Revision 0 of the Plan of Development (POD) was published in August 2010 after the Base Case for analysis was selected. Revision 1 of the POD was published in March 2011 to provide additional and updated information, to optimize revisions to the ASAP alignment, to organize the document in a more logical manner, and to respond to comments from various regulatory agencies including the Alaska Department of Fish and Game (ADF&G), BLM, EPA, the National Park Service, SPCO, and USACE.

Revision 1 of the POD contains changes in the following sections:

- **Section 1.0, Purpose and Need:** Revised to provide a more concise statement of the purpose of the ASAP and clearly identify the needs the ASAP would fulfill. Additional background information and expected public benefits were included.
- **Section 2.0, Project Description:** Additional information was included, particularly more comprehensive descriptions of major facilities and a list of construction support facilities. Major changes to the ASAP design included ASAP alignment refinements based upon summer 2010 field studies and reduction of proposed compressor stations from 11 to two.
- **Section 4.0, Facility Design Factors:** Updated with additional information about anticipated operating temperatures and how existing subsurface thermal regimes would be maintained with a buried pipeline.
- **Section 6.0, Government Agency Involvement**: Edited to provide additional information about federally recognized tribes along the route.
- **Section 7.0, Project Construction:** Revised to include additional details about the proposed construction:
    - Development of construction plans and standards.
    - Construction labor requirements.
    - Construction support facilities including personnel housing and support; temporary land use (i.e., storage and laydown yards); health, safety, and emergency response facilities; construction workpads; and material transportation.
    - Details about major facilities including a construction timeline and what facilities would be co-located.
    - Discussion of pre-construction activities to include material sites, water sources, and land temporarily needed for construction activities.
    - Additional information regarding construction techniques.

  - Discussion of waste management.
- **Section 8.0, Resource Values and Environmental Concerns:** Updated based upon the summer 2010 field study results. Mitigation measures were provided to address potential impacts to resources.
- **Section 9.0, Stabilization and Rehabilitation:** Additional information included addressing ditch stabilization, erosion control, and control of non-native invasive plants.
- **Section 10.0, Operation and Maintenance:** Revised to include a list of items and situations to be addressed in an operations and maintenance plan and provided detailed information on pipeline inspection and testing, safety, work schedules, and contingency planning.
- **Section 11.0, Termination and Restoration:** Largely unchanged. It is expected that upon reaching the end of its useful life, the ASAP will be decommissioned in accordance with regulations in place at the time.
- **Attachments:** Revised to provide the most updated information regarding engineering details, land ownership, routing, stream crossings and proposed crossing techniques, access roads, material sites, and sensitive areas and habitats.

The revised POD reflects the optimized design for FEL 1 and addresses routing issues such as the following:

- Avoiding or reducing wetland and aquatic impacts.
- Avoiding cultural sites.
- Avoiding or reducing impacts to sensitive animal or plant habitats.
- Avoiding interference with existing facilities or uses.
- Avoiding over-crowding in existing rights-of-way.
- Responding to landowner requests.
- Improving constructability on severe slopes or in other areas where slope or soil stability is of concern.

It is anticipated that future revisions to the POD will result as engineering continues and the design and construction plan are optimized.

5.4 CONSTRUCTION PLAN/LOGISTICS PLAN

5.4.1 Pipeline Construction Plan

As part of the pipeline cost estimate study completed in July 2010, a preliminary pipeline construction plan was developed using conceptual engineering and route planning strategies. This plan was a key element in the development of the EIS planning efforts and the pipeline cost estimate reports. The July 2010 plan has been updated using the results of the cost optimization efforts, as well as the summer 2010 engineering reconnaissance field work. In addition, a preliminary logistics plan has been combined with the construction plan to consolidate and better capture the connected activities.

Following is a summary of the engineering refinements accomplished as part of this project plan:

- **Construction Season:** Adjustments were made to construction seasons as necessary to each construction spread and section (sub-spread). These changes will be reflected in the overall project construction schedule.
- **Pipe Costs:** Pipe costs were updated to reflect the 0.595-inch thickness required for line pipe. All pipeline costs were updated to reflect a 3% cost escalation.
- **Manpower Schedule:** The summary manpower schedule, derived from the detailed manpower schedule, was refined.
- **Logistics Plan and Estimate:** Likely supply-chain systems and routes have been refined. Logistical study and review elements included ports, railroad, roads, bridge capacities, airports, and transport vehicles. Cost estimates to transport materials between port(s) and laydown yards have been developed. Coordination with the Prudhoe Bay West Dock users provided a detailed understanding of the technical and regulatory constraints of using this facility for module delivery.
- **Construction Camps:** The major elements of construction camps — including size, ability and timing to mobilize/demobilize, personnel requirements to service camps, and associated infrastructure requirements (e.g., water, wastewater, solid waste) — have been reviewed and refined.
- **General and Special Pipeline Construction Procedures:** Updated written descriptions, procedures, and sketches of standard pipeline construction have been prepared. The linear construction sequence typically includes the following steps:
    - Survey and staking of the right-of-way.
    - Clearing and grading.
    - Trenching.
    - Pipe stringing, bending, and welding.
    - Lowering the pipeline into the trench.
    - Backfilling the trench.
    - Hydrostatic testing.
    - Cleanup and restoration.

  Updated written descriptions, procedures, and sketches have been prepared for special construction techniques, such as horizontal directional drilling, horizontal boring, wet/dry open cut, and push/pull. Special techniques will be used when constructing the pipeline across roads, highways, railroads, rugged topography, water bodies, wetlands, and residential areas; when blasting through rock; and when working adjacent to existing easements.
- **Wetland and Water Body Procedures:** Wetland and waterbody construction and mitigation procedures have been developed to cover the following:
    - Supervision and inspection.
    - Preconstruction planning, which includes agency coordination, and identification of special spill prevention, containment, and countermeasure requirements.
    - Notification procedures and permits.
    - Installation requirements.
    - Restoration requirements.
    - Post-construction activities such as monitoring, maintenance, and reporting.

- **Aboveground Facility Construction Procedures:** Written descriptions, procedures, and sketches of aboveground facilities including compressor stations, block valves, launcher receivers, and meters have been prepared, including site preparation and installation of aboveground piping, compressors, and buildings.

5.4.2 Construction Milestone Schedule

The overall project construction milestone schedule was updated and combined with the facility schedule (Figure 5-4 contains a simplified construction milestone schedule). The project sequencing of engineering, long-lead materials, North Slope gravel, foundations, and infrastructure, along with module fabrication and installation and start-up, has been reviewed against other historical information on large projects for verification of the facility durations. North Slope facility start-up is assumed to be June of the year following the last sealift.

5.5 SUMMARY OF COMPLETED ENGINEERING WORK

This section covers the following preliminary engineering work completed since July 2010:

- Pipeline alignment investigation.
- Pipeline diameter optimization.
- Studies of special design areas (SDA).
- Project Geographic Information System (GIS) and alignment sheets.
- Project capital cost estimates.

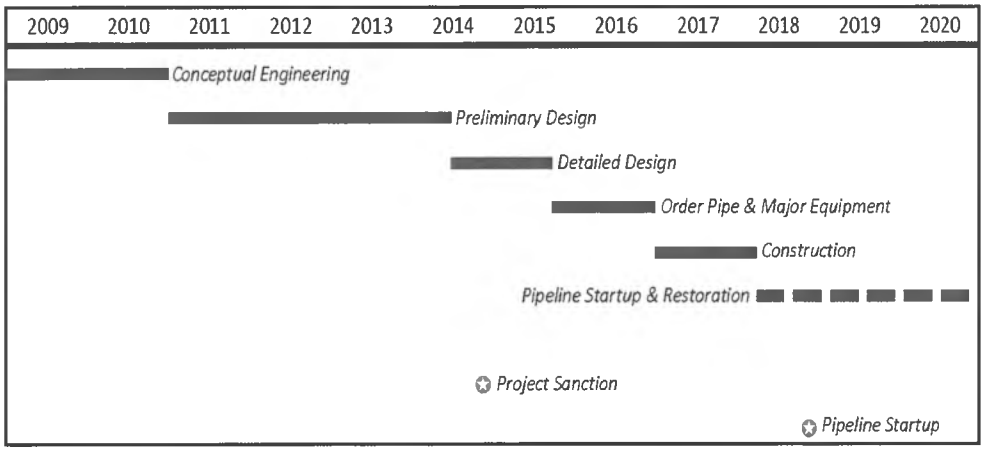


Figure 5-4. Simplified Construction Milestone Schedule

5.5.1 Pipeline Alignment Investigation

To validate assumptions made in the July 2010 Construction Plan, a field reconnaissance of the alignment was completed in August and September of 2010. The investigation led to updates in the project geodatabase and resulted in 27 changes to the pipeline alignment. The changes included minor revisions to the alignment geometry and refinements to road, stream, and foreign pipeline crossings. Changes to the geodatabase also included stream bank-full width, active channel width, verified crossing method, noted streambed material, water depth (shallow streams only), associated wetlands, buoyancy control needs, and streamside vegetation. Minor alignment changes were made to avoid interference with structural features (such as buildings, fiber optic cable, culverts, etc.) or physical features (lakes, hills, etc.) and to straighten the alignment (Table 5-3). At several locations, short sections of the alignment moved several hundred feet.

Table 5-3. Summary of 2011 Alignment Changes

LOCATION	MILEPOST RANGE	PURPOSE
1	19-20	The alignment was moved to the east approximately 185 feet to remove the alignment from the lake present at this location.
2	39-40	To move alignment to the west side of a TAPS block valve. The alignment was moved from between the TAPS block valve and the Dalton Highway (field personnel determined that there is not enough room) to 50 feet behind the TAPS block valve.
3	53.5	To move alignment to the west side of a TAPS cathodic protection shack. The alignment was moved from between the TAPS cathodic protection shack and the Dalton Highway (field personnel determined that there is not enough room) to 50 feet behind the TAPS cathodic protection shack.
4	75.75	To move alignment away from a fiber optic line access point. The alignment was adjusted 20 feet to the east to move the alignment away from a fiber optic access point. The location of this realignment is approximately 1 mile south of the Ice Cut Hill.
5	76.5	To move alignment in line with the Dalton Highway. The alignment was straightened and moved approximately 25 feet closer to the Dalton Highway.
6	80.25	To move alignment away from a TAPS block valve. The field personnel determined that the alignment was too close to a TAPS block valve so the alignment was moved 45 to the west.
7	94	To address a major road crossing that is not at right angles. The road crossing was realigned to cross the road at right angles in accordance with the design basis report. The turns have been addressed to remove any angles in the alignment greater than 60 degrees.
8	116	To cross both the Dalton Highway and TAPS with a single bore crossing instead of two. The field personnel determined that enough room is available to make the turn after the crossing; this change should save time and money.
9	182-183	To realign the pipeline over Chandalar Shelf. The pipeline was realigned at the bottom of the hill and to adjust the alignment to suit the hillside.
10	199	To realign the pipeline closer to the road. Field personnel determined that the alignment was crossing through a material site and traversing a steep side hill. The alignment is proposed to be moved closer to the Dalton Highway (approximately 50 feet from the highway toe of slope).
11	217-219	To remove two Dalton Highway (bore) road crossings. Field personnel determined that the alignment could remain on the east side of the Dalton Highway instead of crossing the road then back again.
12	252	To realign the pipeline closer to the Dalton Highway. Field personnel determined Rosie Creek could be crossed with only a slight adjustment to the alignment to cross at right angles. A slight realignment is necessary to address a groundwater monitoring station on the north bank of Rosie Creek.

Table 5-3 (Cont'd). Summary of 2011 Alignment Changes

LOCATION	MILEPOST RANGE	PURPOSE
13	266-267	To realign the pipeline to avoid two Dalton Highway (bore) road crossings. Field personnel determined that the alignment could stay on the east side of the road in this area.
14	271.75	To realign the pipeline to avoid a rest stop area at Grayling Lake. Field personnel determined that the alignment would cross a rest stop area with facilities. The Dalton Highway crossing was moved south approximately 700 feet to avoid this rest area.
15	317	To realign the pipeline to cross both the Dalton Highway and TAPS in one crossing instead of two. Field personnel determined that crossing both features at one location would be a more efficient approach.
16	321-322	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_238) could be crossed at right angles while staying close to the highway. The stream crossing was not large enough to warrant a larger offset.
17	324	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_240) could be crossed at right angles while staying close to the highway. The stream crossing was not large enough to warrant a larger offset.
18	324.5	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_242) could be crossed at right angles while staying close to the highway. The stream crossing was not large enough to warrant a larger offset.
19	327	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_244) could be crossed at right angles while staying close to the highway. The stream crossing was not large enough to warrant a larger offset.
20	334.5	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_252) could be crossed at right angles while staying close to the highway. The stream crossing was not large enough to warrant a larger offset.
21	350-351	To realign the pipeline to remove two Dalton Highway (bore) crossings. Field personnel determined that the pipeline could stay on the east side of the Dalton Highway instead of crossing to the west side for 1.43 miles then crossing back. Soil stability is an issue in this area on both sides of the highway. The alignment also was adjusted just north to address a TAPS crossing.
22	354	To realign the pipeline closer to the Dalton Highway. Field personnel determined the stream crossing at this location (ST_261) could be crossed at right angles and stay close to the highway. The stream crossing was not large enough to warrant a larger offset.
23	167	The alignment change allows for a more direct, perpendicular crossing of the Atigun River, which more closely follows the route specifications outlined in the Design Basis.
24	173.5	A section of this segment was re-aligned to avoid a water retention pond and a stream. The alignment change provides a more efficient route through the Atigun Pass area. During the field visit, it was determined that one Point of Inflexion at the bottom of Atigun Pass hill (north side) would be sufficient as opposed to the original. Alignment revisions also avoid culvert outflow areas, thus minimizing the potential for negative drainage impacts.
25	175	The alignment change in this area presents a more efficient route through this section of Atigun Pass. The revision keeps the alignment on the south side of the Dalton Highway, avoiding an existing fiber optic line that runs along the rain ditch on the north side of the highway and reduces the magnitude of design and construction efforts associated with installing a retaining wall along the highway. This revision also circumvents the need for two crossings of the Dalton Highway.
26	361.5	The purpose for this area of study is to realign the pipeline on the north bank of the Yukon River. The preliminary alignment design called for a bridge crossing at the Yukon River.
27	362.5	The purpose for this area of study is to realign the pipeline on the south bank of the Yukon River. Field personnel determined the alignment should be changed to better suit ground conditions and run down slope and a more direct angle to the fall line.

5.5.2 Pipeline Diameter Optimization

Earlier work centered on providing a range of gas volumes — from 250 MMscfd to 1,000 MMscfd — leaving the North Slope of Alaska for deliveries at Fairbanks and the Cook Inlet area. The primary focus was then narrowed to transporting up to 500 MMscfd of enriched natural gas from the North Slope during the winter.

A pipeline hydraulic model was built to determine the best combination of compressor stations and pipeline diameter at the 500 MMscfd flow rate to carry forward to the next level of engineering design. Results from the hydraulic modeling were used to determine the number and location of compressor stations for various pipeline diameters. Using this information, a cost optimization was done based upon historic metrics for pipeline and compressor station costs and an approximation for operating costs.

A second case was considered with about 300 MMscfd of dry gas leaving the North Slope. Besides the number of compressor stations and pipeline diameter, two different maximum operating pressures were considered, 2,500 and 2,180 psi. The cost optimization results indicated that the 18-inch and 20-inch diameter cases at both operating pressures resulted in very close to the same results.

Considering the present early stage of engineering and commercial development for transporting 500 MMscfd of enriched natural gas, additional review is necessary to improve the operating cost estimate and address the reliability impact of the remote compressor stations. Reliability is especially important considering the winter dependence local communities may have on the utility gas supply in the future with this project.

It is also important to consider how much flexibility should be allowed to address the possibility of future increases to the flow rates. Although the project is limited to 500 MMscfd due to limitations in the language of the Alaska Gasline Inducement Act (AGIA), the flow rate could be expanded to 1 billion scfd with the addition of more compressors with the 24-inch-diameter project. A smaller-diameter line could not be expanded as easily.

Based on the above factors, the project is proceeding with the 24-inch-diameter pipeline. If the future open season does not result in a fully subscribed 500 MMscfd project, the diameter may need to be reduced.

5.5.3 Studies of Special Design Areas

Similar to other linear projects such as roads and railroads, pipeline construction generally implements a select number of typical design solutions over the length of an identified alignment, requiring only minor, site-specific adjustments over the length of the project. Given the 737-mile ASAP alignment, it is inevitable that the need to vary from typical design solutions will occur.

The term "special design areas" (SDA) refers to identified locations along the ASAP alignment where departure from standard design solutions is necessary, or the construction of selected design solutions, typical or otherwise, will vary from the normal rhythm of pipeline construction.

An SDA can be characterized as a pinch point created by terrain and existing infrastructure unrelated to the pipeline system or an area where pipeline construction is significantly more complex than elsewhere along the alignment. In all cases, detailed site investigations and in-depth analysis must be conducted to define the appropriate design.

Route planning and field reconnaissance efforts have identified five SDAs along the ASAP alignment (Figure 5-5):

- Atigun Pass.
- ADOT&PF Bridges at Hurricane Gulch, Little Coal Creek, and the Chulitna River.
- Denali National Park and Preserve Vicinity.
- Yukon River Crossing.
- Tanana River Crossing at Nenana.

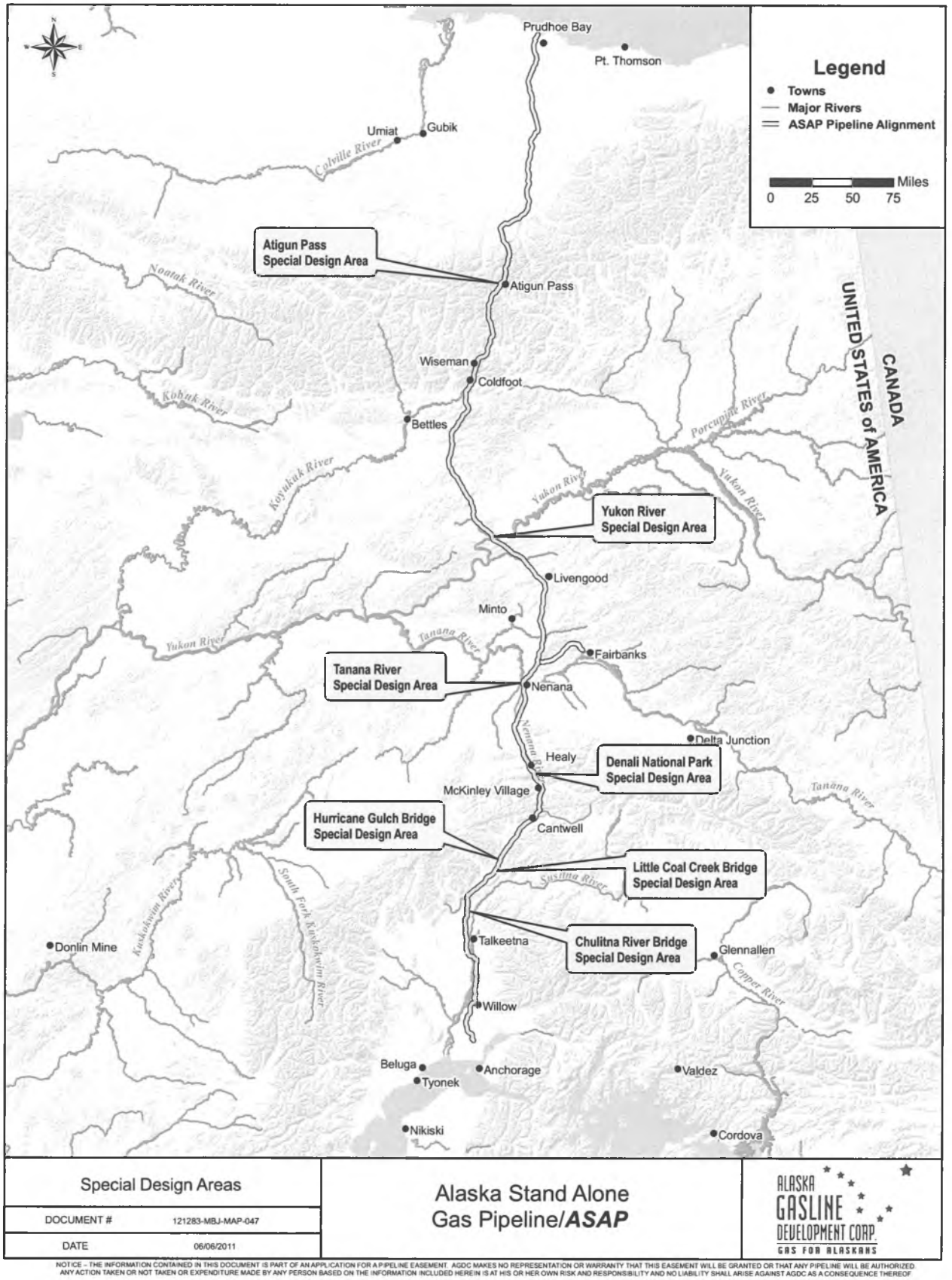
Design options developed for each SDA are discussed below. These designs were developed in more detail than the rest of the pipeline because of the cost risks of building a pipeline in these areas. Additional design work was required to verify earlier assumptions for building the pipeline in these areas.

5.5.3.1 Atigun Pass

The ASAP Project alignment between MP 173 and 183 is near Atigun Pass in the Brooks Range (Figure 5-6). This location is considered an SDA due to the physical and environmental challenges in the area. The alignment traverses, and is surrounded by, steep slopes and rocky soils, and this portion of the pipeline is located at a pinch point between the Trans Alaska Pipeline System (TAPS) and the Dalton Highway. In general, the Dalton Highway will provide access to the area, with access roads and work pads providing access within the right-of-way. Given the severity of the terrain and remoteness of the SDA, transporting bulk materials and other heavy construction materials may be challenging.

Existing conditions, including geotechnical information and land status, were investigated, and crossing requirements at streams and roads were analyzed. Typical sections were developed for pipeline construction both adjacent to and away from the Dalton Highway. Route challenges, including steep cross-slopes, a narrow corridor, and other geotechnical and climatic considerations, were investigated. Construction considerations such as access roads, traffic control, construction seasons, staging areas, and public involvement were also evaluated.

This analysis shows that constructing the pipeline through the Atigun Pass SDA appears feasible and did not materially affect the overall pipeline cost estimate. Additional geotechnical, survey, and hydrological analyses are needed to continue design development to address the challenges in this area.



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Figure 5-5. Location of Special Design Areas

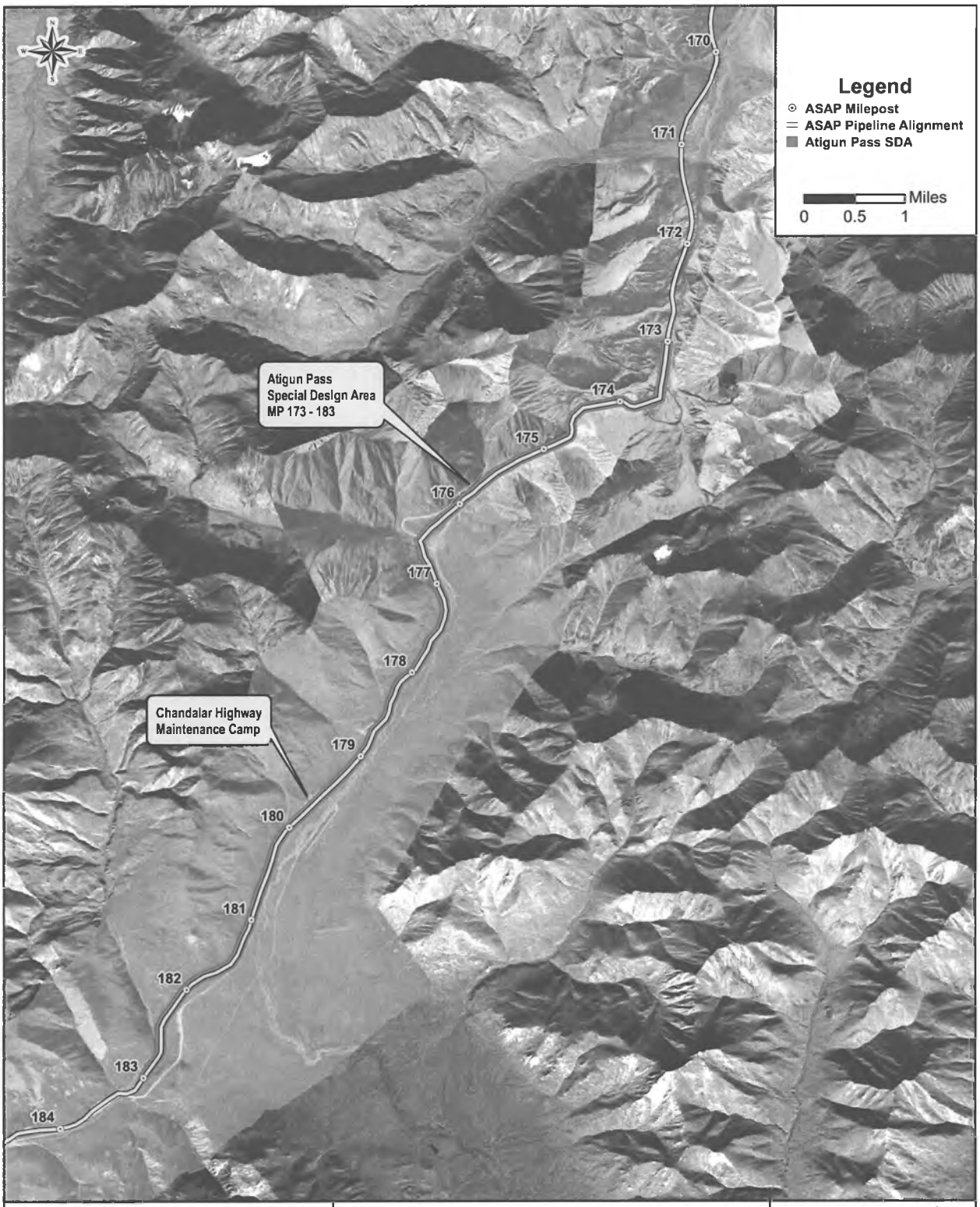


Figure 5-6. Atigun Pass SDA Vicinity Map

5.5.3.2 Alaska Department of Transportation & Public Facilities (ADOT&PF) Bridges

Along its 737-mile route from the North Slope to Southcentral Alaska, the ASAP Project crosses many rivers and streams. Four options were considered for crossing the major rivers:

- A new pipeline bridge.
- Trenchless technology, specifically horizontal directional drilling (HDD).
- Existing Alaska Railroad bridges.
- Existing highway bridges.

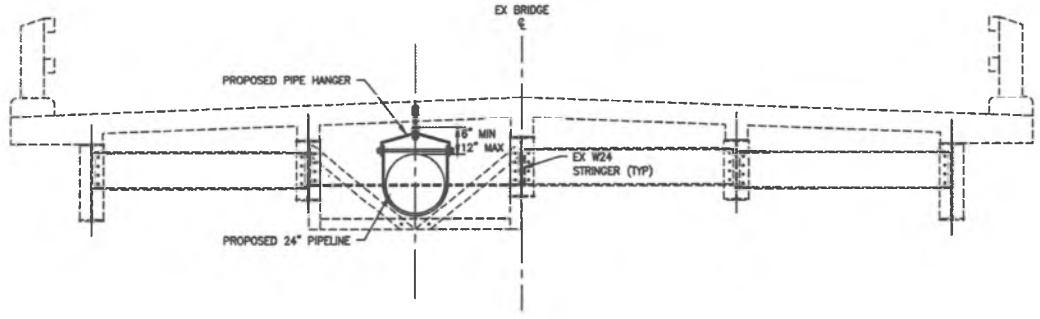
Using existing highway structures is the preferred option. ADOT&PF, the owner of the highway bridges, indicated that placing ASAP on the Hurricane Gulch, Little Coal Creek, and Chulitna River Bridges is acceptable in concept. These bridges were the subject of the SDA study.

Existing bridge information and data were analyzed and used to develop concept designs. The feasibility of each crossing was evaluated, and special considerations for each were identified. Construction considerations such as access, traffic, temporary bridges, construction seasons, and staging areas were also evaluated.

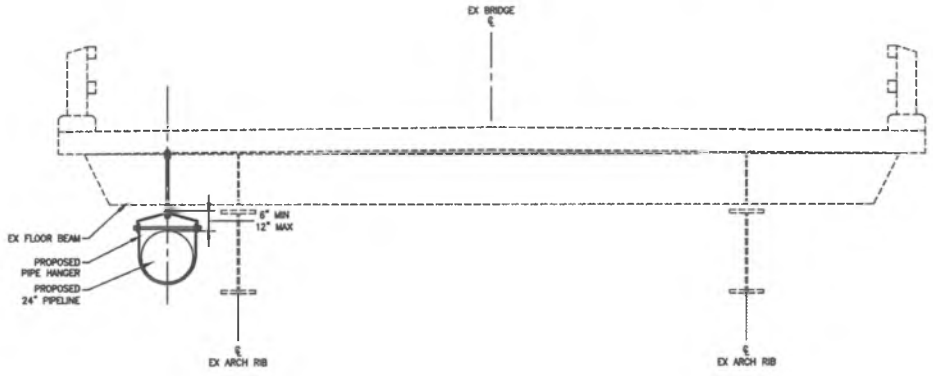
The concept design uses adjustable-clevis pipe-hanger assemblies to suspend the pipeline from the bridge superstructure. Each pipe-hanger assembly will be located according to the type of bridge, available working room, and ADOT&PF recommendations. Conceptual drawings prepared for each bridge show the proposed pipe location, profile, and details (Figure 5-7).

The concept analyses indicate that attaching the ASAP mainline to the Hurricane Gulch, Little Coal Creek, and Chulitna River Bridges appears feasible and generally acceptable to ADOT&PF. The concepts are constructible and can be accomplished with minimal impacts to the travelling public. Further design analysis and refinement of the concepts are recommended, as are additional survey and agency coordination.

Hurricane Gulch Bridge



Little Coal Creek Bridge



Chulitna River Bridge

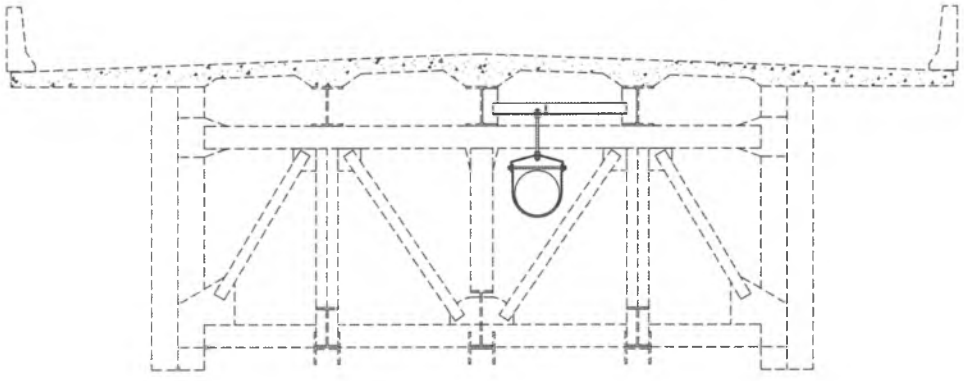


Figure 5-7. Concepts for Crossing ADOT&PF Bridges

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5.5.3.3 Denali National Park and Preserve Vicinity

The ASAP alignment between MP 533 and 555 is located near Denali National Park and Preserve (Figure 5-8). This location is considered an SDA due to the sensitivity of working near the park and because of other physical and environmental challenges in the area. The Denali National Park and Preserve SDA begins at MP 533.4, approximately 5 miles south of Healy, and continues along the Parks Highway to the south end of the commercial area known as "Glitter Gulch" just north of the park entrance near pipeline MP 539. Three alignment options were considered: Option 1 (the proposed route) is an open trench option and Option 2 is a horizontal directional drilled (HDD) option; both are located east of the Denali National Park and Preserve boundary. Option 3 follows the Parks Highway through Denali National Park and Preserve.

Existing conditions including geotechnical information and land status were investigated, and crossing requirements at streams, roads, and the Alaska Railroad were analyzed. Typical sections were developed for pipeline construction adjacent to and away from the Parks Highway. Route challenges, including steep cross-slopes, the Glitter Gulch area, and the feasibility of an HDD near MP 539, were investigated. In addition, typical section options were developed for the Nenana Canyon area. Construction considerations such as access roads, traffic control, construction seasons, staging areas, and public involvement were also evaluated.

Descriptions of the alignment options are provided below:

- **Option 1:** This option is the proposed route, and the entire alignment is located outside of Denali National Park and Preserve. It is constructed using typical open-trench construction techniques.
- **Option 2:** This alignment option is identical to Option 1, except from MP 539 to 540, where it shifts slightly to accommodate the HDD. The entire alignment is located outside of Denali National Park and Preserve.
- **Option 3.** This option is identical to Options 1 and 2 from MP 534 to 539. From MP 539 to 555, Option 3 is located within Denali National Park and Preserve.

Alignment Options 1 and 2, which avoid Denali National Park and Preserve, are feasible and recommended for further consideration. Alignment Option 3 is partially located within the park. Currently, federal laws would not allow construction of this route variation within Denali National Park and Preserve. Federal legislation that would allow the route variation has been introduced by the Alaska Congressional delegation, and is currently being reviewed by the U.S. Congress. Under the legislation, the National Park Service would be able to authorize a right-of-way for the route or mode which would result in the fewest or least severe adverse impacts on the area.

Recommendations for additional analysis within this SDA include a geotechnical field investigation, a design-level topographic survey, continued hydrology and hydraulic investigations, and continued coordination with ADOT&PF.

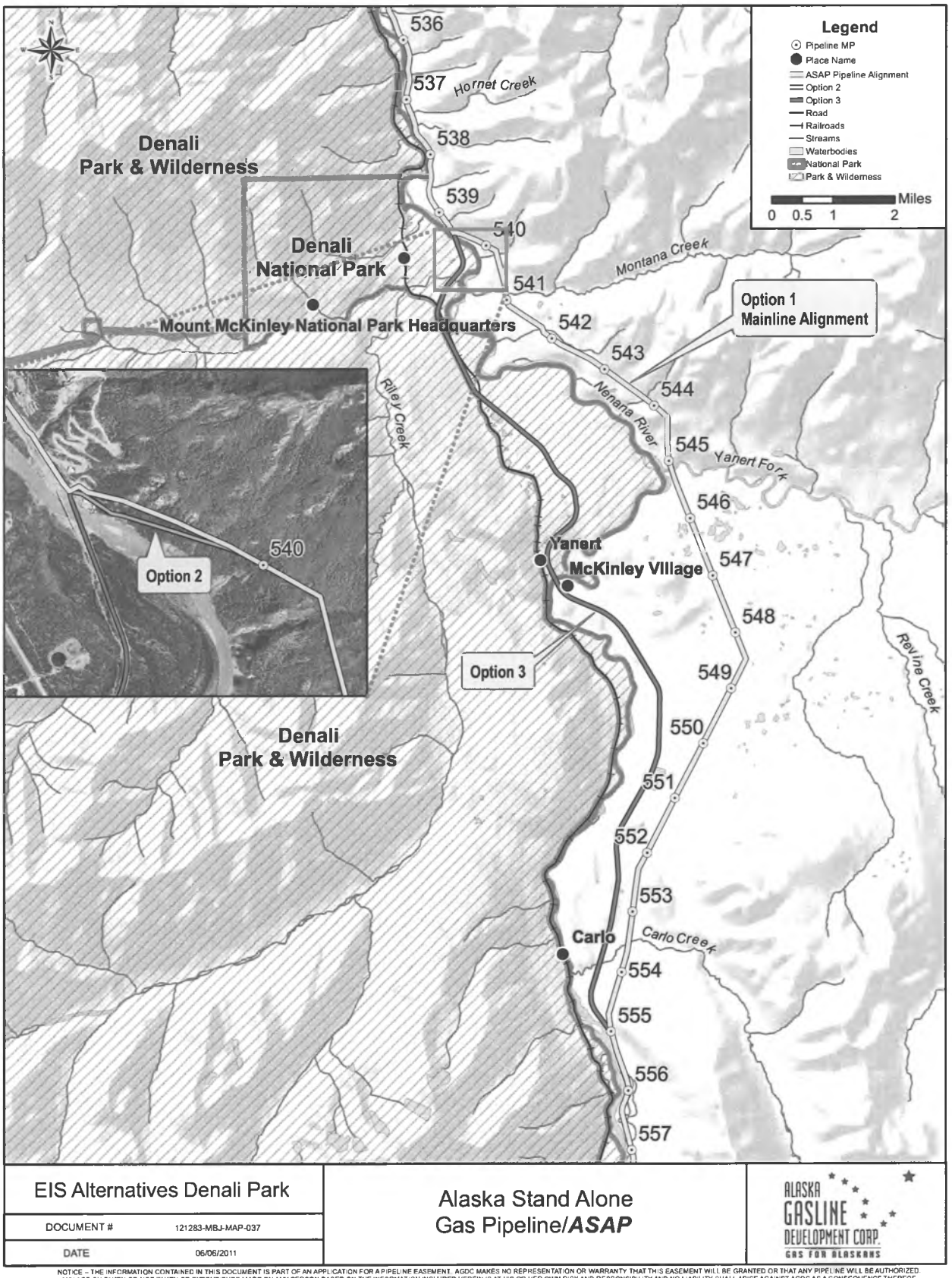


Figure 5-8. Options for Denali National Park and Preserve

5.5.3.4 Yukon River Crossing

The Yukon River is located near MP 361 of the alignment. This area is considered an SDA due to the challenges of crossing the river, which is approximately 2,200 feet wide at the crossing.

Three crossing options were investigated (Figure 5-9). Option 1 constructs a new pipeline suspension bridge, while Option 2 crosses the river using horizontal directional drilling (HDD) and Option 3 places the pipeline on the existing E.L. Patton Yukon River Bridge. Options 1 and 2 fall on the same alignment and are located approximately 0.6 miles downstream (west) of the existing highway bridge. Option 1, the new pipeline suspension bridge, is the preferred option at this time. Figure 5-10 shows conceptual views of Options 1 and 3.

Existing conditions, including geotechnical information, hydraulic information, and land status, were investigated. The feasibility of each option was evaluated, and special considerations for each were identified. In addition, the roles and responsibilities of the E.L. Patton Yukon River Bridge stakeholders were investigated. Construction considerations such as access roads, construction seasons, and staging areas were also evaluated.

Preliminary analysis suggests constructing a pipeline across the Yukon River is feasible, though topography, geology, and hydrology present challenges. Because sufficient information is not available to recommend a single option, all three options are recommended for further consideration. Additional structural, geotechnical, survey, and hydrology analyses, as well as agency coordination, are needed before the feasibility and advantages of specific options can be determined.

The default assumed crossing method for purposes of EIS analysis and cost estimating is the new suspension bridge. The cost estimates for the options are shown in Table 5-4, along with a comparison of other aspects of the options.

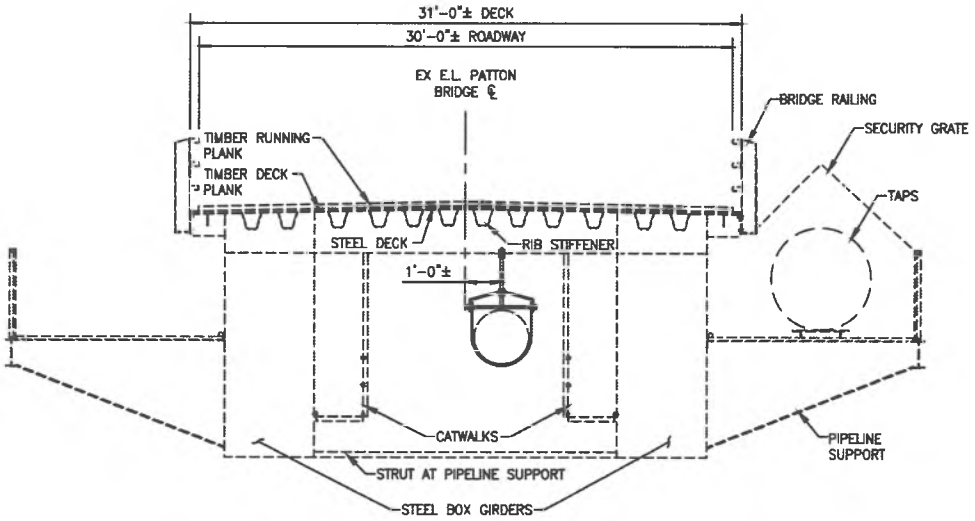
Table 5-4. Comparison of Yukon River Crossing Options

DESCRIPTION	OPTION 1: NEW PIPELINE SUSPENSION BRIDGE	OPTION 2: HDD	OPTION 3: PIPELINE ON EXISTING E.L. PATTON BRIDGE
Feasible	Yes	Unknown	Yes
Cost Estimate	$41 to $88 million	$4 to $10 million	$3 to $8 million
Length (miles)	1.9	1.9	2.4
Land Status (miles)			
Federal	0.1	0.1	0
ADOT&PF	0	0	2.0
Other State	1.6	1.6	0
Additional Field Work Required	Yes	Yes	No
Navigability Permit Required	Yes	No	Yes
Stakeholder Concerns	No	No	Yes



Figure 5-9. Yukon River Crossing Options

E.L. Patton Bridge



Pipeline Suspension Bridge

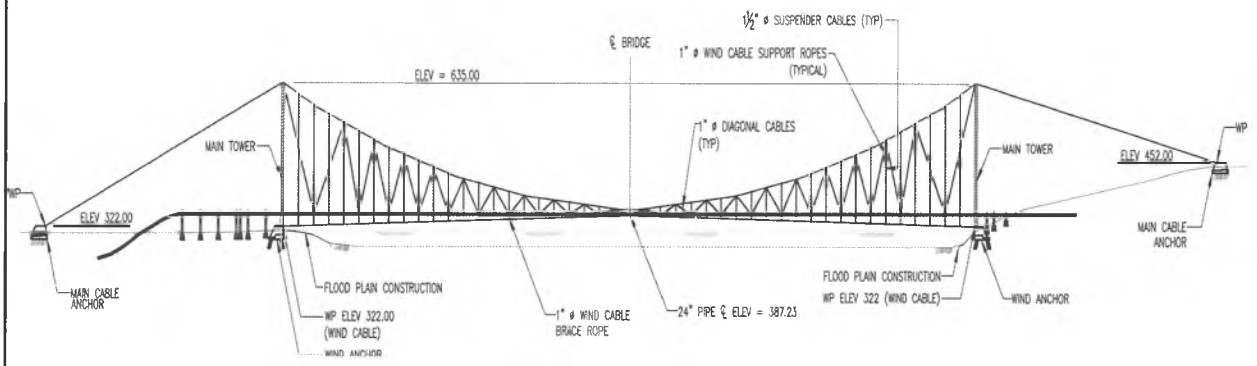


Figure 5-10. Conceptual Drawings of Bridge Options for Yukon River Crossing

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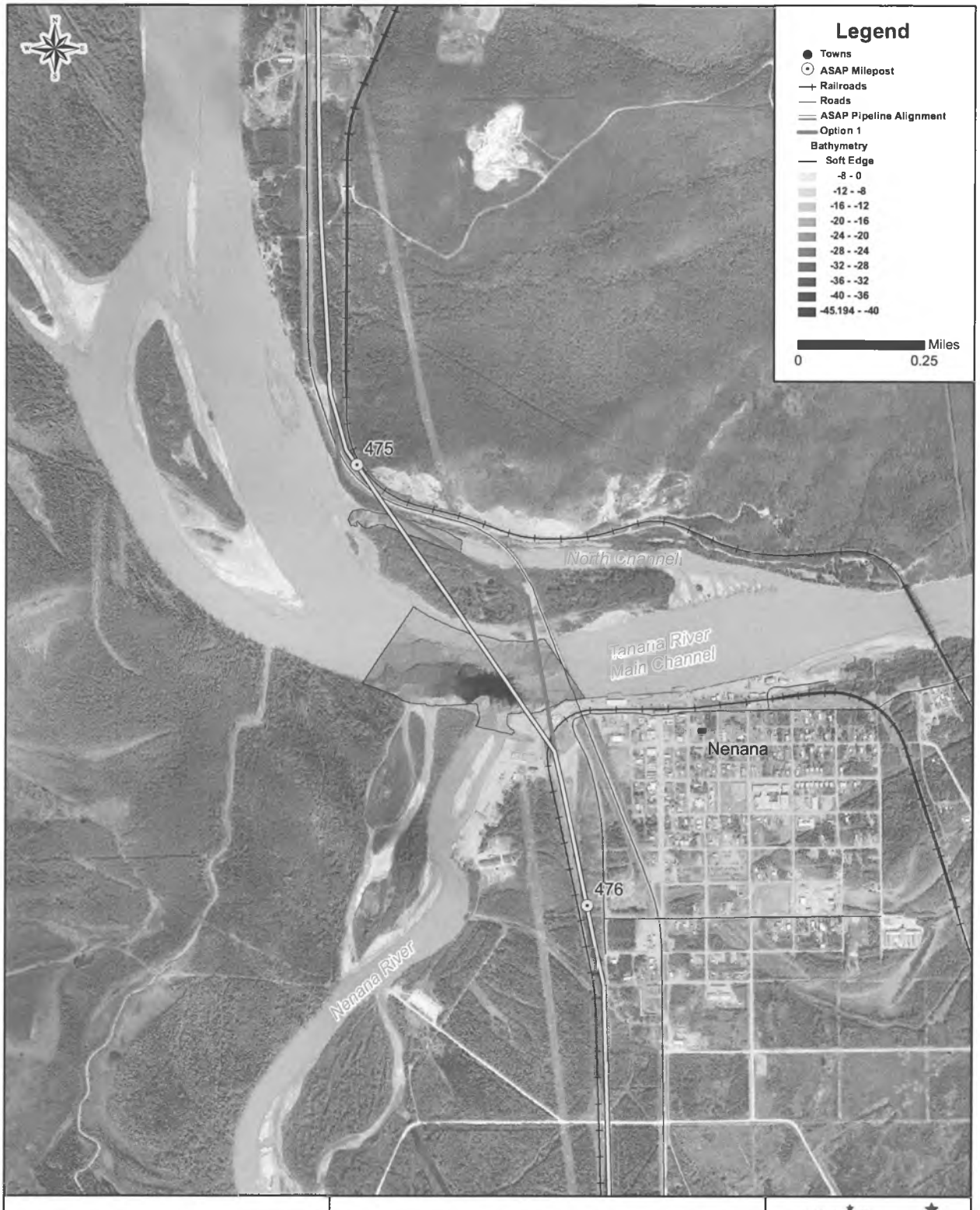
5.5.3.5 *Tanana River Crossing at Nenana*

The Tanana River is located near MP 476 of the ASAP route. This portion of the project is considered an SDA due to the combined challenge of crossing the Tanana River and a pinch point north of the river caused by terrain constraints and existing infrastructure. A trenchless installation (HDD) method has been selected as the preferred option for the crossing. An HDD bore would extend approximately 4,000 feet, beginning between the Parks Highway and railroad embankment on the north side of the river and ending between the railroad and highway on the south side of the river. Depending on the results of the additional field program needed for this crossing, an option for a double HDD may be more feasible or cost-effective (Figure 5-11). The HDD would be divided into two sections by using the existing island in the Tanana River.

Additional effort is needed to determine the ultimate configuration of the HDD. Crossings of this length and longer have been accomplished under rivers with 24-inch-diameter pipelines. However, final determination of the feasibility of using HDD to cross the Tanana River depends on a technical review of site-specific data, including subsurface soil and rock conditions for the crossing. Data for a feasibility assessment of the route was collected through research of available information and original field data gathering efforts. Historical borehole data was obtained from the Alaska Railroad (ARRC) and ADOT&PF. Right-of-way and land ownership status was researched and used to optimize the alignment to minimize disruption of road or railroad service from HDD construction operations, as well as avoid private property.

In September 2010, a surface reconnaissance was conducted to evaluate potential geohazards in the vicinity of the route. The work included a bathymetric survey of the river bottom. The study area extended east of the HDD alignment to the highway bridge and west of the alignment approximately 800 feet beyond the confluence of the Nenana River with the Tanana River. The most significant finding from this reconnaissance was a well-defined scour hole over 40 feet deep (reportedly often over 50 feet during summer). Channel scour above an HDD bore represents a geohazard that could lead to mud circulation problems during drilling and reduced cover over the operational life of the pipeline.

In February 2011, four geotechnical boreholes were drilled at Nenana to depths ranging from 100 to 204 feet below the ground surface or mudline. Timing the field work during the winter after sufficient river ice had developed provided access to three over-water boreholes within the main channel of the Tanana River. Generally, the test holes encountered uniform soil conditions consisting of multiple layers of saturated, poorly graded, fine sandy gravels and gravelly sands. No boulders or cobbles were encountered. Currently, five more boreholes accessible conventionally by truck or off-road equipment are planned for the summer of 2011. A geophysical survey of the crossing is also planned. Other recommendations for future work include data gathering and assessment of the potential shear zone and fault activity within the crossing, design-level topographic survey, continued hydrology and hydraulic investigations, and continued coordination with ADOT&PF, the USACE, ARRC, private landholders, and the City of Nenana.



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Figure 5-11. Options for Tanana River Crossing at Nenana

5.5.4 Geotechnical Analysis

5.5.4.1 Geotechnical Data Gap Analysis

Evaluation of the project geotechnical data needs has been completed. Elements of this process included developing an exploration program tailored to the pipeline facilities and probable site conditions, recovering and loading existing geotechnical data into a geodatabase, and comparing data needs against pertinent existing data to identify and prioritize data gaps for field studies:

- **Exploration Program:** An exploration plan that identifies the baseline borehole data needed for geotechnical design of the pipeline was prepared. This plan includes the data quality objectives of the typical geotechnical analyses that could be used in pipeline design studies. It comprises Geographic Information System (GIS) borehole locations and attributes. The plan will be a part of the Geotechnical Data Gap Analysis report.
- **Data Library:** The locations of all available geotechnical data (geodata) within the pipeline corridor have been loaded into the GIS database with links to PDF files of the source reports, and additional geodata will be loaded for select locations as needed to support engineering studies.
- **Data Gap Analysis and Prioritization:** The existing geodata will be compared to data needs to identify geotechnical data gaps that warrant project-specific geotechnical field studies. Data needs will be prioritized to address project issues on the critical path, or where perceived risk is higher. Gap analysis and prioritization will likely be an ongoing process as the pipeline project concepts are better defined and as new geotechnical data becomes available to compare against existing or derived geodata. The exploration plan, data recovery, and data gap analysis/prioritization will be documented in a single report.

5.5.4.2 Geohazards and LiDAR Surveys

Along the proposed route, a wide variety of geologic hazards can adversely affect pipeline routing such as processes related to active faulting, earthquake ground shaking, landslides, rockfall, permafrost, and flooding. Thus, an accurate assessment of geologic hazards is important for pipeline route selection, design, and construction.

Because of the clear importance of seismic stability for the pipeline route regardless of its location, AGDC has teamed with DNR's Division of Geological & Geophysical Surveys (DGGS) to conduct a high-resolution LiDAR (light detection and ranging) survey of the proposed alignment, followed by trenching of faults that are found to cross the proposed alignment. This work began in June 2011.

DGGS is executing a phased program to evaluate geohazards along the proposed route. The program includes map and data compilation, assessment of geologic data, acquisition and evaluation of high-resolution LiDAR data, and field characterization of geologic hazards. Important geologic hazards will be identified and evaluated with the aid of helicopter and field reconnaissance. LiDAR is an optical remote sensing technology that can measure the distance to, or other properties of a target by illuminating the target with light, often using pulses from a laser. LiDAR technology has application for airborne laser swath and contour mapping.

DGGS will use its current contract with Watershed Geosciences to expand the planned LiDAR survey for the Alaska Pipeline Project (APP) to cover the in-state gas line route from Livengood to the terminus, allowing for an efficient use of state resources.

This information will be disseminated through publicly available geohazard maps and reports. Regardless of the eventual prospect of an in-state gas pipeline, the geohazard and remote sensing data collected as part of this effort will be highly valuable for any future development (power plants, dams, highways, railroads) in Alaska and marks a significant archive of Alaska's geological profile.

5.5.4.3 Material Sites

Through coordination with ADOT&PF, potential existing material sites along the alignment have been identified and have been investigated to better understand the availability of material and the needs of the project. The following is a synopsis of the work completed;

- **Location of Material:** Material site locations were identified using existing ADOT&PF material-site information sources.
- **Material Quantity:** Material is available along most of the alignment. A few areas (such as Minto Flats) do not have developed material sites, and other stretches of alignment might require increased haul distances from neighboring sites. A Project Material Site Summary captures the material site and alignment milepost information, including the amount of overburden, material volume, material quality, generalized site planning, permit status, and restoration.
- **Material Requirements:** The estimated available borrow material was compared to anticipated project construction needs. Material requirements were determined based on the expected soil conditions along the alignment and an evaluation of whether excavated trench material can be salvaged. The material requirements were compiled with the materials needed for pipeline construction (import bedding, padding, and backfill) plus material for access roads, compressor station pads, work pads, etc.
- **Permitting:** Since most of the material site permits have expired, a permitting effort by the ASAP Project will be required to reopen the permits.

The Alaska Railroad owns material sites along the Parks Highway and has indicated that the material would be available to the project. The ARRC has also indicated that gravel haul using the railroad could efficiently position materials along the pipeline route.

5.5.5 Project Geographic Information System (GIS) and Alignment Sheets

The project Geographic Information System (GIS)-based geodatabase data model is maintained and updated as new information is developed, desktop studies and field studies are completed, and research is done. Data in the GIS includes stream crossing data, right-of-way boundaries and land ownership title research, wetlands boundaries, access roads, current infrastructure, facility locations and layouts, and the pipeline alignment.

The organization of the data in the project GIS is based on the Pipeline Open Data Source (PODS) model, which is widely used by pipeline operating companies to manage pipeline, integrity, inspection, regulatory compliance, and operational data in a GIS. Using a PODS-compliant database allows an approach to managing pipeline data in a single data repository. The GIS helps AGDC collect, verify, manage, analyze, update, maintain, and deliver all the information about the project quickly and reliably to interested parties for potential asset transfer or sale, abandonment, removal, repair, replacement or change of service.

The GIS database and alignment sheets provide geospatial information that supports the cost estimate, state right-of-way lease application, federal right-of-way application, project planning, EIS and the NEPA analysis and documentation, and design. The GIS database also facilitates coordination with state and federal agencies such as ARRC, ADOT&PF, DGGS, the National Park Service, and the Bureau of Land Management (BLM).

Current applications of the GIS during FEL 1 include the following:

- **Class Location Analysis:** The project GIS was used as a main component in the Class Location analysis. The GIS system used aerial imagery and allowed dynamic edits. The high-resolution imagery allowed for accurate calculation of class location distances away from dwelling units as required by 49 CFR 192.5.
- **Design Factor Analysis:** Building upon the Class Location analysis, Design Factor analysis was also more efficient using the project GIS. Geographic-feature crossing locations were identified as well areas of encroachment along major highways. All features were combined into a single continuous alignment comprised of unique features and their associated design factor. Summary tables were created that allowed estimation of total pipe tonnage needed.
- **Cross-Slope Analysis:** The project GIS was used to calculate average cross-slope elevations for the entire length of the pipeline. The average cross-slope was then estimated to a total surface area that would be disturbed during the construction phase. These calculations gave the environmental estimators a better understanding of how much ground surface would be impacted.
- **Timber Volume Removal Analysis:** The amount of timber to be removed prior to construction was estimated using the project GIS. This provided a more accurate depiction of the costs for site preparation. The project GIS used the high-resolution imagery and the pipeline alignment to estimate timber removal. An estimate of areas adjacent to the pipeline was determined.
- **Right-of-Way Analysis:** The amount of the pipeline that will be constructed within ADOT&PF highway right-of-way was calculated. This analysis was used to determine the amount of heavier-walled pipe that would be needed. The project GIS allowed for modifications to the alignment if the project would be better served having the pipeline moved outside of the highway right-of-way.
- **Buoyancy Control Analysis:** The project GIS was also used to determine where the alignment crosses wetlands and would require some type of buoyancy control so that the pipe would not become unstable in wet areas. The amount of buoyancy control needed directly impacts the cost estimate. Total linear footage along the alignment where buoyancy control will be required was determined.

- **Alignment Sheet Generation:** The project GIS was used to create a set of alignment sheets that show the proposed alignment and the data applicable to the alignment.

A SharePoint website was initiated in 2010 to capture and maintain information developed by the project, as well as additional state and publicly available information that may contribute to the understanding of the project. The SharePoint site was further developed in 2011 to allow the multiple contractors and organizations working on the project to collaborate in a secure environment. The SharePoint site was used for peer review of the cost estimate reports and provided the tool to host a reading room for authorized parties to access information. The SharePoint site provided logs for tracking information that had been exchanged and provided to the project team members and cooperating agencies an information-request log supporting the EIS process.

A project web service was also developed for use by the third-party EIS contractors to ensure secure access to the most current and accurate information the project is using to develop the project plan, the design and cost estimate was available.

5.6 PROJECT CAPITAL COST

The previous capital cost estimates from July 2010 were used to support a broad range of options being considered.[51] That work formed the foundation for alternative commercial and market options analysis needed to help direct the project towards the preferred development option. Also, key environmental work was initiated as part of the NEPA and 404 permitting processes, and preliminary stakeholder engagement discussions were held. These activities were used to refine and further develop the scope of the project to be used for the expression of interest discussions with potential shippers and markets. As work progressed, it has been possible to be more focused with the capital cost development especially for the facilities, compared to the previous work.

This capital cost estimate, which is summarized in Table 5-5, provided the input for the cost-of-service modeling that was performed by the AGDC commercial team.

5.6.1 Pipeline Cost Development

The July 2010 capital cost estimate for the pipeline was based upon conceptual information for the project at that time. This included primarily a pipeline route, operating conditions, location of materials, estimate for preliminary/detailed design, construction crew and equipment estimates, construction support teams, and owner costs.

In the past year, AGDC selected a number of key areas of concern for additional near-term analysis including Atigun Pass, Yukon River, ADOT&PF bridge routing, Tanana River, and Denali National Park and Preserve. These areas were selected for analysis because of the need to progress the design and because these areas present greater levels of uncertainty for the development.

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[51] *Alaska Stand Alone Gas Pipeline Project Update and FY 2010 Deliverables.* Presented to AGDC by the State of Alaska In-State Gasline Coordinator, July 15, 2010, Section 3.

As a result of this analysis, no additional routing or sizing issues warranted revised cost estimates. Consequently, the pipeline portion of the capital cost estimate has been updated for escalation and to reflect pipe availability and costs (see Section 3.1.1 of this project plan).

5.6.2 Facilities Cost Development

This section provides a summary of the engineering work done to support the cost estimates provided in Section 3.1.1 of this project plan. This work refined estimates provided to AGDC in July 2010 and involved a detailed peer review of the cost estimates.

5.6.2.1 Background

The conceptual design/specification work for the Stand Alone Gas Pipeline (SAGP) Project consisted of development of 20 individual facility cost-block packages (by DoyonEmerald), which were used as the initial basis for development of a conceptual cost-estimate package (by Larkspur). This approach of using cost-blocks applied to the facility specifications allowed flexibility for developing cost estimates for 16 different facility configuration and flow-rate cases, which included the combination of four different facility cost-of-transport scenarios at four different flow rates.

Table 5-5. Breakdown of Capital Costs (2011$)

PROJECT FACILITY	CAPITAL COST ($BILLION)
PROJECT CAPITAL COSTS	
Gas Conditioning Facility	$1.84
North Slope Pipeline Support Infrastructure	0.32
Compressor Station - MP 0	0.36
Pipeline – 24-inch Mainline	4.03
Compressor Station – MP 286	0.14
Pipeline – 12-inch Fairbanks Lateral	0.06
Fairbanks Straddle and Off-Take Facility	0.21
Cook Inlet NGL Extraction Facility	0.41
Additional Owner Costs	0.15
Total Project Capital Costs	$7.52

NON-PROJECT FACILITY	CAPITAL COST ($BILLION)
NON-PROJECT CAPITAL COSTS	
North Slope Joint Facilities	$0.22
De-Ethanizer & NGL Pumps	0.25
Pt. MacKenzie NGL Fractionation and Storage	0.48
Total Non-Project Capital Costs	$0.95

As described in Section 3.1.1, one of these original cases was chosen for review and for further design development and cost optimization for this project plan. This case is the original "Cost of Transport Scenario 4 – Enriched Gas" case at the 500 MMscfd flow rate and is now referred to as the "Base Case".

Eleven of these individual facility cost-block packages comprise this single design-development Base Case, and the optimized estimate is now divided into five main facility locations:

- North Slope Gas Conditioning Plant Facilities
- Fairbanks NGL Extraction Facilities
- Cook Inlet NGL Extraction Facilities
- Port MacKenzie Fractionation and Storage Facilities
- Pipeline Facilities – Compressor Station

These facility cost packages contain an overview, assumptions, process flow diagrams, computer model workbook printouts and material balance stream information, equipment layout drawings, and spreadsheets of major equipment specifications for input into the Larkspur cost model.

5.6.2.2 Optimized Facility Cost Estimates

In the past year, several steps were taken to further develop the cost estimates for the gas processing facilities. Process computer simulations were first made with the premised gas flow rates, compositions, conditions, and product specifications to define the major equipment requirements. This information was then used to determine primary equipment sizes and conduct preliminary layouts. Assumptions were made based upon historical norms from similar facilities to get approximations for much of the support equipment, piping, and area layouts that will not be directly engineered and estimated until later stages of the project. Estimates for owner and engineering costs to develop the facilities were also factored from the core information. The SAGP work included allowances for future expansions that are no longer needed.

To get the preliminary cost estimates, the information developed in the processing modeling was then put into an estimating computer simulation tool called Aspen-Tech Capital Cost Estimating (ACCE). This simulation provided estimates for equipment, bulk material pricing, and installation hours for direct labor hours. Quantities developed through ACCE were then reviewed and adjusted based upon preliminary layouts and benchmarking experience. This program, which has been adjusted with the estimating contractor's internal database of similar projects, developed quantities for all major construction areas, such as civil, structural steel, piping, insulation, instrumentation, electrical, and painting. For the North Slope facilities, the number of modules was determined and then used to estimate the number of barges needed to transport the modules from the assembly yards to the North Slope.

Since a wide range of items need to be factored off the few pieces of major equipment, the factors used have a significant impact on the final cost estimate results and their accuracy range. To help do a quality check (peer review), WorleyParsons was retained to compare the results against what they would expect using their criteria for early-stage engineering estimation (see Section 5.6.2.3 below).

The facilities are summarized below:

- **North Slope Gas Conditioning Facility and Compressor Station**: Covers removal of impurities e.g. carbon dioxide, hydrogen sulfide, water), the de-ethanizer (prepares C_3 and heavier stream for enriching the gas with NGLs), and compression (bring the gas up to pipeline operating pressure and chill the gas to avoid impacts on the permafrost).
- **Compressor Station:** Gas pressure drops as it moves along the pipeline. Depending upon flow rates, compressors are needed at key locations to keep the gas flowing at desired rates.
- **Fairbanks Straddle and Off-Take Facility:** Removes NGLs from the gas to make a utility-grade natural gas for domestic users in the Fairbanks area. NGLs are returned to the main pipeline.
- **Cook Inlet NGL Extraction Facility:** Removes NGLs from the gas to make a utility grade natural gas to be used by domestic users in the Wasilla, Palmer, Anchorage, Kenai, and nearby areas. NGLs are pumped through a small pipeline to Port MacKenzie for further processing.
- **Port MacKenzie Fractionation:** Takes raw NGL and splits it into several products and stores them pending distribution to markets. Products include propane for intra-Alaska usage, propane/butane (LPG) for international markets, and pentane and heavier hydrocarbons for international markets. (This facility is not part of the ASAP Project.)

5.6.2.3 Facilities Peer Review

AGDC contracted with WorleyParsons to provide an independent peer review, which was conducted from December 2010 to January 2011 to help validate the suitability of the conceptual facility design and projected cost estimates for ASAP facilities. Facilities reviewed included the proposed Gas Conditioning Plant (GCP) at Prudhoe Bay, compressor stations, the Straddle and Off-Take Facility near Dunbar, and the Cook Inlet NGL Extraction Facility at the pipeline terminus. Using the Base Case of 500 MMscfd of natural gas enriched with NGLs, the review was conducted by WorleyParsons staff experienced in project management, piping, electrical, rotating equipment, architectural, cost estimating, and logistics and construction. The staff was from WorleyParsons' Arctic Business Unit in Arcadia, California.

According to WorleyParsons, the ASAP Project is in the early stages of engineering definition and what is typically termed as preliminary front-end engineering design (pre-FEED), or the Appraise/Conceptual Stage (also known as FEL 1, the early phase of project definition). Conceptual engineering focuses on providing enough engineering definition to make informed strategic decisions about the project with the desired outcome of selecting the best options for the project to be further defined during FEL 2, when more detailed engineering is conducted, and the cost estimate is refined, followed by FEL 3 when the project definition and engineering are finalized.

This peer review was geared to help validate the conceptual facility designs and the appropriateness of the projected cost estimates for the conceptual facilities. The review was not an audit, and there were no detailed compliance checks against corporate procedures and processes for this project. The review specifically excluded a review of the pipeline or review of any project execution plans or schedules.

WorleyParsons found that ASAP engineering definition is consistent with pre-FEED and is appropriate for a project still in the FEL 1 phase. Based upon the conceptual level of engineering detail contained in the cost blocks for the Base Case, the cost estimating methodology is appropriate for the estimating level of accuracy at this stage of the project. Cost metrics calculated fall within acceptable ranges based on current and historic data.

SECTION 6
Environmental, Regulatory, and Lands (ERL) Analysis



6. ENVIRONMENTAL, REGULATORY, AND LANDS (ERL) ANALYSIS

6.1 INTRODUCTION

Important activities for ensuring the success of the ASAP Project include developing a baseline environmental profile of the project route, obtaining an environmental impact statement (EIS) Record of Decision (ROD), and identifying impacts to landowners. This section summarizes the work to date on environmental, regulatory, and lands (ERL) issues associated with the project. Planned work in the next phase of the project includes completing the fieldwork necessary to establish the baseline, progressing the preliminary draft EIS to a final EIS, and completing title work on state, federal, and private land parcels.

6.2 ENVIRONMENTAL FIELD WORK

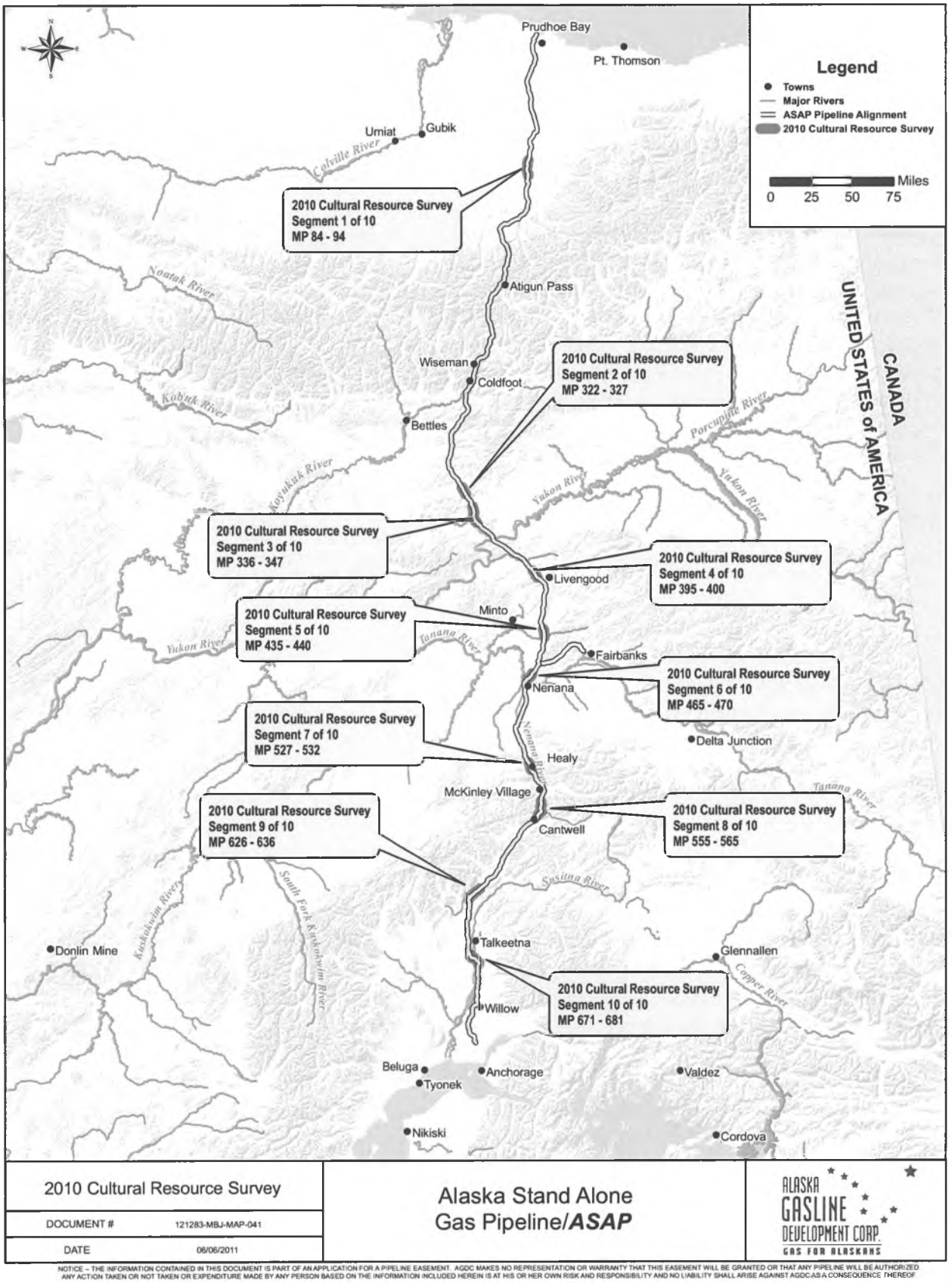
The following environmental field work was completed in 2010 to support the ASAP Project:

- Cultural resources survey and sensitivity model.
- Wetlands survey and evaluation.
- Stream crossing surveys for fish and fish habitat.
- Water resources availability studies.
- Air monitoring program preparations.

6.2.1 Cultural Resources Survey and Sensitivity Model

Cultural resources survey work began in 2008 with a desktop study of the baseline characteristics of cultural resources. In 2009, known sites were inventoried using the Alaska Heritage Resources Survey (AHRS) database, and an evaluation of the route in preparation for fieldwork was completed. This evaluation included an aerial and vehicular survey to acquire preliminary impressions of the project area and to aid in developing a cultural resources sensitivity model — a dynamic tool that will be modified as additional information is obtained. The model will help identify areas of high, medium, and low probability for archaeological sites.

Fieldwork in 2010 was developed around testing the model. Seventy-five miles of the proposed ASAP route were surveyed in 2010 (Figure 6-1). Survey areas were as far north as Happy Valley on the North Slope and Trapper Creek in Southcentral Alaska. In 2011, an additional survey of an estimated 300 miles of the proposed pipeline route is planned, which will satisfy the survey requirements of most, if not all, of the alignment south of Livengood, including the Fairbanks Lateral. Ancillary facilities, staging areas, material sites, and access roads will be evaluated as they are identified.



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Figure 6-1. 2010 Cultural Resources Surveys

The following reports have been completed:

- **2010 Cultural Resources Technical Report for the Alaska In-State Gas Pipeline Project – April 2010:** The report describes the 2009 reconnaissance surveys and contained a brief literature review, description of known historic properties and cultural resources within the proposed corridor, and preliminary description of the predictive model.
- **Letter report to Ahtna, Inc. – October 2010:** Report describes the cultural resource investigations on Ahtna, Inc. land near Cantwell.
- **Letter report to the Alaska Railroad Corporation – October 2010:** Report describes the cultural resource investigations on ARRC land near Healy.
- **Letter report to Doyon, Limited – October 2010:** Report describes the cultural resource investigations on Doyon, Limited land near Nenana.
- **NSB Completion Report – September 2010:** Report describes the activities completed on North Slope Borough lands and documents adherence to borough stipulations.
- **Report of 2010 Cultural Resource Surveys on BLM Land – April 2011:** Report describes the cultural resource investigations on federal Bureau of Land Management (BLM) lands north of the Yukon River, fulfilling the obligations of Archaeological Resources Protection Act (ARPA) permit AA-92454.
- **Cultural Resource Report for the 2010 Field Season – March 2011:** The report describes the results of the 2010 reconnaissance surveys, provides a brief literature review, and describes known historic properties and cultural resources in the ASAP corridor.

Table 6-1 summarizes reported sites within or near the ASAP right-of-way.

Table 6-1. Reported Sites Within or Near the ASAP Right-of-Way

SITE TYPE	REPORTED SITES WITHIN 300-FT AREA OF POTENTIAL EFFECT	REPORTED SITES WITHIN 1 MILE OF PROPOSED ROUTE	REPORTED SITES WITHIN 5 MILES OF PROPOSED ROUTE
Historic/Modern Sites	4	6	7
Historic Sites	16	124	390
Prehistoric Sites	21	239	434
Proto-historic/Historic Sites	2	8	26
Unknown	2	45	161
Total	45	422	1,019

Source: *2010 Cultural Resources Technical Report,* ASRC Energy Services.

6.2.2 Wetlands Survey

During the 2008 field season, 71 potential wetland areas within the 300-foot-wide field survey corridor from Prudhoe Bay to Livengood and Healy to Willow were evaluated, all by road access (Figure 6-2). Site-specific information was documented on the standard U.S. Army Corps of Engineers (USACE) wetland data form. Each time a different wetland type was encountered, detailed data was gathered to provide a greater understanding for selection of potential wetland locations to be visited during the following field season. After the field season, a wetland assessment report was provided to the USACE.

In 2009, 152 field targets were identified and field-verified through the Minto Flats State Game Refuge to Healy using aerial photo data and information gained from the previous year. All remote areas were accessed by helicopter. The 2009 field work was completed in two phases: by ground transportation adjacent to the Parks Highway between Nenana and Healy, and by helicopter through the Minto Flats State Game Refuge between Livengood and Nenana. Following the field season, a wetland assessment technical report was provided to the USACE and State of Alaska.

During the 2010 field season, approximately 400 field targets were visited or observed over the entire corridor from Prudhoe Bay to Point MacKenzie in five trips. Table 6-2 describes the survey effort.

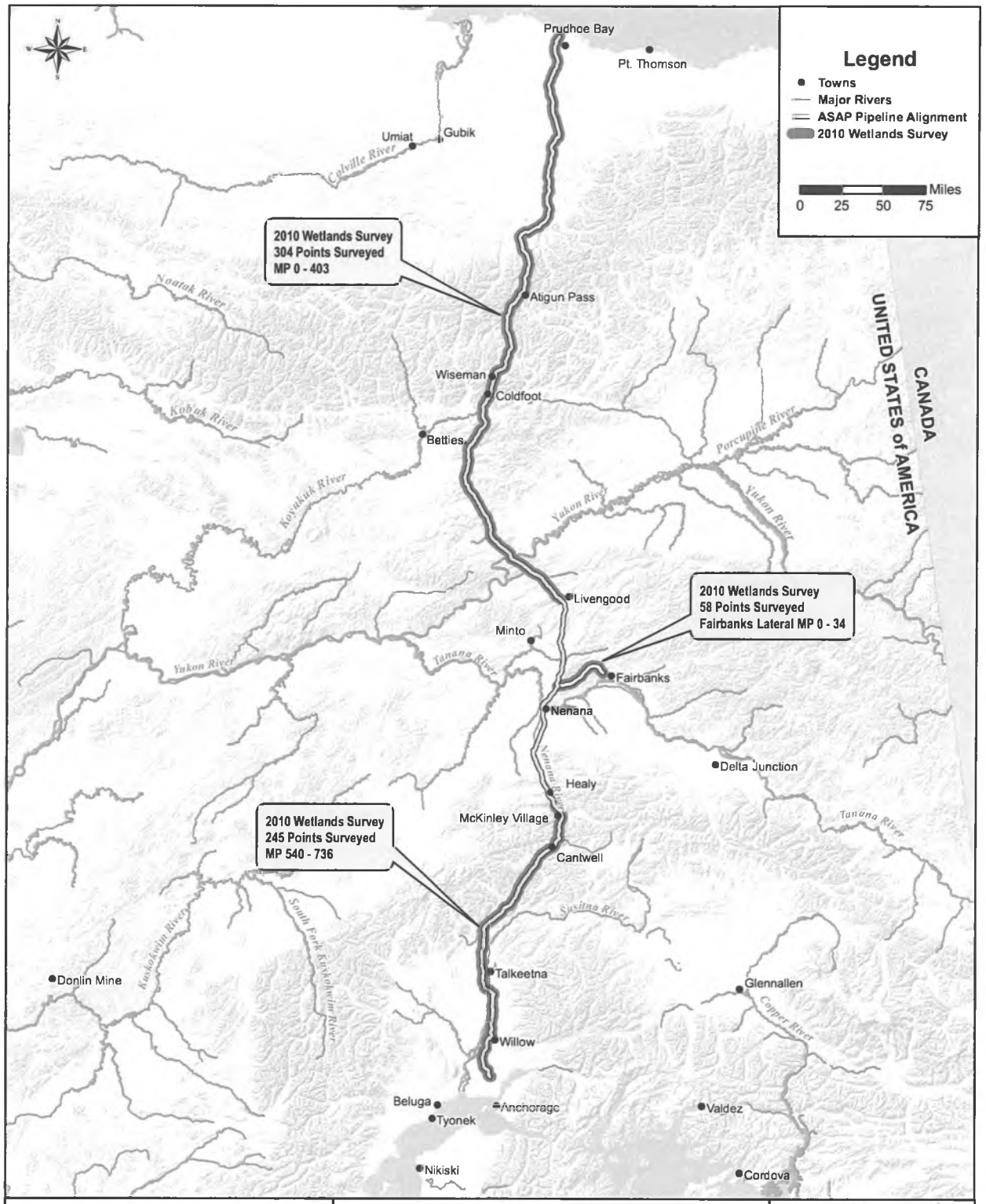
The Preliminary Jurisdictional Determination (PJD) was submitted to the USACE in March 2011, providing the information necessary to confirm wetland locations and to identify wetland areas needing additional information (data gaps) before the USACE makes a final wetland Jurisdictional Determination (JD). Wetland data gaps should be filled in 2011 to progress issuance of a JD and to support Section 404/10 permitting.

Data gaps for portions of the route where the alignment has been changed and along the Fairbanks Lateral will be surveyed in July and August 2011.

Table 6-2. 2010 Wetlands Surveys

SURVEY TRIP	LOCATION	DATE OF SURVEY	SITES SURVEYED
Trip One	Parks Highway Willow to Healy Fairbanks Lateral Point MacKenzie remote areas	May 17 – 25	135
Trip Two	Elliot and Dalton Highways from Fairbanks to Atigun Pass	June 22 – 28	105
Trip Three	Dalton Highway from Atigun Pass to Prudhoe Bay	July 8 – 16	105
Trip Four	Livengood section	July 26 – July 28	15
Trip Five	Denali Park section	August 11 – 16	39

Source: *March 2011 Wetlands PJD*, ASRC Energy Services.



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Figure 6-2. 2010 Wetland Surveys

6.2.3 Stream Crossing Surveys for Fish and Fish Habitat

In 2010, stream crossing surveys for fish and fish habitat were conducted on 174 streams crossed by the ASAP route from Point MacKenzie to Livengood (Figure 6-3). A desktop analysis was conducted in advance of the surveys to map the crossings and to determine which streams were considered anadromous by the Alaska Department of Fish and Game (ADF&G). Completion reports were sent to the land manager and landowners who granted permits to survey the crossings. A fish collection report has been submitted to ADF&G that includes data on the fish collected. A completion report has also been submitted to ADF&G describing the data used, field methods, and results from the studies. The fieldwork data was compiled and submitted for inclusion in the project database to support engineering feasibility studies and to support the EIS. Table 6-3 describes the results of the 2010 effort.

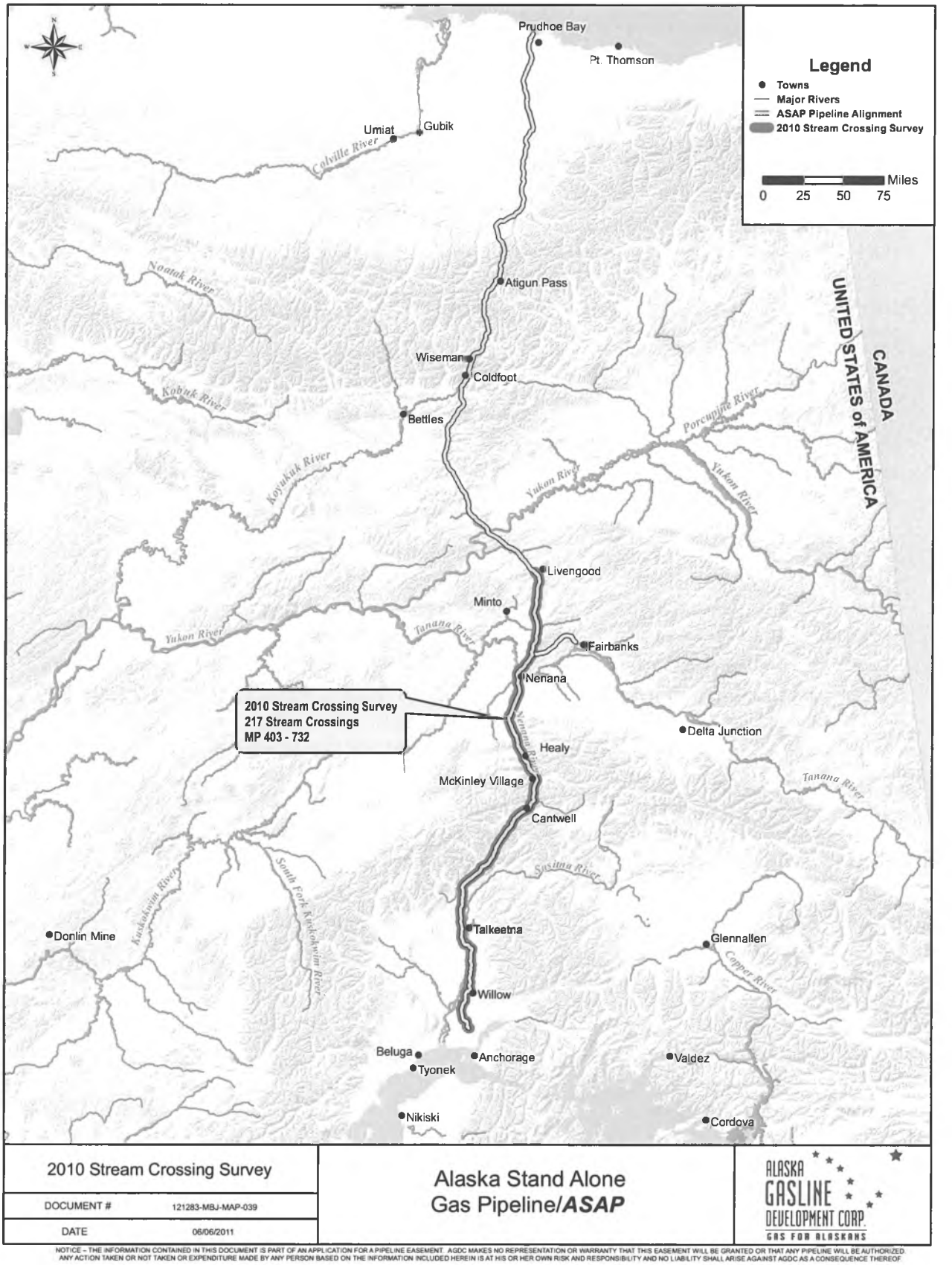
Major deliverables include:

- **North Slope Borough Completion Report – September 2010:** This report documented activities completed to meet the borough permit stipulations.
- **Ahtna Inc. Report of Activities – October 2010:** This report documented activities conducted on Ahtna Inc. lands during the 2010 field season.
- **AGDC Candidate Stream Anadromous Catalogue Nominations – October 2010:** This letter to ADF&G provided information on streams that met the criteria for nominations to the Anadromous Waters Catalogue.
- **Project Data and Metadata – October 2010:** This contains field data for the ASAP Project database to support of engineering feasibility studies and the EIS.
- **AGDC Fish Resource Permit SF2010-178, Collection Report/Data Form – December 2010:** This ADF&G form was completed with 2010 stream survey data on the fish collection effort on streams from Point MacKenzie to Livengood that crossed the ASAP.
- **2010 Stream Crossings Survey: Fish Resource Permit SF2010-178, Completion Report - April 2011:** This report documented the methods and means used during the 2010 stream surveys conducted from Point MacKenzie to Livengood that crossed the ASAP route.

Table 6-3. 2010 Stream Crossing Surveys

SURVEY TRIP	LOCATION	DATE OF SURVEY	SITES SURVEYED
1	Willow Creek to Cantwell	July 8 –14	Stream crossings between MP 443 and 348
2	Cantwell to Nenana	July 15 – 16	Stream crossings between MP 325 and 327
3	Minto Flats State Game Refuge to Livengood: off-road helicopter access	July 17 – 22	Stream crossings between MP 326 and 283
4	Susitna Flats and Point MacKenzie Remote Areas	July 27	Stream crossings between MP 446 and 455

Source: 2010 Stream Crossing Survey Completion Report and 2010 Stream Crossing Survey Collection Report, ASRC Energy Services Alaska, Inc.



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Figure 6-3. 2010 Stream Crossing Surveys

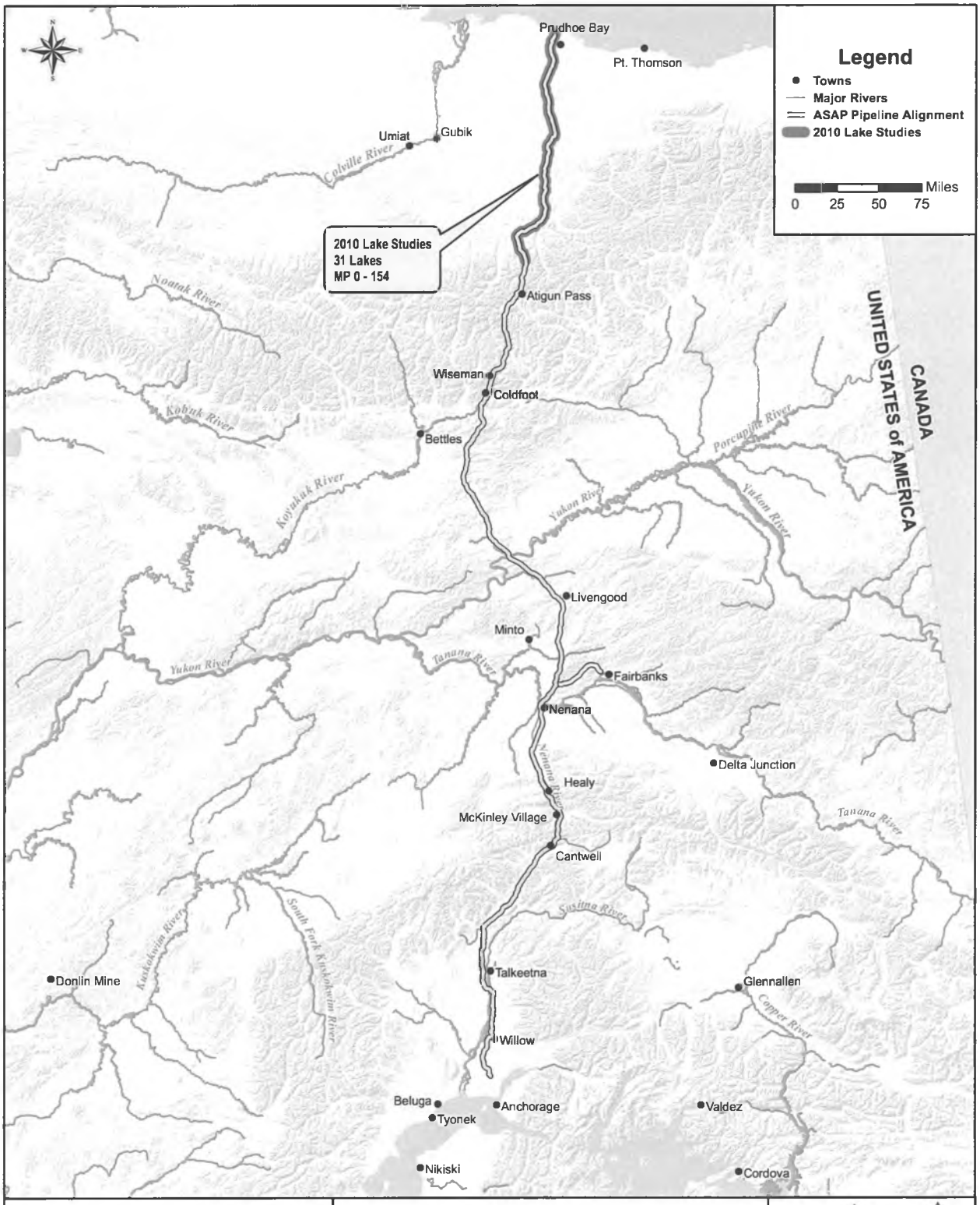
6.2.4 Water Resources Availability Studies

In 2010, a desktop study of the alignment in the North Slope Borough was conducted to identify existing water availability data sources and to coordinate with ADF&G and Alaska Department of Natural Resources (DNR) requirements for temporary water-use permits. This information helped focus the field effort to those potential water sources that could be tapped for construction and operation water needs. The lakes identified during the desktop analysis were mapped and studied according to their proximity to the route and their potential for water withdrawal. The field studies were completed for 31 lakes along the ASAP route (Figure 6-4). For the entire pipeline route, construction activities including ice roads/pads, hydro-testing, and earthwork were segregated into four construction spreads, and the lakes studies yielded estimates of water resources to cover the first of four spreads.

A total of 44 lakes were preselected during the desktop analysis for field investigation. Two crews of biologists studied 31 of the 44 candidate lakes over an 11-day period in July 2010. Approximately 575 million gallons of water were estimated to be available for withdrawal from the lakes studied for winter use for ice roads and pads, hydro-testing, and earth work between Prudhoe Bay and Atigun Pass.

Deliverables completed include:

- **North Slope Borough Completion Report – September 2010:** This report documented the activities completed to meet borough permit stipulations.
- **2010 Lake Studies: Fish Resource Permit #SF2010-179, Collection Report/Data Form, November 2010:** This ADF&G data form was completed to document the fish observed or collected from the lakes studied in 2010.
- **2010 Lake Studies: Fish Resource Permit #SF2010-179, Completion Report, March 2011:** This report documented the methods and means used to complete the lake studies and the water volumes and recommended water withdrawals for each lake studied.
- **Project Data and Metadata – October 2010:** This contains field data for the ASAP Project database to support of engineering feasibility studies and the EIS.



2010 Lake Studies	Alaska Stand Alone Gas Pipeline/*ASAP*	ALASKA GASLINE DEVELOPMENT CORP. GAS FOR ALASKANS
DOCUMENT # 121283-MBJ-MAP-040		
DATE 06/06/2011		

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Figure 6-4. 2010 Water Resources Availability Studies

6.2.5 Air Monitoring Program Preparations

Evaluation of air monitoring sites was completed in April and May 2011. Site access and pad preparation, site construction, and monitoring station installation and calibration will occur in the summer of 2011. Monitoring data will be collected for 15 consecutive months once monitoring stations become operational. During the data collection period, quarterly quality assurance/quality control (QA/QC) audits of each monitoring station will be performed. From July through December 2011, up to six months of data collection will be completed and one quarterly audit will be performed on each monitoring station, depending on installation and calibration. Critical path items through June 30, 2011, include funding procurement of monitoring equipment and actual construction, installation, and calibration of monitoring stations.

Deliverables completed include:

- **Air Quality Preconstruction Permit Planning – February 2011:** This document detailed the permit planning needed for the project facilities in order to meet air quality monitoring regulations.

Table 6-4 describes air monitoring program activity for the ASAP Project to date.

Table 6-4. Air Monitoring Program Activity 2011

ACTIVITY		TIME PERIOD 2011
Preconstruction	Field Verification of Potential Monitoring Sites	March – May
	Civil Engineering Evaluation of Selected Monitoring Sites	May – June
	Preparation and Submittal of Land Use Permit Applications	May – June
	Quality Assurance Project Plan Preparation and Submittal to Alaska Department of Environmental Conservation (ADEC) for Approval	February – May
	Review and Evaluation of Existing Monitoring Data from BP's Prudhoe Bay Facilities for Determination of Air Permitting Feasibility and Additional Monitoring Requirements	May
Construction	Monitoring Equipment Procurement	May – July
	Monitoring Equipment Fabrication and Assembly	June – July
	Monitoring Site Preparation and Construction	July – September
	Monitoring Station Installation and Equipment Calibration	July – September
Operation	Monitoring Data Collection	July – December
	Monitoring Station Bi-weekly Site Checks	July – December
	Monitoring Network Systems Audit	September – November
	Monitoring Station Quarterly QA/QC Audit	October – December

6.3 REGULATORY AND PERMITTING STRATEGY

6.3.1 Permit Acquisition Plan

AGDC developed a permit acquisition plan to identify the necessary permits and develop a timeline for obtaining them. The permit acquisition plan is updated periodically. Permits were categorized in three "tiers" based on when applications should be submitted and their relative importance. Table 6-5 contains a summary of the permits required for the ASAP Project and their status.

- **Tier 1 Permits:** Permits or permit applications that trigger other activities, such as National Environmental Policy Act (NEPA) review, or which are long-lead items. Total project time may be reduced by starting these activities early in project planning. Tier 1 permit applications include the following:
    - Application for federal pipeline grant of right-of-way from the Bureau of Land Management (BLM).
    - Application for a State of Alaska pipeline right-of-way lease.
    - Application for permit from the USACE under Sections 404 of the Clean Water Act and Section 10 of the River and Harbors Act.
- **Tier 2 Permits:** Those permits not required to kick off the NEPA process but may require several months to develop data for inclusion in the permit applications or for agency review. Tier 2 permits include permits for water use, air emissions, water discharges, and local zoning.
- **Tier 3 Permits:** Permits that are less time-sensitive or may be required late in the permitting process. Some permits necessary for operation of the pipeline may be included in Tier 3 permits because they do not need to be in place until immediately before operation, allowing the application to be completed and regulatory review to take place during construction.

6.3.2 Agency Coordination

Coordination with federal, state, and local regulatory agencies is required for the permitting process and to assist with the NEPA process and preparation of an EIS. It is AGDC's policy to engage with agency personnel early and often to:

- Make sure agency personnel understand the proposed project.
- Identify issues and concerns about the project early, allowing them to be addressed as the project progresses without delaying the permitting process.
- Obtain information from agency personnel to maximize the efficiency of field data collection efforts and make sure the data collected is of sufficient type and quality so that agency personnel can evaluate the potential environmental effects of the project.
- Make sure that permit applications and supporting documents provide all the information necessary to evaluate the permit application and issue a timely permit.

Table 6-5. Summary of Required Permits

AGENCY	PERMIT TYPE	AGENCY CONSULTATION	COMMENTS	EXPECTED ISSUANCE[1]
Tier 1 Permits				
BLM[1]	Federal Pipeline Right-of-Way Grant	Ongoing consultation	Original submittal November 2009 Resubmitted March 2011	First Quarter 2012
DNR	State Pipeline Right-of-Way Lease	Ongoing consultation	Original submitted November 2009 Resubmitted March 2011	July 2011
USACE[1]	Section 404 of the Clean Water Act – for discharges into wetlands and waters of the U.S.	Ongoing consultation	Draft submittal November 2009 Final submittal dependent on Jurisdictional Determination (JD)[2]	First Quarter 2012
USACE[1]	Section 10 of the Rivers and Harbors Act – for obstruction to navigable waters	Ongoing consultation	Application is included in Section 404 permit application	First Quarter 2012
Tier 2 Permits (long-lead items)				
USCG[1]	Section 9 Bridge Permit	Ongoing consultation	Application submittal date based upon available data and agency requirements	January 2012
DNR	Alaska Coastal Management Program (ACMP) Coastal Consistency Determination[3]	March 2011 – June 2012	Phased review as per AS 46.40	October 2012
	Permit to Appropriate Water	March 2011 – June 2012	Multiple application packages for various water sources will be submitted. Extensive field studies (~1-2 years) required support applications.	Prior to construction start
	Temporary Water Use Permit	March 2011 – June 2012		
ADEC	Alaska Pollution Discharge Elimination System (APDES) Permit	March 2011 – June 2012	Application submittal date based upon available data and agency requirements	October 2012
ADF&G	Fish Habitat Protection Permits	Ongoing consultation	Multiple application packages for various water bodies will be submitted.	October 2012
ADEC	Prevention of Significant Deterioration – for emissions into air as authorized under the Clean Air Act	Ongoing consultation	Application submittal date based upon available data and agency requirements	October 2012
ADOT&PF	Utility Permit – for construction or installation of utility facilities within an ADOT&PF right-of-way	Ongoing consultation	Application submittal date based upon available data and agency requirements	October 2012
Local	Local Land Use and/or Zoning Permits	March 2011 – June 2012	Multiple application packages expected	October 2012
Supporting Activities for Major Permits				
AGDC has developed a Plan of Development (POD) that describes the proposed activity to support the EIS and NEPA process. The latest version (POD, Rev. 1) was submitted to agencies in March 2011. AGDC is meeting with Tier 2 agencies to discuss major permitting issues (material sites, stream crossings, water use, land use) March – July 2011.				

NOTES:

(1) EIS is required under NEPA. A Record of Decision is based upon the completed EIS and must be published prior to issuance of any federal permits.

(2) AGDC has developed and submitted a Preliminary Jurisdictional Determination document to USACE to provide USACE with information from field studies on locations that met the criteria for wetlands and are therefore potentially subject to USACE jurisdiction. Additional information will be gathered and submitted in 2011. Based upon this data, USACE will issue a Jurisdictional Determination.

(3) The ACMP has not been renewed by the State of Alaska. Direction regarding what actions, if any, are necessary will be obtained from DNR representatives.

It is important to keep in mind that it is to the applicant's benefit to make sure that agencies have all necessary information to provide a permit for the proposed activity. Not providing necessary information in a timely manner may delay permits, which could delay the project.

6.3.2.1 Pre-Application Meetings

Pre-application meetings are held between the applicant (AGDC) and representatives of the agencies where permit applications will be submitted. These meetings allow the applicant to describe the proposed project and the agency representatives to ask questions and explain the information they will need in the permit application.

AGDC held a pre-application meeting with BLM, the State of Alaska, and the USACE in July 2010 regarding Tier 1 permit applications. Another pre-application meeting was held in October 2010 with additional agencies and organizations including the ARRC, ADF&G, U.S. Environmental Protection Agency (EPA), ADOT&PF, Matanuska-Susitna Borough, BLM, USACE, and multiple divisions within DNR. AGDC will continue to work with agencies prior to submitting Tier 2 permit applications to make sure that agencies have sufficient information to evaluate applications and issue permits.

6.3.2.2 Requests for Additional Information

Upon submittal of permit applications, AGDC welcomes comments and questions from agency personnel, referred to as requests for additional information (RFAI). If possible, it is helpful to sit down with agency personnel to discuss the comments and make sure everyone knows the level of detailed information needed. This also provides the opportunity for agency personnel to inform AGDC about any deadlines and for AGDC to inform agencies about when information will be available. RFAIs are responded to quickly to prevent a delay in the permitting process. RFAIs will be tracked on the RFAI log included in the AGDC SharePoint site, and RFAIs associated with the permit applications are also included in the permit application tracking system.

6.3.2.3 Informal Communication

One of the most effective ways of communicating with agencies is to develop a cooperative relationship with agency personnel. Many issues that could develop into roadblocks can be identified early and addressed as part of the permitting process, making it easier for the issues to be dealt with to the satisfaction of both the applicant and agency.

Often the most effective way of communicating is by e-mail, phone, or simply sitting down together and discussing an issue. It is important when engaging in informal communication to keep a record of what was agreed upon, so that the source and context of any decisions can be determined if necessary in the future.

6.3.3 Plan of Development

AGDC prepared a Plan of Development (POD) to support the planning and development of the ASAP Project. The POD, which was developed to support permit applications and the preparation

of the required NEPA documents, provides the majority of information required to evaluate permit applications, including a detailed project description. The POD is described in more detail in Section 5.3 of this project plan.

By providing a detailed project description in a single document, AGDC eliminated risk that project details developed to respond to various permit applications or agency RFAIs will provide conflicting or outdated information, and assures the reader that the information provided is accurate as of the date of publication.

6.4 PERMIT STATUS

6.4.1 State Right-of-Way Permit Application

An application for a state pipeline right-of-way lease was originally submitted to the State Pipeline Coordinator's Office (SPCO) in November 2009 with ADOT&PF as the applicant and Harry Noah as the authorized agent. AGDC submitted a revised application with additional information in the form of the POD in August 2010.

In March 2011, AGDC submitted Revision 1 of the POD to the SPCO in response to SPCO and other agency questions and comments. AGDC met with SPCO personnel to review the available information and produce a revised application sufficient to answer all SPCO questions. Public hearings were held in Fairbanks, Barrow, Healy, Cantwell, Nenana, Willow, and Anchorage. The public comment period closed on May 27, 2011. The lease was signed in late June 2011.

6.4.2 Federal Right-of-Way Permit Application

An application for a federal grant of pipeline right-of-way was originally submitted to the BLM in November 2009 with ADOT&PF as the applicant and Harry Noah as the authorized agent. AGDC submitted a revised application with additional information in the form of the POD in August 2010.

In March 2011, AGDC submitted Revision 1 of the POD and a revised application with additional information to BLM in response to BLM and other agency questions and comments. Because BLM is a federal agency, the NEPA process must be completed and a Record of Decision (ROD) issued before the right-of-way may be granted. This is expected to occur in January 2012.

6.4.3 USACE Section 404 Application

A draft application for a permit for placement of fill or dredged material into waters of the U.S., including wetlands under Section 404 of the Clean Water Act, was originally submitted to the USACE in November 2009. The original applicant was ADOT&PF and Harry Noah was the authorized agent. AGDC submitted a revised draft application with additional information in the form of the POD in August 2010.

A Preliminary Jurisdictional Determination (PJD) was submitted to the USACE in March 2011. The PJD describes the results of initial wetland classifications determined through preliminary

desktop analyses, and the results of wetland field surveys performed during 2008, 2009, and 2010 to verify the desktop analyses. The purpose of the PJD is to provide the USACE with information sufficient to allow the USACE to make a Jurisdictional Determination (JD) about types, areas, and length of wetlands affected by the ASAP.

Upon receipt of the JD, AGDC will be able to develop and submit a complete permit application based upon the area of wetlands determined to be affected by the JD. Because the USACE is a federal agency, the NEPA process must be completed and a ROD issued before the Section 404 permit may be issued, which is expected to occur in January 2012.

6.4.4 Environmental Impact Statement

On December 4, 2009, the USACE, as lead agency, published a Notice of Intent to prepare an EIS to identify and analyze the potential impacts associated with construction of the proposed ASAP Project. As described above, a draft application for a permit for placement of fill or dredged material into waters of the U.S., including wetlands under Section 404 of the Clean Water Act, was originally submitted to the USACE in November 2009 and triggered the preparation of the EIS, which is to be used as the basis for the permit decision to ensure compliance with NEPA. The EIS will fulfill the NEPA responsibilities of those federal agencies requiring decisions or actions such as the right-of-way grant and other permits.

The USACE selected a third-party EIS contractor, Cardno ENTRIX to prepare the EIS and to facilitate the scoping process. The EIS will include the purpose and need for the proposed project, an analysis of a reasonable range of alternatives that meet the purpose and need, a description of the affected environment, and an analysis of the environmental consequences of the alternatives. The draft EIS is expected to be available in September 2011, and the final EIS and the ROD issued in January 2012.

The EIS scoping process began on December 7, 2009, and ended on March 31, 2010. The USACE held scoping meetings in Anchorage, Barrow, Delta Junction, Fairbanks, Glennallen, McKinley Park, Nenana, and Wasilla. The objectives of the scoping process were to identify potentially interested parties, identify public and agency concerns, define the range of issues to be examined, ensure that relevant issues are identified early and addressed in the EIS analysis, and to establish a public administrative record.

6.4.5 Biological Assessment Required by the Endangered Species Act

According to 50 CFR 402 et seq., any project with a federal nexus such as the ASAP Project must consult with the U.S. Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service (NMFS) to ensure that the action is not likely to jeopardize the continued existence of any species listed under the Endangered Species Act (ESA) or result in adverse modification of critical habitat. Since threatened and endangered species have been identified by NMFS and USFWS as likely to occur in the project area, AGDC submitted a Biological Assessment. Because AGDC was designated by USACE as the "non-federal representative", AGDC contractors were able to consult with the agencies directly. The Biological Assessment is an analysis of the potential impacts caused by the ASAP on any ESA-listed species and/or that species' designed critical habit.

Based upon their review of the Biological Assessment, USFWS and NMFS may agree or disagree with the results presented. They will develop a Biological Opinion identifying if the proposed action is likely to adversely affect ESA-listed species or critical habitat, using the Biological Assessment as the basis. If the proposed action is likely to adversely affect ESA-listed species or critical habitat, a formal Section 7 consultation (Section 7 of the ESA) will be initiated. The Biological Opinion developed and issued by USFWS and NMFS will include a "no jeopardy opinion" or a "jeopardy opinion."

For most species evaluated, the determination of effect was "may affect, but not likely to adversely affect" or "no effect". For four species (i.e., spectacled eider, polar bear and polar bear critical habitat, ringed seal, and bearded seal), the determination of effect was "likely to adversely affect." Appropriate measures will be developed to mitigate the negative impacts of the project on these four species. ASAP activities and timeline are not expected to be significantly affected by these determinations.

6.4.6 Regulatory Commission of Alaska Certification

The Regulatory Commission of Alaska (RCA) is authorized to regulate public utilities and pipeline ensuring owners are qualified providers of public utilities and pipeline services to ensure that facilities are safe and that services are provided at reasonable rates, terms, and conditions. A certificate from RCA will be required prior to construction and operation of the ASAP Project.

6.4.7 Other Permits

No other permits have been submitted for agency review. AGDC personnel have been discussing what information must be included in permit applications with agency personnel and have been developing permit applications. Upon determination that sufficient information is available to provide complete applications, the relevant applications will be submitted for agency review.

6.5 LANDS

6.5.1 Easements on Private Land

Before construction can begin, agreements must be obtained from public and private landowners, leaseholders, and Native allottees, and other parties that hold interests in the land that the ASAP route crosses. The state and federal governments are also major landowners along the route. Upon determination of the final alignment and construction right-of-way, a survey and complete title verification will be performed to identify the number of parcels and land ownership.

6.5.2 State Right-of-Way

The SPCO has processed the AGDC right-of-way application for state lands along the proposed route, in accordance with guidance in House Bill 369. The SPCO and AGDC negotiated the terms of the right-of-way lease, including updated environmental and technical stipulations. The SPCO completed a 60-day comment period and conducted seven public hearings and one public meeting on the right-of-way application. In addition, the DNR Division of Coastal and Ocean Manage-

ment conducted an Alaska Coastal Management Program consistency review of the right-of-way lease, and the ACMP consistency determination was issued in June 2011. All comments, a copy of the lease, and other related documents are available for review on the SPCO website.[52] The right-of-way lease was signed in late June and transfers an interest in land for 30 years, with the option for renewal.

The annual rental for state lands will be an estimated $188,600 (based on appraisal information for the Trans Alaska Pipeline System). The Lessee will be required to conduct an appraisal at five-year intervals, and rental amounts will be based on fair market value. The ASAP pipeline will cross approximately 427 miles of state land, and a title report is planned for 2011 to verify the ownership of the right-of-way.

This lease is the first non-conditional pipeline right-of-way granted by the State of Alaska for the purpose of transporting natural gas from the North Slope to market, and will likely be perceived as a significant milestone and increase project interest and confidence among potential shippers and developers.

6.5.3 Federal Right-of-Way

After publication of the final EIS, the BLM will prepare its Record of Decision and issue the federal grant of right-of-way. AGDC is working closely with the BLM and the SPCO to ensure that the environmental and technical stipulations will be consistently applied on state and federal lands.

[52] See http://dnr.alaska.gov/commis/pco/agdc.htm.

SECTION 7
Stakeholder Engagement



7. STAKEHOLDER ENGAGEMENT

The purpose of AGDC's Stakeholder Engagement Plan is to identify the tasks and schedule for outreach activities to support project communication needs, including AGDC's participation in the formal regulatory permitting, consultation, and EIS activities led by the U.S. Army Corps of Engineers (USACE). AGDC's goal is to develop and build long-term relationships with all Alaskan people, communities, and entities along the ASAP route.

Stakeholders as referred to in this document may include: Alaska Natives, citizens, organizations, regulators, residents of affected communities along the project pipeline route, local energy distribution companies, utility providers, businesses and industry, landowners, and community representatives, local government authorities, non-governmental, and other civil society organizations, local institutions, and other interested or affected parties.

The benefits of the stakeholder engagement plan include improved risk management, cooperation, and alignment of interests among all parties. Effectively managing the project stakeholder program ensures more positive project outcomes through all phases of the project and improved relations with all interested and affected parties along the pipeline route.

The principles of AGDC's stakeholder engagement plan are as follows

- Engage stakeholders early.
- Provide stakeholders with information that increases understanding.
- Provide stakeholders with multiple opportunities to comment and learn about the project
- Obtain and incorporate meaningful input into the project field work (design, construction and operation).
- Develop collaborative relationships with impacted groups to allow effective and meaningful dialogue.
- Treat all stakeholders respectfully.
- Maintain professional behavior in all project relationships.

7.1 PLAN APPROACH

The plan guarantees engagement as an integral piece of all AGDC internal and external processes. The integrated approach of the stakeholder plan ensures consistent message delivery and efficient use of staff and resources. The plan includes goals and objectives, a definition of terms and assumptions, engagement strategy, key issue and mitigation measures, communication tactics, and a description of potential community opportunities for economic investment. The plan also supports the project purpose and definition and encourages open dialogue with the people of Alaska.

7.2 STAKEHOLDER OUTREACH

AGDC is committed to ensuring stakeholders have a continuing opportunity to provide comment through all phases of the project. AGDC reinitiated engagements with communities in 2010. Engagements have occurred in the communities of Anchorage, Barrow, Cantwell, Fairbanks, Healy, Kenai, Healy, Minto, Nenana, Wasilla, and Willow. AGDC believes ongoing engagement provides a valuable opportunity to educate the public while validating a positive tone with stakeholders. The project maintains a stakeholder calendar which is updated regularly. The objective for stakeholder planning is to establish a schedule for engagements that is in sync with other community meetings in order to attract the greatest number of attendees and educate the communities at large on the project status.

In 2010 and 2011, the stakeholder engagement process was limited due to staffing and resources. Despite our attempts to meet with all stakeholders in 2010 and2011, the schedule and timing of engagements was compressed. In 2011, AGDC increased the effort on stakeholder engagement to begin educating the public about the ASAP project. AGDC developed a community engagement calendar to schedule and post the meeting schedule. As meeting dates were confirmed, AGDC developed mailers and posters to notify communities of the upcoming meetings. Meeting mailers were also sent to residents in the stakeholder database. Figure 7-1 provides a sample of web calendar postings.

The State Pipeline Coordinator's Office will be holding public hearings along the proposed route for the ASAP project. As the lease applicant, members of the ASAP project team will be on hand at the public hearings to give a brief project overview. These community meetings include information sharing, refreshments and door prizes.

- **Fairbanks: May 3, 6 – 8pm**
  Civic Center – Exhibit Hall
- **Barrow: May 4, 5:30 – 7:30pm**
  Inupiat Heritage Center
- **Nenana: May 9, 5:30 – 7:30pm**
  Nenana Public School
- **Healy: May 10, 5:30 – 7:30pm**
  Tri-Valley School
- **Cantwell: May 11, 5:30 – 7:30pm**
  Cantwell School
- **Willow: May 16, 6 – 8pm**
  Community Center
- **Wasilla: May 17, 5:30 – 7:30**
  Wasilla High School, Commons Area
- **Anchorage: May 18, 5:30 – 7:30pm**
  Z.J. Loussac Library
- **Village of Minto, Community Meeting and Presentation: June 14, 2 – 4 pm**
  AGDC will provide refreshments and a raffle will be held for door prizes
- **Kenai/Soldotna Joint Chamber of Commerce: June 16, 12:00 noon at the Soldotna Sports Center**
  Lunch Meeting and Forum: Dan Fauske to speak on the ASAP Project

Figure 7-1. Sample Calendar of Engagements

To date, more than 50 stakeholder meetings have been held with communities, local government officials and non-government organizations (see Table 7-1). A map of stakeholder communities is included as Figure 7-2.

Public meetings were held in concert with the State Pipeline Coordinator's Office public hearing schedule to combine state resources and offer communities an opportunity to learn about the project and comment on the state lease application. The meetings generated comments about the project and allowed AGDC to communicate in greater detail with interested parties.

As a critical part of the regulatory process, AGDC conducted regular meetings with state and federal agencies to collaborate on the project. These outreach efforts proved beneficial in establishing essential relationships and helped progress the EIS work and the 2010/2011 field work.

Meetings and project presentations were held throughout the year with a broad base of community, industry, and private-sector organizations to provide project roll-out information and explain the mission of the AGDC work. AGDC encountered a considerable amount of confusion from the public due to the amount of projects discussed in the media over the past two years. In general, the public was more familiar with the Alaska Pipeline Project. ASAP Project information was well received, and overall public support for the project was overwhelming. Alaskans from Barrow to Kenai offered AGDC support for the project work being performed. Consensus was common at the community meetings for building a pipeline to deliver North Slope gas to tidewater near Cook Inlet.

7.3 METHODS OF COMMUNICATION

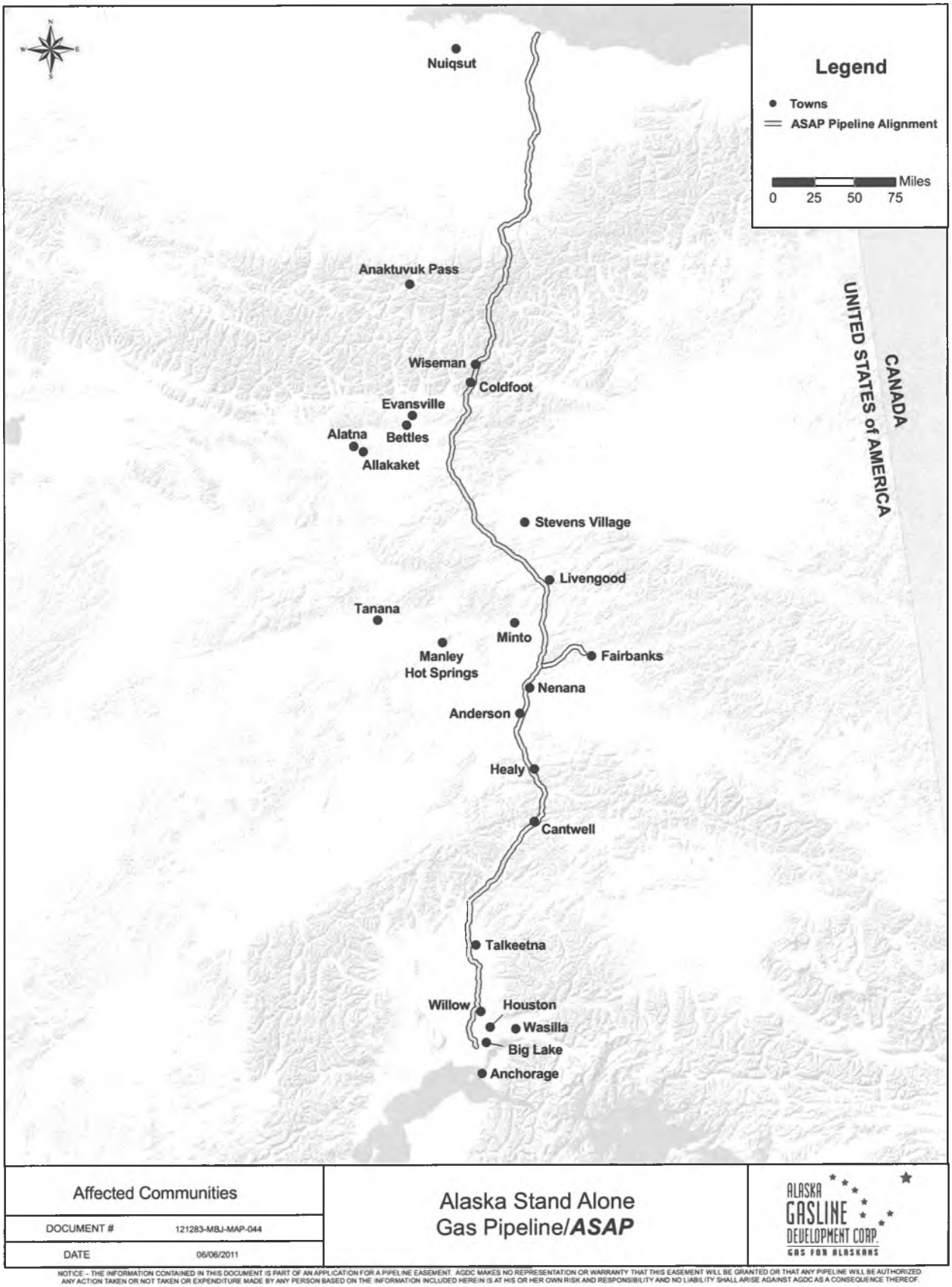
7.3.1 Stakeholder Communication

AGDC received numerous requests for information from interested parties in 2010 and 2011. To manage these requests, AGDC:

- Created a stakeholder database to chronicle the requests.
- Identified the issues and forwarded the requests to the appropriate department for mitigation and resolution.
- Responded to stakeholder and filed response to complete the task.

7.3.2 Communication with the Alaska Legislature and Executive Branch

AGDC developed and distributed a monthly newsletter to the Executive Branch and to all members of the Alaska Legislature. Reports included activity for the previous month and were intended as a brief report on project progress throughout the year. AGDC also submitted quarterly financial reports to the Executive Branch and the Legislature which provided a financial overview on the expenses and the available resources for the ASAP Project. Both the legislative reports and the quarterly financial reports were posted on the ASAP website to encourage public awareness of the ASAP Project.



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Figure 7-1. Affected Communities Along ASAP Route

Table 7-1. List of Stakeholder Contacts, January-June 2011

DATE	STAKEHOLDER	FORMAT	PURPOSE
1/6/11	Tyonek Corporation	Meeting/Presentation	Potential Mutual Benefits of Project
1/10/11	Alaska Association of Realtors Leadership Conference	Presentation	Present Project Overview
1/11/11	City of Seward	Meeting	LNG Data Gathering
1/12/11	Mat/Su Borough	Presentation	Project Roll-out
1/26/11	Ted Stevens Anchorage International Airport	Meeting	Project Roll-out
2/1/11	Mayor Sullivan	Meeting/Presentation	Project Update
2/2/11	Nenana Leadership	Meeting/Presentation	Project Roll-out
2/4/11	DOT Commissioner Luiken	Meeting/Presentation	Project Roll-out
2/16/11	Certified Residential Specialist	Presentation	Project Roll-out
2/18/11	Bush Caucus	Presentation	Project Roll-out
3/1/11	Legislative Finance	Meeting	Project Roll-out
3/3/11	U.S. Coast Guard	Meeting/Presentation	Project Roll-out
3/9/11	Village of Minto	Community Meeting/Presentation	Project Update
3/10/11	Minto Development Corporation	Meeting	Mutual Benefits/Opportunities
3/13/11	Rural Energy Committee	Presentation	Project Roll-out
3/15/11	Legislative In-State Caucus	Presentation	Project Update
3/23/11	Anchorage Mayor's Energy Task Force	Presentation	Project Roll-out
3/31/11	Alaska Railroad Corporation	Presentation	Project Update
4/8/11	Fairbanks North Star Borough Mayor and City of North Pole Mayor	Meeting/Presentation	Project Update
4/8/11	Tanana Chiefs Conference Leadership	Introduction Meeting	Project Roll-out
4/8/11	Minto Development Corporation	Meeting/Presentation	Minto Summer Field Work Opportunities
4/13/11	Office of Federal Coordinator Natural Gas Projects	Meeting/Presentation	Project Update
4/14/11	Nenana	Community Meeting	Project Roll-out
4/18/11	Golden Valley Electric Association	Meeting/Presentation	Project Update
4/21/11	Barrow Leadership	Presentation	Project Roll-out
4/28/11	North Slope Borough Planning Commission	Presentation	Project Roll-out
5/3/11	Fairbanks Community	Presentation	State Right-of-Way Public Hearing
5/4/11	Barrow Community	Presentation	State Right-of-Way Public Hearing
5/9/11	Nenana Community	Presentation	State Right-of-Way Public Hearing
5/10/11	Healy Community	Presentation	State Right-of-Way Public Hearing
5/10/11	John Katz, Director of State/Federal Relations	Meeting	Project Roll-out
5/10/11	Senator Lisa Murkowski	Meeting	Project Update
5/11/11	Cantwell Community	Meeting	State Right-of-Way Public Hearing
5/11/11	PHMSA – Washington DC	Meeting	Project Update
5/11/11	Congressman Don Young – DC Office	Meeting	Project Update
5/12/11	Kim Elton – Washington, DC	Meeting	Project Update
5/12/11	Senator Mark Begich, DC Office	Meeting	Project Update
5/16/11	Willow Community	Presentation	State Right of Way Public Hearing
5/17/11	Wasilla Community	Community Meeting	Project Roll-out
5/18/11	Anchorage Community	Presentation	State Right of Way Public Hearing

7.3.3 Electronic Communication

AGDC developed and maintains a project website which continues to host more project information (www.gasline.us.com). Items on the website include project documents, information on the project team and contractors, procurement information, project news, and links to other pertinent websites. New information is posted as it becomes available.

7.3.4 Print Material

During 2010, AGDC identified the need for a project document designed for public consumption. A project newsletter was developed and has been updated throughout the year. AGDC has distributed the project flyer throughout Alaska and the Lower 48. The project flyer has been a key collateral piece for distribution in public forums, private meetings, conferences, government agency offices, legislative offices, and at contractor meetings. Information contained in the newsletter was essential in helping the public differentiate the ASAP Project from the other energy projects facing Alaskans.

7.3.5 Project Branding

The need for a project brand was essential to establish a connection to the ASAP route. The project had been referred to as the "bullet line," the "in-state pipeline," and the "spur line". While all of these terms could apply, AGDC found that branding the project with the "ASAP" title accomplishes the connection with the Alaska Stand Alone Gas Pipeline and helps deliver the message that this project is a priority. Other materials to support the ASAP brand include posters for communities along the proposed alignment, project fact sheets, and branded items for community meetings (e.g., hats, cups, and pens).

AGDC is in the process of gathering information on the public perception and degree of project understanding. AGDC will use this information to further the communication strategy. Effective public awareness and education are critical to reaching the largest audience with the project message.

ALASKA
GASLINE
DEVELOPMENT CORP.
GAS FOR ALASKANS



Alaska Gasline Development Corporation
P.O. Box 101020
Anchorage, AK 99510

www.gasline.us.com
907-277-4488

HB

65

<TARGET><BILL>HB 65</BILL><SUBJECT>HB
65</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

REPRESENTATIVE BRYCE EDGMON

House District 37

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

Memorandum

Date: February 23rd, 2011

To: Senator Donald Olson, Chair
Senate Community & Regional Affairs Committee

From: Representative Bryce Edgmon

RE: HB65 Hearing Request

I respectfully request a hearing for HB65—Senior Citizen Housing Development Fund Grants—at the committee's earliest possible convenience.

HB65 will benefit senior citizens across the state by including regional housing authorities among the entities eligible for grants through the Alaska Housing Finance Corporation's Senior Citizens Housing Development Fund (SCHDF).

In most cases, a grant through the SCHDF complements funding from a variety of other sources. Often it is the final piece of the puzzle that allows a project to go forward. Funds can be put toward pre-development expenses and new construction as well as acquisition of properties, accessibility modifications, and rehabilitations.

Alaska's 14 regional housing authorities span from Ketchikan to Barrow and are among the state's most experienced developers of affordable housing. Making housing authorities eligible will not increase spending through the SCHDF. It may, however, widen the selection of projects competing for grants and increase AHFC's ability to more effectively allocate funding.

State Capitol Building
Juneau, AK 99801 · Phone: (907) 465-4451 · Toll Free: 1-800-898-4451 · FAX: (907) 465-3445
Email: Rep_Bryce_Edgmon@legis.state.ak.us

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

HB 65
Senior Citizens Housing Development Fund Grants

SPONSOR'S INTENT

HB 65 will benefit senior citizens across the state by including regional housing authorities among the entities eligible for grants through the Alaska Housing Finance Corporation's Senior Citizens Housing Development Fund (SCHDF).

The SCHDF contributes funding to organizations that develop quality housing for older Alaskans, who make up the fastest growing segment of our population.

While SCHDF grants have been available to municipalities and 501(c)(3) and (4) nonprofits since the fund's inception, Alaska's regional housing authorities have not been eligible. HB 65, which has the support of the Alaska Housing Finance Corporation, will correct that omission.

In most cases, grants through the SCHDF complement funding from a variety of other sources. Often an SCHDF grant is the final piece of the puzzle that allows a project to go forward. Funds can be put toward pre-development expenses and new construction as well as acquisition of properties, accessibility modifications, and rehabilitations.

Alaska's 14 regional housing authorities span from Ketchikan to Barrow and are among the state's most experienced developers of affordable housing. Making housing authorities eligible for grants will not increase spending through the SCHDF. It may, however, widen the selection of projects competing for grants and increase AHFC's ability to more effectively allocate funding.

I would be very grateful for your support for this legislation, which I hope will benefit elders in every region of Alaska.

State Capitol Building
Juneau, AK 99801 · Phone: (907) 465-4451 · Toll Free: 1-800-898-4451 · FAX: (907) 465-3445
Email: Rep_Bryce_Edgmon@legis.state.ak.us

Alaska Housing
FINANCE CORPORATION

2011 LEGISLATIVE FACTSHEET

Enable Regional Housing Authorities (RHAs) to receive AHFC Senior Citizens Housing Development Funds (SCHDF)

January 31, 2011

LEGISLATIVE REQUEST: This legislation, pre-filed by Rep. Bryce Edgmon as HB65, will insert language in A.S. 18.56.810(a) to include Regional Housing Authorities as eligible grant recipients for funds appropriated by the legislature to the Senior Citizens Development Fund (SCHDF) that is administered by Alaska Housing Finance Corporation (AHFC). AHFC supports this legislation as written.

STATEMENT OF NEED:

- The Senior Citizens Housing Development Fund moved to AHFC during the merger of all state housing functions in 1992. SCHDF provides funding to organizations to develop senior citizen housing.
- Statutory language currently limits program eligibility to municipalities or public or private non-profit corporations designated as tax exempt under 26 U.S.C. 501c(3) and (4) (Internal Revenue Code of 1954). Although Alaska regional housing authorities are some of the most experienced and qualified housing developers in the state, they are not able to access this grant program that supports increased development of senior housing.
- Because of current statutory language, a housing authority must incorporate a separate non-profit organization or partner with an eligible organization in order to receive a SCHDF award for senior housing development.

HOW IT WORKS:

- Funding under SCHDF is used to develop housing for "older persons" as defined under the Federal Fair Housing Act. Sponsors can elect either age 62 and older, or age 55 and older as the age requirement for occupancy under Section 807 of the Fair Housing Act (42 U.S.C. 3607 (b) (1) as implemented at 42 CFR 100.300-308.
- Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

ADDITIONAL:

- Members of the Alaska Association of Housing Authorities (AAHA), collectively one of the largest groups of affordable housing providers in the state, support this statutory change.

CONTACT:
Stacy Schubert, 301-4556, sschubert@ahfc.state.ak.us Cary Bolling: 350-2479, cbolling@ahfc.state.ak.us

Senior Citizens Housing Development Fund (SCHDF)

Grants from the SCHDF provide funding for senior citizen housing. SCHDF monies are awarded according to three different AHFC programs which are outlined below. Under all three programs, eligible recipients for SCHDF monies are limited to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501(c) (3) and (4) of the internal Revenue Code of 1954.

Greater Opportunities for Affordable Living (GOAL)

The GOAL program awards SCHDF monies to bridge the gap between the total cost of the project and the total funding from other sources. Funds may be used for acquisition, rehabilitation and/or new construction of senior housing.

Grant recipients must choose a definition of "senior citizens" as either age 55 and older or age 62 and older according to the federal definition of "housing for older persons" under the Federal Fair Housing Act (Section 807 of 42 U.S.C. 3607) implemented at 24 CFR 100.300-308. Both choices carry with them requirements detailed in the application process.

Senior Access Program (SAP)

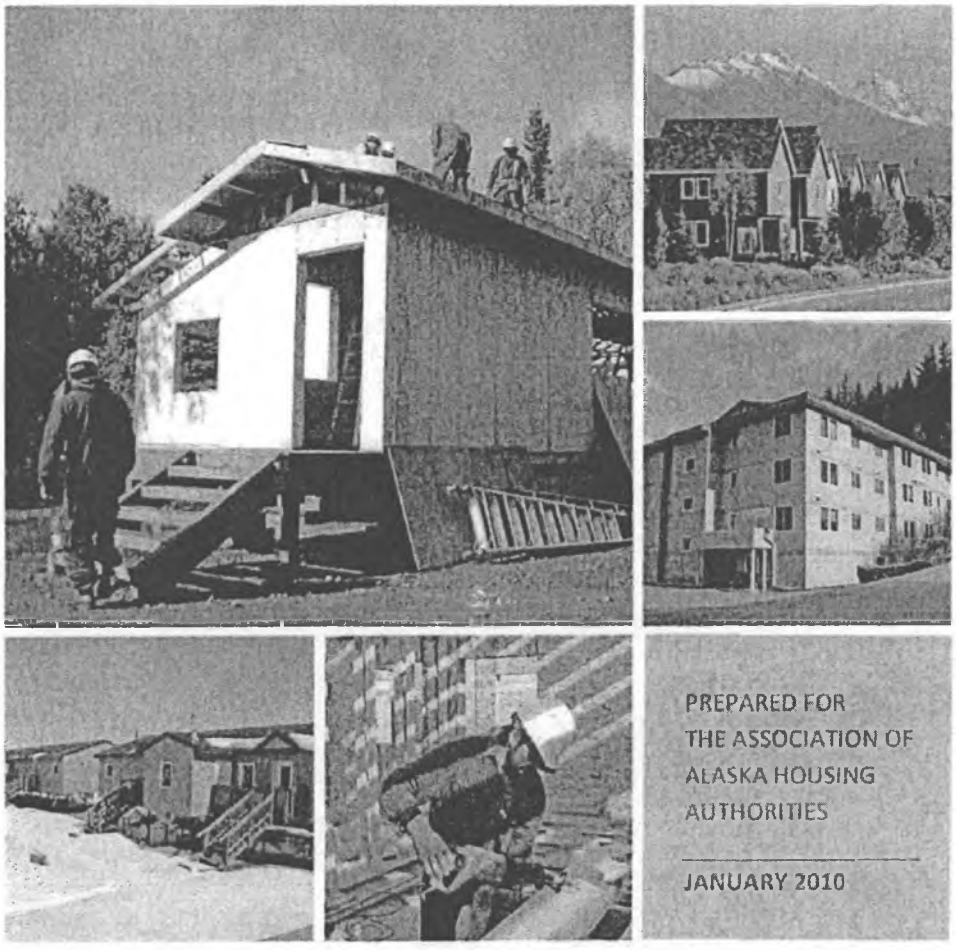
The SAP provides funds for accessibility modifications to existing housing. Examples of eligible activities are construction of ramps and installation of shower grab bars. SAP funds are awarded based on the cost of proposed eligible activities and are capped according to an annually determined amount.

Qualifying seniors must meet the definition of a "senior household" under 15 AAC 151.950 c.11. Income and residency restrictions apply.

Pre-Development Grants Program

The Pre-Development Grants Program provides funding in order to prepare projects for application to the GOAL, HUD 202, HUD 811 or other construction funding programs. Some examples of eligible expenses under this program are architectural single line drawings, legal fees, preliminary site engineering and consultant fees. Awards are based on specific eligible activities and are capped according to an annually determined amount.

Information provided by Alaska Housing Finance Corporation.
On the Web: http://www.ahfc.state.ak.us/grants/schdf.cfm



PREPARED FOR
THE ASSOCIATION OF
ALASKA HOUSING
AUTHORITIES

JANUARY 2010

The Economic Impact of Alaska's
Regional Housing Authorities

Information Insights
Fairbanks + Anchorage

Executive Summary

Alaska's Regional Housing Authorities (RHA) play a key role in increasing the supply of quality affordable housing in Alaska. They provide housing, assistance in purchasing a home, renter and home buyer education, infrastructure for housing development, community facilities and employment opportunities to benefit Alaska Natives as well as non-Alaska Natives.

In rural communities, these organizations provide the vast majority of new housing units for local residents and they are a key player in increasing the supply of affordable housing in urban communities. The impacts to the lives of the people who receive housing are easy to understand, but housing authorities also provide benefits to all Alaskans in less direct ways. In addition to providing housing and other benefits to clients in substantial numbers, they also employ Alaskans throughout the state and contribute to the whole state by stimulating economic activity. RHAs have a nearly 100 percent resident hire rate.

The Association of Alaska Housing Authorities (AAHA) contracted with Information Insights to identify the statewide economic impacts of Alaska regional housing authorities, including the direct benefits to urban and rural Alaska as well as indirect economic benefits to the state as a whole. The study also highlights the work housing authorities are doing to provide safe, affordable and energy efficient housing stock in the state and the non-housing projects that improve the lives of Alaskans and benefit their communities. Finally, it provides regional details on housing authority economic activity.

Key Findings

TOTAL ECONOMIC IMPACT



The total economic impact of Alaska's regional housing authorities on the state's economy includes both direct and indirect benefits. Direct impacts include wages and benefits paid to employees of the regional housing authorities as well as purchases made by the housing authorities from vendors and contractors in Alaska. Indirect impacts include the additional revenue, employment and earnings created by the companies from which RHAs purchase goods and services, as well as the economic activity generated throughout the economy when employees of all impacted companies or organizations spend their paychecks.

Total impacts of housing authority activity from all sources

The total (direct + indirect) economic impact of RHA activity in the state in 2008 was significant:

- $177 million in economic activity statewide
- 2,831jobs statewide

Of the jobs generated by RHAs in 2008, approximately 51.5 percent (1,457) were full-time jobs, 47.5 percent (1,345) were seasonal and temporary jobs, and the remainder (29) were part-time jobs.

Direct economic impacts statewide

In 2008, direct impacts statewide totaled:

- 1,757 people employed with housing authorities
- $46.6 million in direct payroll
- $78.1 million in spending with Alaska-based vendors and contractors

Nearly one third of the 1,757 direct jobs were full-time year round positions. The proportion of full time year round workers is lower in the direct jobs count than in the jobs generated by RHA vendor spending owing to the highly seasonal nature of construction in Alaska.

Indirect impacts

In 2008, indirect impacts of RHA activity statewide included:

- 495 jobs primarily in Alaska's construction, freight, government and professional services as a result of RHA purchases from Alaska-based vendors and contractors
- 579 additional jobs primarily in the service sector created when employees of both housing authorities and vendors spent their paychecks on Alaska goods and services
- $45.5 million in additional economic activity resulting from RHA purchasing and payroll spending

BUILDING AND RETROFITTING ALASKA'S LOW-INCOME HOUSING STOCK

Direct benefits also include all the new housing units constructed in the state as well as renovations to existing housing by Alaska regional housing authorities. In 2008, these totaled:

- 200 new housing units built at a cost of just under $48.1 million dollars
  - 137 new urban housing units built at a total cost of more than $26.7 million dollars
  - 63 new rural housing units built at total cost of nearly $21.4 million dollars

- Approximately 1,000 housing units rehabilitated and renovated at a total cost of more than $18.2 million dollars
- 260 housing units - valued at more than $23.6 million - were "conveyed" to individual owners through a variety of housing authority programs designed to make home ownership possible for the people they serve.

The 200 new units built in 2008 represent all types of homes, both single and multi-family units, including units that are designed to serve special populations like the elderly and people with disabilities. It is also important to note that site remediation and infrastructure development becomes part of total costs for many projects in both urban and rural communities. Examples include extending utilities or road systems to un-served areas in rural communities and providing demolition and environmental remediation in challenging urban neighborhoods.

In addition to building, renovating and transferring ownership of homes to individuals, regional housing authorities reported having nearly 4,500 housing units currently under management and conservatively estimate serving more than 10,000 people.

BRINGING MONEY AND JOBS TO RURAL AND URBAN ALASKA

In the four years from 2005 to 2007, RHAs contributed to the economies of 125 Alaska communities. In 2008 alone, the direct economic impact of RHA projects in the state's rural and urban communities were as follows:

Direct impacts on rural Alaska, 2008

- More than 1,250 people employed
- $26.5 million in payroll
- $13.9 million spent with vendors and contractors located in rural Alaska

RHAs are creating work across the state, including some of the most remote communities where unemployment rates are extremely high. The impact of job creation in these small communities, with few employment opportunities, has far reaching positive implications beyond just local spending of disposable income.

Direct impacts on urban Alaska, 2008

- More than 500 people employed and $20.2 million in payroll in 2008
- $64.1 million spent with vendors and contractors located in urban Alaska[1]

A KEY ROLE IN EXPANDING WEATHERIZATION SERVICES

For the past 30 years there have been five active weatherization entities in the state; now the Alaska Housing Finance Corporation has signed agreements with the

[1] The total purchasing by RHAs of $78.1 million includes six percent that cannot be allocated as either urban or rural.

housing authorities to do this important work as well. Alaska's regional housing authorities will play a key role in meeting the state's goal of weatherizing 13,000 housing units over the next five years. Regional housing authorities have the infrastructure and relationships throughout the state that will be invaluable in achieving rapid expansion in weatherization services.

NON-HOUSING IMPACTS

The flexibility of Native American Housing and Self Determination Act (NAHASDA) funds has made it possible for RHAs to invest in the infrastructure needed to support new quality housing units, even when the infrastructure goes beyond the buildings themselves. Examples include projects to extend utilities (water, electric, gas), extending access into new neighborhoods, building community facilities and providing financial support.

Examples of Senior Housing Projects Partly Funded with Senior Citizens Housing Development (SCHDF) Grants

Generally, please see the below table for information regarding funding levels and interest in senior housing over the past few years. The table references senior funds allocated to rental development projects, by source, for competitive allocation through the Greater Opportunities for Affordable Living (GOAL) cycles from FY 2008 to present.

GOAL Cycle for Rental Development	SCHDF $'s Used	DCEH $'s Used	Funded Requests / Number of Applicants
FY 2008	$3.5 M	$5.7 M	6/9
FY 2009	$5.5 M	$1.6 M	4/7
FY 2010	$2.8 M	$0.7 M	2/2
FY 2011	$4.0 M	$0	2/4

Project Examples:

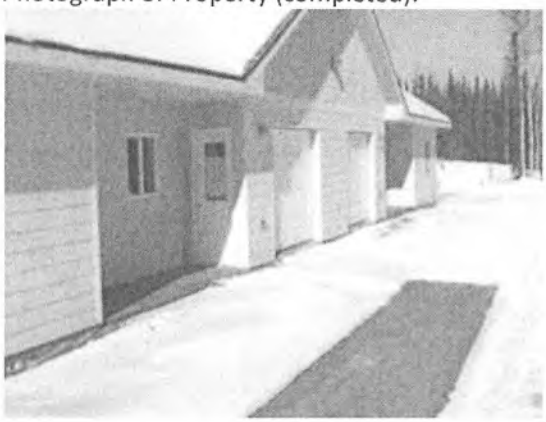
1) Raven Landing Phase I – Funded in FY 2008 Cycle
    a. Project Sponsor: Retirement Community of Fairbanks
    b. Project Location: Fairbanks
    c. Number of Units: 20
    d. Total Development Costs: $5.1 M
    e. Funding Sources:
        i. $490k - Neighborhood Stabilization Program
        ii. $1.1 M – SCHDF
        iii. $1.1 M – DCEH
        iv. $1.2 M – AHFC 1st Deed of Trust
        v. $950k – AHFC 2nd Deed of Trust
        vi. $150k – Denali Bank loan
        vii. $31k – Deferred Developer Fee

Photograph of Property (construction underway):



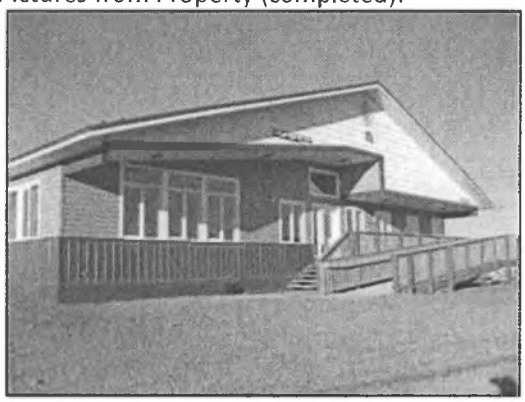
2) Blueberry Pointe – Funded in FY 2009 Cycle
    a. Project Sponsor: Mid Valley Senior Citizens
    b. Project Location: Houston
    c. Number of Units: 6
    d. Total Development Costs: $2.3M
    e. Funding Sources:
        i. $1.2 M – SCHDF
        ii. $620k – HOME Investment Partnership funds
        iii. $330k – AHFC 1st Deed of Trust
        iv. $169k – AHFC 2nd Deed of Trust

Photograph of Property (completed):



3) Tuyurgarmiat Tegganritta Eniit – Funded in FY 2009 Cycle
    a. Project Sponsor: Bristol Bay Housing Development Corporation
    b. Project Location: Togiak
    c. Number of Units: 6
    d. Total Development Costs: $2.4 M
    e. Funding Sources:
        i. $399k – SCHDF
        ii. $994k DCEH
        iii. $1 M – HUD Section 202

Pictures from Property (completed):



Alaska State Legislature

REPRESENTATIVE BRYCE EDGMON

House District 37

Memorandum

Date: February 2nd, 2011

To: Rep. Cathy Munoz, Chair
House Community & Regional Affairs Committee

From: Rep. Bryce Edgmon
House District 37

RE: Examples of 501(c)3 Nonprofits that have Received SCHDF Grants

Thank you again for hearing HB 65—Senior Citizens Housing Development Fund Grants—on February 1st in the Community & Regional Affairs Committee.

At the hearing, Rep. Saddler asked for examples of already-qualifying nonprofit organizations that have been recipients of SCHDF grants. I have looked into the question, and I write now to provide the requested examples.

They include the Retirement Community of Fairbanks as well as the Mid-Valley Senior Citizens—two of the three entities whose projects were described in an item in the committee members' bill packets titled "Examples of Senior Housing Projects Partly Funded with Senior Citizens Housing Development Grants."

Additional examples include:

Chugach Colony Estates—Grantee: Palmer Senior Citizens' Center, Inc.
Meadow Lakes—Grantee: Meadow Lakes Community Council
Togiak Senior Housing—Grantee: Bristol Bay Housing Development Corporation
Tovarish Manor Phase II—Grantee: Ninilchik Tribal Health, Culture and Heritage Nonprofit

Please do not hesitate to contact me or my staff if you require any further information regarding HB 65.

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February 16, 2011

The Honorable Bill Stoltze, Co-Chair
House Finance Committee
Alaska Capitol, Room 515
Juneau, AK 99801-1182

The Honorable Bill Thomas, Co-Chair
House Finance Committee
Alaska Capitol, Room 505
Juneau, AK 99801-1182

RE: HB 65 (Edgmon, Herron, Foster, Joule)—Support

Dear Co-Chairs Stoltze and Thomas:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Finance Committee to support for HB 65, authored by your Committee colleagues Representatives Bryce Edgmon and Reggie Joule as well as by Representatives Bob Herron and Neal Foster and co-sponsored by Representative Peggy Wilson. HB 65 will allow regional Native housing entities to apply for grants for senior housing from the Alaska Housing Finance Corporation.

HB 65 does not expand funding for senior housing. It simply allows Native organizations with housing expertise and experience to compete for grants for senior housing. This makes sense and creates a fair competitive field for organizations that AARP would like to see involved in senior housing.

AARP recommends an "AYE" vote for HB 65.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Fairclough
Representative Costello
Representative Edgmon
Representative Joule
Representative Neuman
Representative T. Wilson
Representative Doogan
Representative Gara
Representative Guttenberg
Representative Herron
Representative Foster

STATE OF ALASKA
DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

February 14, 2011

Representative Bryce Edgmon
Representative Bob Herron
Representative Neal Foster
Representative Reggie Joule
Alaska State Capitol
Juneau, AK 99801-1182

Subject: Support for HB 65

Dear Representatives Edgmon, Herron, Foster, and Joule:

The Alaska Commission on Aging (ACoA) is pleased to offer our support for HB 65, a bill sponsored by you and co-sponsored by Representative Peggy Wilson, to expand the list of eligible applicants for Alaska Housing Finance Corporation's (AHFC) Senior Citizens Housing Development Fund (SCHDF) to include regional housing authorities in addition to municipalities, 501(c)3 and (4) nonprofit organizations. The SCHDF program is used specifically to increase the number of senior housing units for older Alaskans and to address the needs of a growing Alaska senior population whose incomes are in the low to moderate range. The SCHDF is a flexible funding tool that provides gap financing for the construction of mixed-income housing projects for older Alaskans and supports a variety of development needs. The ACoA endorses the inclusion of regional housing authorities as eligible applicants to increase the availability of quality and affordable senior housing to benefit older Alaskans in every region of the state, including rural and remote areas.

Alaska is the state with the fastest growing senior population. Currently, there are more than 85,000 Alaska seniors age 60 years and older representing 12.3% of the state's population, a 52.6% increase since 2001. The population of Alaskan seniors increased nearly seven percent in the most recent year alone. All nine regions recognized by the Department of Health and Social Services experienced an increase in their senior populations of at least 20% over the last eight years.

Having a safe, comfortable, and accessible home fulfills a basic human need which becomes even more important as a person ages and develops frailties. Alaska has a statewide shortage of accessible, affordable housing options for seniors. The waiting list for AHFC's senior/disabled housing has grown by 70% in the past two years. In addition, 15-16% of Alaska's homeless population is estimated to be people age 55 years and older.

The ACoA supports passage of HB 65 to make these funds available for development of senior housing in rural and remote regions that are not adequately served by this program. Looking forward, we recognize that there will be an increased demand for additional funds for the SCHDF to meet the accelerating need of the growing Alaska senior population as well as to pay for higher construction costs related to

inflation and development in rural and remote communities. Please feel free to contact Denise Daniello, ACoA's executive director (465-4879 or denise.daniello@alaska.gov) should you require additional information about our position. Thank you for your support of HB 65 and for recognizing the critical need to develop additional quality senior housing in Alaska.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Representative Peggy Wilson

Cook Inlet Housing Authority

Promoting Independence Through Housing

January 10, 2011

Representative Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, Alaska 99801

SUBJECT: PROPOSED REVISIONS TO AS 18.56.010 – SENIOR CITIZENS HOUSING DEVELOPMENT FUND

Dear Representative Edgmon:

I am writing on behalf of Cook Inlet Housing Authority (CIHA), the state chartered regional housing authority for the Cook Inlet Region., and a member of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed amendment to AS 18.56.010 to explicitly include Alaska's regional housing authorities as eligible recipients under the Alaska Housing Finance Corporation (AHFC) Senior Citizens Housing Development Fund (SCHDF) program.

The SCHDF program was created to provide funding to assist organizations in the development of senior citizen housing through grant awards for acquisition, rehabilitation, accessibility modification and new construction activities. CIHA and other Alaska regional housing authorities are some of the most qualified and experienced developers of senior housing in the state; in fact, CIHA itself is now the largest provider of senior housing in Alaska.

The current language of AS 18.56.010 excludes regional housing authorities from eligibility for SCHDF funds, because although they are tax exempt for I.R.S. purposes, they are not 501(c)(3) or (4) entities. The rationale for this distinction is unclear, and more importantly, has not been uniformly applied by AHFC in past grant awards. AHFC has awarded SCHDF grant funds to many regional housing authorities in the past, including CIHA, and only last year determined that regional housing authorities were actually not named as eligible recipients. The statutory language is unclear in that it names "public and private non-profit 501(C)(3) or (4) organizations" as eligible recipients. Although regional housing authorities are in fact public corporations, they are not "public non-profit" (i.e., 501(C)(3) entities). Inclusion of "regional housing authorities" to the list of eligible participants in the program would help clear this confusion.

AHFC's past award of SCHDF to regional housing authorities for senior housing development has set a precedent for regional housing authority eligibility for these funds. Regional housing authorities are also collectively the largest developer of housing, including senior housing, in the State. Denying regional housing authorities access to these valuable funds will result in a significant reduction in the delivery of greatly needed senior housing in rural and urban areas of the state. Further, there would not be any financial impact to the state's general fund if regional housing authorities were permitted to continue to access SCHDF funds. For these reasons, CIHA strongly supports AAHA's proposal to expressly include regional housing authorities organized under AS 18.55.996 to the list of entities eligible for the direct receipt of SCHDF funds.

3510 Spenard Road, Suite 100 Anchorage, AK 99503 Tel 907-793-3000 Fax 907-793-3079

It is our understanding that your office has agreed to sponsor legislation to provide for the requested statutory change. We very much appreciate your efforts to assist in this matter, and if there is anything further we can do to help in this effort please do not hesitate to contact us.

Respectfully,

Carol Gore
President/CEO

cc: Heather Arnett, AAHA Statewide Administrator

ALEUTIAN
HOUSING AUTHORITY

January 4, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of Aleutian Housing Authority (AHA), one of the 14 state chartered regional housing authorities and a member of the Association of Alaska Housing Authorities (AAHA) to offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

The program was created to provide funding to assist organizations attempting to develop senior citizen housing for seniors 60 years of age and older and whose incomes are in the low to moderate ranges. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. Aleutian Housing strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

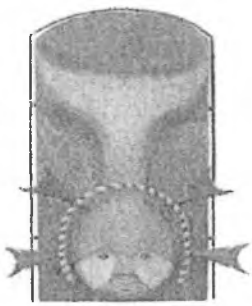
It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Dan Duame
Executive Director

Cc: Heather Arnett, AAHA Statewide Administrator

520 E. 32ND AVENUE · ANCHORAGE, ALASKA 99503 · MAIN (907) 563-2146 · FAX (907) 563-3105 · WWW.ALEUTIAN-HOUSING.COM



Kodiak Island Housing Authority

3137 Mill Bay Road, Kodiak AK 99615
kodiakislandhousing.org
Phone: 907- 486-8111 Toll Free: 800- 478-5442 Fax: 907-486-4432

January 6, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of the Kodiak Island Housing Authority (KIHA), one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

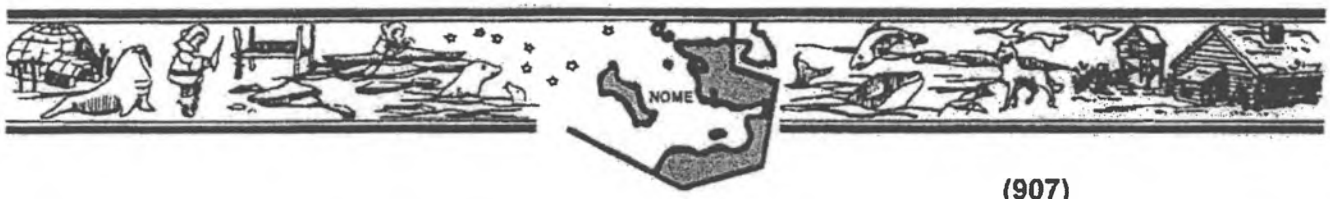
The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. KIHA strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Marty Shuravloff
Executive Director



BERING STRAITS REGIONAL HOUSING AUTHORITY
Robert Mocan, President/CEO

(907)
(907)
P. O. Box 995 Nome, AK 99762
Phone No. (907) 443-5256
Fax No. (907) 443-8652
Toll Free No. 1-800-478-5255

January 27, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of [Bering Straits Regional Housing Authority], one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. [Bering Straits Regional Housing Authority] strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Robert Mocan
BSRHA
President/CEO

Cc: Heather Arnett, AAHA Statewide Administrator

BRISTOL BAY HOUSING AUTHORITY

P.O. Box 50 Dillingham, Alaska 99576 Phone (907) 842-5956
Fax (907) 842-2784 TTY Phone (907) 842-6541

January 5, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810:
Senior Citizens Housing Development

Dear Rep. Edgmon:

Bristol Bay Housing Authority (BBHA) supports a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program. As you are aware, BBHA is one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA).

The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. In the past, AHFC has interpreted the regulations to define Housing Authorities as eligible applicants and recipients of such funds. However, after a AG opinion on the topic, AHFC has reversed that interpretation of eligibility of Housing Authorities to directly participate in the program. BBHA strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

Thank you for sponsoring legislation which would provide for the requested statutory change. We appreciate your efforts to assist in this matter. Please contact me for any further information you may need on this issue.

Sincerely,

Dave McClure
Executive Director
Bristol Bay Housing Authority

Cc: Heather Arnett, AAHA Statewide Administrator

Tlingit-Haida Regional Housing Authority
P.O. Box 32237 • Juneau, Alaska 99803 • Fax (907) 780-6895 • Tel (907) 780-6868

January 23, 2011

Bryce Edgmon
Representative District 37
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810
Senior Citizens Housing Development

Dear Representative Edgmon,

It is my understanding that your office has agreed to sponsor legislation that will request a statutory amendment to allow Alaska housing authorities as eligible entity to apply for the AHFC Senior Citizens Housing Development Fund Program (SCHDF).

We thank you for sponsoring legislation that will allow Alaska regional housing authorities to apply for the SCHDF program as a resource to address increasing senior housing needs throughout the state and especially Alaska rural communities.

Tlingit Haida Regional Housing Authority is a member of the Association of Alaska Housing Authorities (AAHA). We strongly support the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities that are eligible to apply for and receive SCHDF funds.

If you have any questions or need my support with your efforts, please feel free to contact me at 907-780-6868.

Sincerely,

Blake Kazama

Dr. Blake Kazama
President and CEO
Tlingit Haida Regional Housing Authority

cc: Heather Arnett, AAHA Statewide Administrator

INTERIOR REGIONAL HOUSING AUTHORITY

January 5, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Dear Rep. Edgmon:

RE: Proposed Revisions to Sec. 18.56.810 Senior Citizens Housing Development.

I am writing on behalf of the Interior Regional Housing Authority, one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Program.

The program among others was created to provide funding to assist organizations attempting to develop senior citizen housing. The acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards. What should be a relatively straightforward process is complicated by the fact that, regional housing authorities are hampered by a technicality. The need for senior housing is a need that we hear about on a continual basis.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state without having to jump through a lot of hoops.. The Interior Regional Housing Authority strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Irene Catalone
CEO

828 27th Avenue • Fairbanks, Alaska 99701-6918 • Tel (907) 452-8315 • 1-800-478-IRHA • Fax (907) 456-8941

Teleconference Requirements for HB 65 and List of Officials to be On-line for Committee Questions

We have no specific request for LIO teleconferencing for HB 65, however, as housing authorities exist in every region of the state, we request that teleconferencing be an option for all LIOs.

1. Elaine M. Mello,
   Planning Officer
   Elder Housing Grants
   Alaska Housing Finance Corporation
   (907)-330-8236

2. Mark Romick
   Director, Planning and Program Development
   Alaska Housing Finance Corporation
   (907) 330-8274

3. Stacy Schubert
   Legislative Liaison
   Alaska Housing Finance Corporation
   (907) 330-8445

4. Heather Arnett
   Statewide Administrator
   Assn. of Alaska Housing Authorities
   (907) 338-3970

5. Dan Duame
   Executive Director
   Aleutian Housing Authority
   (907) 563-2146

Prepared by the Office of Rep. Edgmon

HB 130

<TARGET><BILL>HB 130</BILL><SUBJECT>HB 130</SUBJECT><COMM>SCRA27</COMM></TARGET>

SENATE COMMITTEE REPORT

DATE: 3/14/11

FURTHER: Labor and Commerce

DATE TURNED IN TO OFFICE: 3/29/11

Community and Regional Affairs Committee considered CS FOR HOUSE BILL NO. 130(L&C)

HB 130-RESIDENTIAL SPRINKLER SYSTEMS

"An Act relating to municipal building code requirements for fire sprinkler systems in certain residential buildings."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] adopt **previous SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DPS			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
Albert Kookesh	Kookesh	✓			
Linda Menard	MENARD	X			
Joe Paskvan	WAGONER	X			
CHAIR:	OLSON			✓	

ALASKA STATE LEGISLATURE
HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON
Chairman
State Capitol, Room 24
Juneau, AK 99801-1182
(907) 465-4954 Fax 465-3835

Rep. Craig Johnson, Vice- Chair
Rep. Mike Chenault
Rep. Lindsey Holmes
Rep. Dan Saddler
Rep. Steve Thompson
Rep. Bob Miller

Sponsor Statement

Committee Substitute for House Bill 130 (L&C)

"An Act relating to municipal building code requirements for fire sprinkler systems in certain residential buildings."

House Bill 130 is in response to a national movement to require fire sprinkler systems in one and two-family dwellings. This legislation would require a more robust public process be followed before sprinklers can be mandated in new home construction.

HB 130 seeks to avoid broad mandates that will drive up costs for consumers in areas where sprinklers may not necessarily be needed without adequate public involvement.

HB 130 requires that before a municipality can mandate sprinkler systems in all new construction of residential buildings with one or two dwelling units they must first:

- At least 30 days prior to the first public hearing, publish a summary of the ordinance and notice the time and place of each scheduled public hearing;
- Hold three public hearings within not less than a 60-day period and not more than 180 day period.

This bill realizes there may be cases in Alaska where requiring sprinklers in one and two-family dwellings is necessary. Often, the geography at the location of new builds is such that firefighters cannot make it swiftly to a burning home. In those cases, HB 130 **would not** prohibit sprinkler mandates; it assures public awareness and participation in those decisions

I urge your support of this bill.

ALASKA STATE LEGISLATURE
HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON
Chairman
State Capitol, Room 24
Juneau, AK 99801-1182
(907) 465-4954 Fax 465-3835

Rep. Craig Johnson, Vice- Chair
Rep. Mike Chenault
Rep. Lindsey Holmes
Rep. Dan Saddler
Rep. Steve Thompson
Rep. Bob Miller

Summary of HB 130 Effects

1. House Bill 130 is a proactive response to a national and local movement to require fire sprinkler systems in one and two-family dwellings. This legislation does not prohibit Alaskans from choosing to install these systems in their new or existing homes; it simply augments the public process necessary for any attempt to make them **mandatory** on a local level.

2. House Bill 130 would require local governments, who choose to pursue mandatory residential fire sprinkler requirements, to make a small investment of time and money when considering inflicting another costly government mandate on its local homeowners.

3. Before allowing a local government to impose residential fire sprinklers on all new construction, this legislation would require them to first:

    a. Publish a summary of the ordinance and a notice of the time and place of each of the scheduled hearings at least 30 days before the first hearing
    b. Schedule a minimum of 3 public hearings
    c. Hold the hearings between 60 and 180 days of the notice of the proposed ordinance

    After this extended, open and transparent process, the local governing body may choose whether or not to approve a mandatory residential fire sprinkler requirement.

Talking Points for HB 130

1. House Bill 130 is a proactive response to a national and local movement to require fire sprinkler systems in one and two-family dwellings. This legislation does not prohibit Alaskans from choosing to install these systems in their new or existing homes; it simply augments the public process necessary for any attempt to make them **mandatory** on a local level.

2. House Bill 130 would require local governments, who choose to pursue mandatory residential fire sprinkler requirements, to make a small investment of time and money when considering inflicting another costly government mandate on it's local homeowners.

3. Residential fires sprinkler systems are expensive. Conservative estimates indicate that Alaskans could expect to pay between 3 to 5 dollars per square foot to have a system included in the construction of their new home. Additional costs could arise if the home was on a well or cistern system or the system required additional water storage or backflow preventers. Backflow preventers would most likely require an annual inspection which would cause an ongoing financial burden for the homeowner.

4. Significant technical problems still exist with having a fire sprinkler system installed in a residential dwelling. Pressurized sprinkler heads can be dislodged or disturbed due to many events common to family dwellings. Home owners may inadvertently get paint on a sprinkler head blocking its proper discharge if ever activated. Horseplay by overactive children and distracted teens could dislodge a sprinkler head and cause accidental discharge. Adults moving large pieces of furniture could accidentally dislodge a sprinkler head and result in unintentional water damage to the home.

5. Frozen pipes are a common problem in Alaska. An uninhabited residence that loses power and heat could easily have all its pipes frozen if it occurred during a typical winter cold spell. A burst pipe is an all too common experience for most Alaskans.

6. Changes in residential construction technology over the last twenty years have dramatically dropped the number of fatal fires in the U.S. including Alaska. Code provisions for fire separation, fire blocking and draft stopping, emergency escape and rescue openings, electrical circuit breakers, capacity and outlet spacing, reduced need for space heaters in energy efficient homes and many other improvements have made our homes more "fire safe" without undue financial burden to the homeowner.

7. House Bill 130 will continue to allow Alaskan homeowners the opportunity to invest in this additional layer of fire safety. It will also ensure that local governments will provide their constituents with an adequate public process if it is

considering implementing an unnecessary and expensive building code requirement on Alaskans, regardless of their financial or environmental situation.

8. Before allowing a local government to impose residential fire sprinklers on all new construction, this legislation would require them to first:

    a. Publish a summary of the ordinance and notice the time and place of each of the scheduled hearings within 30 days of notice of the proposed ordinance
    b. Schedule a minimum of 3 public hearings
    c. Hold the hearings between 60 and 180 days of the notice of the proposed ordinance

    After this extended, open and transparent process, the local governing body may choose whether or not to approve a mandatory residential fire sprinkler requirement.

Summary of HB 130 Effect

1. House Bill 130 is a proactive response to a national and local movement to require fire sprinkler systems in one and two-family dwellings. This legislation does not prohibit Alaskans from choosing to install these systems in their new or existing homes; it simply augments the public process necessary for any attempt to make them **mandatory** on a local level.

2. House Bill 130 would require local governments, who choose to pursue mandatory residential fire sprinkler requirements, to make a small investment of time and money when considering inflicting another costly government mandate on its local homeowners.

3. Before allowing a local government to impose residential fire sprinklers on all new construction, this legislation would require them to first:

    a. Publish a summary of the ordinance and a notice of the time and place of each of the scheduled hearings at least 30 days before the first hearing
    b. Schedule a minimum of 3 public hearings
    c. Hold the hearings between 60 and 180 days of the notice of the proposed ordinance

    After this extended, open and transparent process, the local governing body may choose whether or not to approve a mandatory residential fire sprinkler requirement.

Q & A for HB 130

1. What does this bill do?
    a. It requires a robust public hearing process if a municipality considers requiring sprinklers in new construction of one and two family residences. It assures the public that such a major step cannot be done through adoption of some standard by reference and without clear public notice.
2. Does this require or prohibit Sprinklers in Single and two family homes?
    a. No, it requires a discussion period prior to a municipality making a local decision on a sprinkler requirement
3. Is there any opposition to this proposal?
    a. We know of no opposition. There is agreement that this bill allows for a robust local discussion at the local level where a decision can be made.
4. What might it cost to add sprinklers to new homes?
    a. The costs vary but could add significantly to the cost of a home. Costs will be different in various communities; they would be identified and discussed during the hearing process.
5. What happened last year?
    a. Time ran out on the bill. This bill represents a consensus of the folks who were involved in the bill in the last legislature. We are aware of no opposition.
6. How did those involved come to this agreement?
    a. All involved agreed that the issue of requiring sprinklers in one and two family residences is a significant public policy question. This process encourages a full and transparent public process and leaves the decision at the local level where it belongs.



ALASKA STATE HOMEBUILDERS ASSOCIATION

February 1, 2011

Representative Kurt Olson
State Capital, Room 24
Juneau, AK 99801-1182

Re: HB 130

Rep Olson,

We write to you in support of HB 130 (An Act relating to municipal building code requirements for fire systems in certain residential buildings, and providing for an effective date).

We are stating our support of HB 130 as a representative of the Alaska State Home Building Association (ASHBA), with 700 plus professionals operating and working in the construction industry. The organization has been in support of this form of legislation for approximately 2 years and we appreciate you taking the effort to re-introduce the legislation in its current form, and helping guide it through to its final passage.

This legislation will assist communities throughout Alaska to properly handle the manner in which proposed fire sprinkler ordinance in "One and Two Family Dwelling Units" is presented, and will give those affected by such an ordinance the appropriate time table to defend such introduction.

If you are in need of any members of the association present to testify, or require any assistance with HB 130 please do not hesitate to ask.

Thank you in advance for all your help,

Dave Owens
President ASHBA

Alan Wilson
Co-Chair ASHBA
Legislative Committee

Paul Michelsohn
Co-Chair ASHBA
Legislative Committee

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ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
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www.alaskarealtors.com

February 4, 2011

Representative Kurt Olson
Alaska House of Representatives
State Capitol Building Room 24
Juneau, Alaska 99801

RE*: HB 130 - *"An act relating municipal building code requirements for fire sprinkler systems in certain residential buildings."

The Alaska Association of REALTORS® with over 1,600 members statewide supports House Bill 130, which relates residential sprinklers in certain residential buildings.

The Alaska Association of REALTORS® believes that HB 130 is a proactive response to a national movement to require fire sprinkler systems in one and two-family residential dwellings.

The mandate of sprinklers systems will cause a dramatic increase to not just the construction cost of homes, but also to the maintenance, resale and insurance costs.

The increased cost will keep many Alaskans from moving from older houses or rentals into otherwise safer and newly constructed homes that will offer modern smoke alarm systems, firewalling and other proven safety features. Yearly inspections and related upgrades and repairs will also be costly.

HB 130 asks that the people that are affected by this be advised of this incredible burden before the governing body adopts the new rule. Citizens of Alaska should not be subject to this mandate without proper notification and input.

The Association encourages the passage of House Bill 130.

Sincerely,

Dave Somers

Dave Somers
Alaska Association of REALTORS®
Industry Issues Chairman

REALTOR is a registered mark which identifies a professional in real estate who subscribes to a strict Code of Ethics as a member of the NATIONAL ASSOCIATION OF REALTORS.

ALASKA FIRE CHIEF'S ASSOCIATION

2358 Bradway Road, North Pole, Alaska 99705
Phone: (907) 488-3400 FAX: (907) 488-6118

February 14, 2011

Representative Bob Herron
State Capitol Room 411
Juneau AK, 99801

Dear Representative Herron,

I want to thank you and your staff for the work that you have done on HB130 - "An Act relating to municipal building code requirements for fire sprinkler systems in certain residential buildings; and providing for an effective date."

The Alaska Fire Chiefs Association does not oppose HB130 as it is currently drafted.

We look forward to working with you in the future.

Sincerely,

Jeff Tucker, President
Alaska Fire Chiefs Association

ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
Telephone (907) 563-7133 Fax (907) 561-1779
www.alaskarealtors.com

TO: Alaska State Legislature March 2011

From: Alaska Association of REALTORS®

RE: 2011 Legislative Priorities

The following are the Alaska Association of REALTORS® 2011 Legislative Priorities. The Association encourages your support on these issues.

HB 130 - ***"An Act relating to municipal building code requirements for fire sprinkler systems in certain residential buildings; and providing for an effective date."***

Sponsor: House Labor & Commerce Committee

The Alaska Association of REALTORS® supports HB 130, which is a proactive response to a national movement to require fire sprinkler systems in one and two-family residential dwellings. In September 2008, the 2009 International Residential Code (IRC) was adopted which included a residential sprinkler mandate.

The mandate of sprinkler systems will cause a dramatic increase to not just the construction cost of homes, but also to the maintenance, resale and insurance costs.

The increased cost will keep many Alaskans from moving from older houses or rentals into otherwise safer and newly constructed homes that will offer modern smoke alarm systems, firewalling and other proven safety features.

Yearly inspections will be costly and related upgrades and repairs will also be costly. If the systems are not inspected according to code requirements, the homeowner will find that their insurance carrier may deny claims.

HB 130 asks that the people that are affected by this be advised of this incredible burden before the governing body adopts the new rule. Citizens of Alaska should not be subject to this mandate without proper notification and input.

HB 188 - *"An Act relating to the interest that may be charged by one express agreement."*

Sponsor: House Labor & Commerce Committee

The Alaska Association of REALTORS® supports HB 188, which would allow land owners who wish to finance the sale of their property that is valued at $25,000 or less, be allowed to charge an interest rate that would be the greater of 10% or 5% above the Federal Reserve rate at the time of the loan.

Currently, Alaska Statute 45.45.010(b) sets the maximum interest rate for loans below $25,000 at 5 percentage points above the rate charged to banks by the 12th Federal Reserve District. In 1981, the last time this section was addressed, the Federal Reserve Rate was 14%. Thus the maximum allowed was 19%. Today the 12th Federal Reserve Rate is approximately 0.75%. Thus the current maximum interest allowed is 5.75%.

It is doubtful anyone contemplated such a low rate when Alaska's usury laws were adopted. Currently, landowners who wish to finance the sale of their property are limited to an interest rate of 5.75%. Such a low rate is a strong disincentive to individuals offering financing on such transactions and buyers who are willing to pay a more reasonable rate of interest are losing out on the ability to participate in real estate ownership due to the current restrictions.

HB

131

<TARGET><BILL>HB 131</BILL><SUBJECT>HB
131</SUBJECT><COMM>SCRA27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Senator Donny Olson, Chair
Session
Alaska State Capitol, Rm. 508
Juneau, AK 99801
(907) 465-3707
Fax: (907) 465-4821

Interim
716 W. 4th Ave. Ste 530
Anchorage, AK 99501
(907) 269-0254
Fax:(907)269-2031

Senator_Donny_Olson@legis.state.ak.us

Official business

Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

CONSIDERED, BUT NOT ATTACHED

Letter of Intent
HB 131

It is the intent of the Legislature that the five agency or non-public members of the Alaska Community and Public Transportation Advisory Board be filled by designees with the direct expertise and programmatic responsibilities in their respective agency related to the delivery of transportation services.

REPRESENTATIVE CATHY MUÑOZ

HB131: Community & Transportation Advisory Board

House Bill 131 creates a Community and Transportation Advisory Board which will assist in the development and procedural recommendations for existing programs of state, federal and local agencies that provide community-based transportation services. Public and community transportation is integral in connecting communities, supporting development and serving our most vulnerable constituents.

The designation of this board is a recommendation from the Governor's Coordinated Transportation Task Force which was released in the February 2010 Recommendations Report. The board will continue efforts to address public and community transportation and help fill the gap in transportation for individuals who require more specialized travel – senior citizens, low income individuals, persons with disabilities, and those who are transit-dependent.

The board will consist of 13 members from departments within state and local governments, Denali Commission, Alaska Mental Health Trust Authority, non-profits, and those with expertise in transportation needs for senior citizens, persons with disabilities, and transit-dependent individuals. This broad range of membership will facilitate communication and strategies that will benefit communities of all sizes.

HB131 has support from the Alaska Mobility Coalition, the Governor's Council on Disabilities and Special Education, Advisory Board on Alcoholism and Drug Abuse, the Alaska Commission on Aging, Alaska Mental Health Trust Authority, Alaska Brain Injury Network, and the Alaska Suicide Prevention Council.

REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

TO: Representative Bill Stoltze
Finance Co-Chair

CC: James Armstrong
Finance Committee Aide

FROM: Representative Cathy Muñoz

DATE: March 23, 2011

RE: Changes in CS HB131 (TRA)

Two amendments were adopted in House Transportation.

(1) Page 3, line 7 the language "or is otherwise unable to serve" was added to allow Board members the ability to petition the Governor to be removed from the board for circumstances which are outside the control of a member and beyond the already stated reason for missing more than two meetings.

(2) Page 4, section (c) (2) – adding language which directs the Board to review federal funding sources and report to the legislature if there are changes in the funding. This language was added because there was concern about keeping track of the federal funding since the majority of the funding for this Board is coming from federal receipts.

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-3744 • FAX (907) 465-2213
REPRESENTATIVE_CATHY_MUNOZ@LEGIS.STATE.AK.US

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
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Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM February 2, 2011

SUBJECT: Sectional summary of HB 131 (Work Order No. 27-LS0418\M)

TO: Representative Cathy Muñoz
Attn: Kendra Kloster

FROM: Brian J. Kane BJK
Legislative Counsel

You have requested a sectional summary of HB 131, a bill establishing the Alaska Community and Public Transportation Advisory Board and relating to a long-range community and public transportation plan.

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

Section 1 of the bill requires the commissioner to prepare and revise a long-range plan for community and public transportation and consult with the Alaska Community and Public Transportation Advisory Board in drafting the plan. It also establishes the advisory board and lists the powers and duties of the board.

Section 2 of the bill makes a change to conform with the December 31, 2016, sunset date of the advisory board.

Section 3 of the bill sunsets the advisory board on December 31, 2016.

Section 4 of the bill relates to the initial appointment of members of the advisory board.

Sections 5 and 6 of the bill state effective dates for the bill.

BJK:ljw
11-064.ljw

Excerpted from the February 11, 2010 Governors Coordinated Transportation Task Force Executive Summary Long Term Recommendations:

"The Governor's Coordinated Transportation Task Force (CTTF), tasked under Administrative Order 243 to "facilitate and enhance the coordination and integration of community-based public transportation services for the benefit of persons with special needs," is pleased to present this Recommendations Report to the State for consideration and implementation.

Recommendations – Long Term

The CTTF recommends that:

I. The State of Alaska enact a statute that establishes, enables and requires coordination of community-based transportation services that utilize state and federal grant funding. The statute would:

A. Establish a Governor-appointed Coordinated Transportation Commission, composed of a broad cross-section of agencies with responsibility for transportation, related human services, and advocates for special populations. The Commission would be established for a four-year period, with a review at that juncture to determine **whether to continue or to sunset the Commission. This would be accompanied by a funding commitment that will not negatively impact the existing limited funding for public transportation activities throughout the state.** The Commission would:

Oversee, implement, assess and periodically update the Coordinated Transportation Action Plan generated by the reconstituted CTTF, which brings to fruition the recommendations generated in this report...

Continue to identify, coordinate and leverage collective state agency resources so that they are most efficiently and effectively providing transportation services to persons with special needs

Continue to identify and address barriers to coordination in addition to those identified and addressed in this report as the coordinated system evolves and matures.

Advocate for a uniform budgeting structure that tracks and reports transportation expenditures on state clients.

State agency tracking and reporting on transportation expenditures is essential to effective, measurable coordination and leveraging state resources. Such data collected, updated, used and shared will meet federal accounting requirements, facilitate coordination and help best leverage state resources. State-funded expenditures on human service public transportation identified through this tracking mechanism can be used as match money to increase the availability of federal funding for transportation.

Develop and establish performance measures that identify entities that receive any type of public funding and measure coordination efforts through a statewide data base.

Performance measures need to specifically address and evaluate the effectiveness of coordinating and providing transportation services for people with special needs, which are measures that would look

quantifiably different and possibly in addition to standard transit measurements typically used today. Emerging legislation from Congress is establishing performance measurements as a new requirement of virtually every federally funded program. This recommendation also recognizes that measuring performance will be a new requirement for many agencies.

Articulate issues of policy and decision-making criteria associated with coordination plan implementation.

Develop a minimum taxicab standard for state-owned facilities such as airports and ferries to ensure those with disabilities are not overlooked.

State-owned ferry or airport terminals are a major destination for taxi businesses. To ensure those with disabilities are not overlooked, generate accessibility standards or regulations for taxicab businesses serving state-owned facilities, which includes a provision for permitted use of designated pickup and drop off zones. Alternate strategies include a recommendation for local government taxi codes that establish minimum capacity for accessible taxicabs and establish a basic standard in state law.

Governors Coordinated Transportation Task Force

Identify and address barriers to coordination associated with vehicle insurance, including cost, joint coverage, policy writing, and the sharing of publicly funded transportation vehicle assets.

Prepare an annual report to the State Legislature that summarizes the status of coordinated transportation within the state and make recommendations as appropriate."

MATANUSKA-SUSITNA BOROUGH
TRANSPORTATION ADVISORY BOARD
RESOLUTION SERIAL NO. 11-02

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH TRANSPORTATION ADVISORY BOARD IN SUPPORT OF TRANSIT COORDINATION AND STATE HOUSE BILL 131.

WHEREAS, The Governor has signed Administrative Order #243 to facilitate and enhance the coordination and integration of community-based public transportation services for the benefit of persons with special needs; and

WHEREAS, The Matanuska Susitna Borough Transportation Advisory Board also recognizes the importance of transit coordination for all service providers and users; and

WHEREAS, Coordination is the efficient and effective use of transportation resources for getting people to important destinations, such as jobs and medical appointments; and

WHEREAS, Coordination means working with transit providers, human service agencies, private institutions, businesses, volunteers and political leaders to broaden transportation options by way of modes, routes, and providers; and

WHEREAS, Coordination ensures connectivity between these options; and

WHEREAS House Bill 131 proposes to establish the Alaska Community and Public Transportation Advisory Board as well as a long-range community and public transportation plan.

NOW, THEREFORE, BE IT RESOLVED that in order to serve the public in an efficient manner, both financially and in service timeliness the Matanuska Susitna Borough Transportation Advisory supports transit coordination and the passage of House Bill 131.

ADOPTED by the Matanuska-Susitna Borough Transportation Advisory Board this 23rd day of February, 2011.

Kenneth Walsh, Co-Chair

Michael Campfield, Chair

ATTEST:

Mary Brodigan, Clerk

The Trust
The Alaska Mental Health Trust Authority

Alaskan Seniors Living Longer Growing Stronger
from the Alaska Commission on Aging

Statewide Suicide Prevention Council

alaska brain injury network

Advisory Board on Alcoholism and Drug Abuse

Governor's Council on Disabilities and Special Education

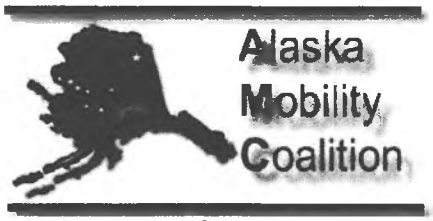
Alaska Mental Health Board

Coordinated Transportation for Alaskans

Working with the Alaska Mobility Coalition (AMC), the Governor's Council on Disabilities and Special Education, Alaska Mental Health Board, Advisory Board on Alcoholism and Drug Abuse and the Alaska Commission on Aging, in collaboration with the Alaska Mental Health Trust Authority, the Alaska Brain Injury Network and the Alaska Suicide Prevention Council, have identified as two of their joint priorities, the creation of legislation addressing the role of public and community transportation in Alaska and the establishment of a permanent Coordinated Transportation Commission. The partner boards also support the creation of a statewide fund for public and community transportation in Alaska. Following are overviews of these priorities:

Creation of legislation identifying 1) the role of public and community transportation in Alaska and 2) establishing a permanent commission to address public and community transportation in Alaska. Alaska does not have enabling statutes within state law that define the state's role in public and community transportation. This role should be defined and developed to serve all public and community transportation users – including Alaskans with disabilities. Additionally, in July 2010, Governor Parnell signed an administrative order reestablishing a statewide task force on public and community transportation in Alaska that has a sunset provision (January 2012). The AMC and the partner boards believe a permanent commission will be needed to address the ongoing transportation needs of Alaskans across the state.

Creation of a statewide fund for public and community transportation in Alaska. Alaska is one of only three states that does not provide operating support for public transportation. Therefore, in Alaska, the burden shifts to local governments, tribal governments, and non-profits to partner with the federal government to provide these services. In some cases, transit agencies have had to turn down federal money because they did not have the match funds available. This has had an impact on all users of public transportation, particularly in tough economic times when bus fares have increased and hours of service have been cut back. The boards support requesting $3 million dollars to partner with local transit systems, with a match requirement (in kind or cash) for transit systems to participate in the program.



Achieving mobility through community appropriate transportation services

3705 Arctic Blvd #1777
Anchorage, AK 99503.
907-240-2702

February 15, 2011

Representative Cathy Munoz
State Capitol Room 403
Juneau AK, 99801

Dear Representative Munoz:

On behalf of the Alaska Mobility Coalition (AMC), we strongly support HB 131 (Alaska Community and Public Transportation Advisory Board).

The AMC is a private, non-profit membership organization that represents and advocates for public and community transportation in Alaska. The AMC has ninety seven members across the state from Bethel to Prince of Wales Island. The AMC membership provides over seven million rides annually for Alaskans to get to work, school, shopping trips, recreational opportunities and medical appointments. For more information on the AMC, I have linked information from our website for your review (http://www.alaskamobility.org)

In the fall of 2008, former Governor Sarah Palin signed an administrative order creating the Governor's Coordinated Transportation Task Force. I have linked copy of the final report for your review. (http://www.dot.state.ak.us/stwdplng/cttf/docs/CTTF_recommendations_report_signed_021101.pdf) The Governor task force recommended and we agree, that there needs to be a permanent voice at the state level to make state agencies to work together to share information and resources on coordinated transportation in Alaska.

Thank you for your efforts in supporting transit in Alaska. I look forward to working with you and the Alaska legislature on your legislation during the current session.

Sincerely,

David M. Levy
Executive Director

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 16, 2011

The Honorable Peggy Wilson, Chair
House Transportation Committee
Alaska State Capitol, Room 408
Juneau, AK 99801-1182

Subject: Support for HB 131, Alaska Community and Public Transportation Advisory Board

Dear Chair Wilson:

The Alaska Commission on Aging (ACoA) is pleased to offer our support of HB 131 that would establish a *permanent* Governor-appointed Coordinated Transportation Commission to address the ongoing community transportation needs of all Alaskans, specifically older Alaskans and Alaskans with physical and cognitive disabilities. This advisory board would be responsible for developing a long-range coordinated transportation plan that would include participating in policy-making decisions related to mobility of seniors and people with disabilities, identifying barriers related to community transportation, encouraging regional transportation planning to maximize limited resources and improving efficiencies, and providing assistance with coordinating resources to improve transportation services for people with special needs.

Transportation is one of the top needs consistently identified in statewide surveys of senior needs, including the elder-senior community forums and a statewide senior survey recently conducted by ACoA to determine priority concerns of older Alaskans. Seniors identified transportation not only as a barrier to accessing health care services but also as a factor leading to social isolation that prevents seniors from taking part in community life.

With the graying of Alaska's population, there will be an increasing number of older Alaskans who depend on reliable, safe, and accessible mobility options to take them to medical appointments, work, and volunteer placements, to the senior center for lunch, shopping and other purposes. Community transportation is a life-line for seniors and people with disabilities to ensure a health quality of life. Planning for effective transportation and efficient use of resources that serves all Alaskans is an investment in our future.

Thank you for your consideration and support of HB 131. Please contact Denise Daniello, ACoA's executive director (465-4879 or denise.daniello@alaska.gov) should you require additional information about our position.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Vice-Chair Lance Pruitt
Representative Eric Feige
Representative Craig Johnson
Representative Max Gruenberg
Representative Pete Peterson
Representative Cathy Muñoz

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March 14, 2011

The Honorable Peggy Wilson, Chair
House Transportation Committee
Alaska State Capitol, Room 408
Juneau, AK 99801-1182

RE: HB 131 (Munoz)--Support

Dear Chair Wilson:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Transportation Committee to support HB 131, authored by your Committee colleague Representative Cathy Munoz and co-sponsored by Representative Chris Tuck.

HB 131 will establish an Alaska Community and Public Transportation Advisory Board which will have the opportunity to participate in long-range transportation planning.

From AARP's perspective, we would expect that the Advisory Board, among its other duties, would

- Consider the effects of transportation planning and land-use decisions on the mobility of older Alaskans and people with disabilities
- Coordinate planning and programming activities to ensure that regional priorities are reflected in fiscally constrained state transportation plans
- Examine the benefits of public transportation service improvements before undertaking major road-building projects; and
- Actively promote the public participation of consumers, including older people, in transportation planning decisions on such issues as routing services, placing and designing highways and roads, transportation demand management, and investing in and deploying intelligent transportation systems.

With the aging of Alaska's population, we will have an increasing number of older Alaskans for whom mobility will be a critical "peace of mind" issue. Planning for effective transportation that works for Alaskans of all ages and abilities is important now and will only become more important in the future.

AARP requests an "AYE" vote on HB 131.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Lance Pruitt
Representative Eric Feige
Representative Craig Johnson
Representative Max Gruenberg
Representative Pete Peterson
Representative Cathy Munoz

JEDC Juneau Economic Development Council

JEDC.org
612 West Willoughby Ave.
Suite A
Juneau, AK 99801
Phone 907-523-2300
Fax 907-463-3929

March 15, 2011

Honorable Cathy Munoz
State Capitol Room 403
Juneau AK, 99801

Dear Representative Munoz:

The Juneau Economic Development Council (JEDC) enthusiastically supports HB 131 that will found a permanent Alaska Community and Public Transportation Advisory Board.

Public transportation provides positive economic impacts in small communities. A 2010 study entitled "The Economic Effects of Bus Transit in Small Cities" showed that the presence of bus transit significantly lowers unemployment rates, lowers growth in family assistance and food stamp payments, and increases population and employment. These findings suggest transit increases low-income individuals' ability to get and maintain jobs.

JEDC staff conducted executive interviews with ten of Juneau's larger private employers to ask how public transportation issues impacted business operations in regards to their employees. Six of these organizations, including Wal-Mart, Home Depot, Fred Meyers, Warehouse Demo Services (an employer at Costco), Goldbelt Hotel, and Safeway reported a significant number of their employees use the bus. Public transit use estimates among employees in these organizations ranged from 30% to 75%.

Combined, these organizations have more than 350 employees using public transportation to get to work. Generally the business operations of these establishments, along with the work schedules of their employees, are highly impacted by public transit schedules and bus stop locations. These and other businesses, rely on public transportation to be successful in our community.

Our recent work with the City and Borough of Juneau, Southeast Alaska Independent Living, REACH, Southeast Senior Services and the Alaska Mobility Coalition to develop a coordinated transportation plan for Juneau has demonstrated that a collaborative, integrated effort to coordinate transportation resources is in the best interests of our state and its citizens.

Sincerely,

Kurt Fredriksson
Board Chair

Brian Holst
Executive Director

Cc: Senator Dennis Egan
Representative Beth Kerttula

JEDC Juneau Economic Development Council

JEDC.org
612 West Willoughby Ave.
Suite A
Juneau, AK 99801
Phone 907-523-2300
Fax 907-463-3929

March 15, 2011

Honorable Cathy Munoz
State Capitol Room 403
Juneau AK, 99801

Dear Representative Munoz:

While the Juneau Economic Development Council (JEDC) enthusiastically supports HB 131 and appreciates your leadership in developing statewide coordinated transportation planning, we are concerned the Advisory Board composition proposed in HB 131 has too few members which actually operate public transportation systems.

In FY10, Juneau residents and visitors took 1.23 million trips on the local Capital Transit bus system. This represents 3,380 rides per day, and a 22 percent increase over FY2002. The Capital City Transit system is currently working at capacity.

JEDC strongly suggests HB 131 be amended be add one additional municipality to the membership of the Alaska Community and Public Transportation Advisory Board.

Sincerely,

Kurt Fredriksson
Board Chair

Brian Holst
Executive Director

Cc: Senator Dennis Egan
Representative Beth Kerttula

JEDC Juneau Economic Development Council

RESOLUTION of the Board of Directors in support of State of Alaska House Bill 131

"An Act establishing the Alaska Community and Public Transportation Advisory Board and relating to a long-range community and public transportation plan; and providing for an effective date."

Resolution 03-11

WHEREAS, JEDC has provided leadership for completion of the City and Borough of Juneau's (CBJ's) coordinated transportation plan.

WHEREAS, the Governor's Coordinated Transpiration Task Force recommended there should be a permanent authority at the state level to ensure state agencies work together to share information and resources on coordinated transportation in Alaska.

WHEREAS, coordination of transportation plans among state and local governments and other organizations providing transportation services is likely to be a requirement for federal transportation funding.

WHEREAS, the availability of public transportation is a key requirement for maintaining an adequate workforce for service jobs.

WHEREAS, House Bill 131 is a legislative priority for the Alaska Mobility Coalition, the Governor's Council on Disabilities and Special Education, Advisory Board on Alcoholism and Drug Abuse, the Alaska Commission on Aging, Alaska Mental health Trust Authority, Alaska Brain Injury Network and the Alaska Suicide Prevention Council.

NOW, THEREFORE, BE IT RESOLVED THAT:

On this 15th day of March 2011, the Board of Directors of the Juneau Economic Development Council hereby authorizes JEDC to issue appropriate letters of support for House Bill 131.

K. J. Fredrick
Board President

3-17-2011
Date

B. Schoonmaker
Board Secretary

3.17.2011
Date

Gloria O'Neill	Cook Inlet Tribal Council
Jerry Isaac	Tanana Chiefs Conference
Margaret Galovin	Aleutian Pribilof Islands Association
Marie Carroll	Arctic Slope Native Association
Angela Cox	Arctic Slope Native Association
Myron Naneng	AVCP
Patrick Andersen	Chugachmuit Inc.
Ralph Andersen	BBNA, President
Loretta Bullard	Kawerak, President
Paula Vrana	Cooper River Native Association
Andrew Teuber	Kodiak Area Native Assocation
Ed Thomas	Central Council of Tlingit & Haida Indian Tribes of AK
Heather Arnett	Association of AK Housing Authorities
David Harrison	Alaska Inter-Tribal Council
Elizabethe Medicine Crow	First Alaskans Institute
Denise Morris	First Alaskans Institute
Don Kashevaroff	Alaska Native Tribhal Health Consortium
David Hardenbergh	Rural CAP
	Alaska Native Justice Center
Lisa A. Mariotti	Alaska Network on Domestic Violence & Sexual Assault
Sue Steinacher	NEST Director
Laura Rice	Covenant House

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	Ian Erlich <ierlich@maniilaq.org>
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907-443-7673	502sue@gmail.com
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SENATE BILL NO. 225

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Introduced: 3/14/12
Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

"An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

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

*** Section 1.** AS 44.33 is amended by adding new sections to read:

Article 2A. Endow Alaska Grant Program.

Sec. 44.33.150. Grants for community development. The endow Alaska grant program is established in the Department of Commerce, Community, and Economic Development. To encourage community development in the state, the department may identify a statewide lead philanthropic entity that meets the requirements of AS 44.33.160 and grant the entity state funds that the entity may annually award to a community foundation or community foundation affiliate as endow Alaska grants to increase endowed funds, the purpose of which would be unrestricted.

Sec. 44.33.160. Eligibility requirements for lead philanthropic entities and

grant recipients. (a) To be eligible under AS 44.33.150, a lead philanthropic entity must be

(1) a nonprofit entity exempt from federal income taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code);

(2) a statewide organization whose principal function is to make grants in the state; and

(3) a community foundation.

(b) Only a community foundation or a community foundation affiliate is eligible for a grant under AS 44.33.150 - 44.33.190.

Sec. 44.33.170. Ranking of applications and awarding of grants. (a) When ranking applications for grants, the board of the lead philanthropic entity shall consider relevant factors including

(1) the need for financial assistance;

(2) the potential for future philanthropic activity in the community or geographic area that will benefit from the grant;

(3) the percentage of matching funding proposed;

(4) the opportunity to establish new community foundations or community foundation affiliates; and

(5) the geographic diversity of the communities or geographic areas that will benefit from the grants.

(b) The board of the lead philanthropic entity may award endow Alaska grants to a community foundation or a community foundation affiliate that

(1) provides all information the board requires, including evidence of the existence of the community foundation or the community foundation affiliate;

(2) demonstrates, in a manner approved by the board, the ability to match state funding at a ratio of at least one-to-one; and

(3) provides a spending policy for distributing grant money to organizations within the community or geographic area as defined by the community foundation or the community foundation affiliate.

Sec. 44.33.180. Limitations on grant amounts, awards, and administrative costs. (a) Endow Alaska grants are limited as follows:

HB 197

<TARGET><BILL>HB 197</BILL><SUBJECT>HB 197</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

Session:
State Capitol Rm. 421
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Representative Lance Pruitt
Co-Chair, House Energy Committee

Sponsor Statement

HB 197(ENE)
HOME ENERGY RATING SYSTEM

Non-governmental third parties are currently attempting to get themselves identified in federal legislation as the Home Energy Rating System verifying agency. The third parties would therefore control state policy on this issue. Based on the investment that Alaska has made through the Alaska Housing Finance Corporation (AHFC) in developing its own Home Energy Rating System, it seems appropriate that Alaska should run the program, not a non-governmental third party.

HB 197 authorizes the Alaska Housing Finance Corporation (AHFC) to act as the authorizing agency relative to approving any Home Energy Rating System (HERS) to be utilized in the state. This will enable AHFC to ensure that any HERS utilized in Alaska is appropriate for Alaska climates. In addition, AHFC would be able to verify appropriate software for national recognition. The HERS is directly related to measuring a home's ability to meet the Building Energy Efficiency Standards (BEES), which are required by state law.

LEGAL SERVICES

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LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

MEMORANDUM April 7, 2011

SUBJECT: Sectional Summary of CSHB 197(FIN)
(Work Order No. 27-LS0628\B)

TO: Representative Lance Pruitt
Attn: Jeremiah Campbell

FROM: Lisa Moritz Kirsch
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Designates the Alaska Housing Finance Corporation as the authorizing agency to approve home energy rating systems used in Alaska, and includes a legislative finding that recognition of the Alaska Housing Finance Corporation as Alaska's authorizing agency serves a public purpose in benefiting the people of Alaska.

Section 2. Provides an effective date of July 1, 2011.

LMK:plm
11-231.plm

Alaska State Legislature

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Representative Lance Pruitt
Co-Chair, House Energy Committee

Summary of Changes from HB 197 Version A to CSHB 197(FIN) Version B

HB 197
Home Energy Rating Systems

Changed "may" to "shall on page 1 line 9. This change was made to clearly define AHFC's scope of responsibility.

Removed "any" from page 1 line 9. There was concern that having "any" in the bill would put homebuilders, who used a system that wasn't approved, in violation of the law.

Changed "system" to "systems" on page 1 line 10. This was done to imply that more than one system may be approved for use in the state.



ALASKA STATE HOMEBUILDERS ASSOCIATION

March 31, 2011

Representative Pruitt
State Capital Building
Juneau, Alaska 99801-1182

Re; Support of HB-197

Representative Pruitt

On behalf of the ASHBA (Alaska State Home Building Association) we write you this letter stating our support for HB-197 (Home Energy Rating System).

The ASHBA is an organization that works and operates in the private sector of the construction industry. The association currently has 700 plus members working and operating throughout the State.

We feel it is the appropriate time for the introduction and passage of HB-197. We feel this bill will assist the construction community as well as the public in establishing good energy standards for our state.

We appreciate you taking the time to sponsor this legislation and if you need help through testimony or other please do not hesitate to ask.

Thank you,

Dave Owens	Alan Wilson	Paul Michelsohn Jr.
President	Co-Chair	Co-Chair
ASHBA	Legislative Committee	Legislative Committee

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March 28, 2011

The Honorable Neal Foster, Co-Chair
House Special Committee on Energy
Alaska Capitol, Room 434
Juneau, AK 99801-1182

The Honorable Lance Pruitt, Co-Chair
House Special Committee on Energy
Alaska Capitol, Room 421
Juneau, AK 99801-1182

RE: HB 197 (Pruitt)—Support

Dear Co-Chairs Foster and Pruitt:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Special Committee on Energy to support HB 197, sponsored by Co-Chair Pruitt.

AARP supported the expansion of the home energy program authored by Senator Hoffman and carried out over the past several years by the Alaska Housing Finance Corporation. At that time we called the legislation "historic" for the impact it would have on the wallets of our members as well as Alaskans of all ages.

Since that time, we have heard nothing but extremely positive comments from Alaskans who are now saving significant amounts of money on their utility bills and all of us can be proud of the energy being saved by Alaskans who have had their homes audited by a rater and then complied with their recommendations.

AHFC developed a cadre of trained raters and a system that could be used statewide for accurate ratings. This is a system that works well and has been used by thousands of Alaskans in every part of our state.

HB 197 would officially recognize AHFC as our home energy rating system authorizing agency.

We know that citizens often complain about "the government." We don't know anyone who complains about AHFC and the good work they have done on weatherization and home energy savings. AHFC serves, in AARP's opinion, as an agency that has its act together. They know their mission and they know how to accomplish it.

AARP requests an "AYE" vote on HB 197.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Representative Lynn
Representative Olson
Representative Saddler
Representative Peterson
Representative Tuck
Senator Hoffman

HB 219

<TARGET><BILL>HB 219</BILL><SUBJECT>HB 219</SUBJECT><COMM>SCRA27</COMM></TARGET>

David Scott

From:	Jeremiah Campbell
Sent:	Wednesday, April 04, 2012 1:20 PM
Subject:	AK House Majority Caucus Press Release: House OK's Bill Helping Local Emergency Agencies
Attachments:	20120403_Feige_HB219.pdf

Press Release

HOUSE OK'S BILL HELPING LOCAL EMERGENCY AGENCIES

HB 219 would allow for upfront funding to help offset operating costs

Wednesday, April 4, 2012, Juneau, Alaska - The Alaska House today unanimously passed legislation by Representative Eric Feige to help communities better provide fire and emergency services to residents.

House Bill 219 allows local fire and emergency medical services to collect payments up-front, or annually, from community members as a form of prepayment for services. The payments would allow the organization providing the service to raise needed operating funds to better protect the community.

"Often the largest costs these organizations have are daily costs such as keeping the heat on and paying property and liability insurance," Feige, R-Chickaloon, said. "They have to pay these costs even when they aren't running calls that generate revenue."

Under current statute, it is the opinion of the Alaska Division of Insurance that this type of activity is deemed insurance and is regulated by that division. "HB 219 will clarify that community based fire and ambulance services accepting a donation and then providing service at no charge is not insurance and is not regulated by the division," Feige said. "This bill will help Alaskans receive better emergency services in their communities, making them more viable and sustainable."

The bill now moves to the Alaska Senate for consideration.

###

For more information contact Rep. Feige's office 465-5446

Jeremiah Campbell
House Majority Deputy Press Secretary
Office of the Speaker - Alaska State Legislature
907.465.6791 direct I 814.392.8123 cell
jeremiah.campbell@legis.state.ak.us
housemajority.org I mobile.housemajority.org
twitter.com/houmaj

HB

264

<TARGET><BILL>HB 264</BILL><SUBJECT>HB 264</SUBJECT><COMM>SCRA27</COMM></TARGET>

27-LS1090\E
Bullard
4/11/12

SENATE CS FOR CS FOR HOUSE BILL NO. 264(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Chenault, Gara, Kerttula, Thompson, Kawasaki, Millett, Petersen, Johansen, Johnson, Gardner, Tuck

SENATORS Dyson, Huggins, Menard, Egan

A BILL

FOR AN ACT ENTITLED

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; relating to municipal taxation of oil and gas production and pipeline property; and providing for an effective date."

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

* **Section 1.** AS 29.45 is amended by adding a new section to read:

Sec. 29.45.051. Tax deferral for certain subdivided property. (a) A municipality may by ordinance permit deferral of payment of taxes on all or a portion of the increase in assessed value directly attributable to

(1) the subdivision of a single parcel of property into three or more parcels; and

(2) any improvements made to the property necessitated by its subdivision.

(b) A deferral from taxation allowed under (a) of this section shall be limited to a maximum period of five years. A municipality may by ordinance provide for the deferral of payment of taxes permitted under (a) of this section to be of a shorter

duration.

(c) Subject to (b) of this section, a municipality may also by ordinance provide that

(1) the deferral is terminated when

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is built on a lot in the subdivision; or

(2) the deferral continues for the unsold lots in the subdivision after

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is constructed on a lot in the subdivision.

* **Sec. 2.** AS 29.45.080(a) is amended to read:

(a) A municipality may levy and collect taxes on **the full and true value of** taxable property taxable under AS 43.56 **as valued by the Department of Revenue** [ONLY BY USING ONE OF THE METHODS SET OUT IN (b) OR (c) OF THIS SECTION].

* **Sec. 3.** AS 29.45.080(b), 29.45.080(c), 29.45.080(d), 29.45.080(e), 29.45.090(b), 29.45.090(c), 29.45.090(d); and AS 43.56.010(c) are repealed.

* **Sec. 4.** This Act takes effect July 1, 2012.

27-LS1090\D
Bullard
4/4/12

SENATE CS FOR CS FOR HOUSE BILL NO. 264(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Chenault, Gara, Kerttula, Thompson, Kawasaki, Millett, Petersen, Johansen, Johnson, Gardner, Tuck

SENATORS Dyson, Huggins, Menard

A BILL

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(c) Subject to (b) of this section, a municipality may also by ordinance provide that

(1) the deferral is terminated when

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is built on a lot in the subdivision; or

(2) the deferral continues for the unsold lots in the subdivision after

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is constructed on a lot in the subdivision.

* **Sec. 2.** This Act takes effect July 1, 2012.

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 April 4, 2012

SUBJECT: Single Subject Rule; Title Change
Amendment to SCS CSHB 264(CRA)
(Work Order No. 27-LS1090\D.1)

TO: Senator Donald Olson

FROM: Alpheus Bullard
Legislative Counsel

Enclosed please find the requested amendment adding language to SCS CSHB 264(CRA), which would amend statutes relating to municipal taxation of oil and gas production and pipeline property. Because both SCS CSHB 264(CRA) and the amendment relate to municipal taxes, the amendment will probably not raise a single subject question. However, I am enclosing this memo to flag the potential issue for you.

The single subject rule requires that all matters in an act "fall under some one general idea, be so connected with or related to each other, either logically or in popular understanding, as to be parts of, or germane to, one general subject."[1] Historically, the Alaska Supreme Court has interpreted Alaska's single subject rule to permit very broad subject matter in one bill without violating the single subject requirement. For example, the Court has held that bills relating to such broad themes as "development of water resources,"[2] "taxation,"[3] "land,"[4] "intoxicating liquor,"[5] and "criminal law"[6] are acceptable.[7] However, there was a strong dissent in one case against allowing broad

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[1] State v. First Nat'l Bank of Anchorage, 660 P.2d 406 (Alaska 1982).

[2] Gellert v. State, 522 P.2d 1120 (Alaska 1974).

[3] North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534, 545 (Alaska 1978).

[4] State v. First Nat'l Bank of Anchorage, 660 P.2d 406 (Alaska 1982).

[5] Van Brunt v. State, 646 P.2d 872 (Alaska App. 1982).

[6] Galbraith v. State, 693 P.2d 880 (Alaska App. 1985).

[7] Evans v. State, 56 P.3d 1046, 1070 (Alaska 2002).

subject matter in a single bill.[8] And in 2010, for the first time, the Alaska Supreme Court invalidated a piece of proposed legislation for failure to satisfy the single subject requirement.[9,10] Failure to comply with the single subject requirement -- although unlikely -- could jeopardize your bill if it were ever challenged.

Please also note that adoption of the amendment to the bill will require a title change resolution.

If I may be of further assistance, please advise.

TLAB:plm
12-208.plm

Enclosed

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[8] Yute Air Alaska, Inc. v. McAlpine, 698 P.2d 1173 (Alaska 1985). In his dissent, at page 1182, Justice Moore stated: "This court has mistakenly continued to give the rule such an extremely liberal interpretation that the rule has become a farce."

[9] Croft v. Parnell, 236 P.3d 369 (Alaska 2010).

[10] The Croft ruling and the Yute Air dissent may indicate that the Alaska Supreme Court is moving toward a more stringent single subject standard by adding a dimension to the rule expounded in Harbor v. Deukmejian, 742 P.2d 1290 (Cal. 1987). Harbor interprets California's single subject rule to prohibit excessive generality because it violates the purpose and intent of the single subject rule.

27-LS1090\D.1
Bullard
4/4/12

AMENDMENT

OFFERED IN THE SENATE BY SENATOR OLSON

TO: SCS CSHB 264(CRA), Draft Version "D"

Page 1, line 2, following "**property;**":

Insert "**relating to municipal taxation of oil and gas production and pipeline property;**"

Page 2, following line 12:

Insert new bill sections to read:

"* **Sec. 2.** AS 29.45.080(a) is amended to read:

(a) A municipality may levy and collect taxes on **the full and true value of** taxable property taxable under AS 43.56 **as valued by the Department of Revenue** [ONLY BY USING ONE OF THE METHODS SET OUT IN (b) OR (c) OF THIS SECTION].

* **Sec. 3.** AS 29.45.100 is amended to read:

Sec. 29.45.100. No limitations on taxes to pay bonds. [THE LIMITATIONS PROVIDED FOR IN AS 29.45.080 - 29.45.090 DO NOT APPLY TO TAXES LEVIED OR PLEDGED TO PAY OR SECURE THE PAYMENT OF THE PRINCIPAL AND INTEREST ON BONDS.] Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default.

* **Sec. 4.** AS 29.45.080(b), 29.45.080(c), 29.45.080(d), 29.45.080(e), 29.45.090(b), 29.45.090(c), 29.45.090(d); and AS 43.56.010(c) are repealed."

Renumber the following bill section accordingly.

27-LS1090\I.3
Bullard
3/16/12

AMENDMENT

OFFERED IN THE

TO: CSHB 264(CRA)

Page 1, line 13, through page 2, line 11:

Delete all material and insert:

"(b) A deferral from taxation allowed under (a) of this section shall be limited to a maximum period of five years. A municipality may by ordinance provide for the deferral of payment of taxes permitted under (a) of this section to be of a shorter duration.

(c) Subject to (b) of this section, a municipality may also by ordinance provide that

(1) the deferral is terminated when

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is built on a lot in the subdivision; or

(2) the deferral continues for the unsold lots in the subdivision after

(A) a lot in the subdivision is sold; or

(B) a residential or commercial building is constructed on a lot in the subdivision."

REPRESENTATIVE CATHY MUÑOZ

SPONSOR STATEMENT
CSHB 264 (COMMUNITY AND REGIONAL AFFAIRS)
VERSION I

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

Passage of Committee Substitute for House Bill 264 (Community and Regional Affairs) will give municipalities the option to provide an incentive to develop land for housing by deferring for up to five years a property tax increase directly attributable to subdividing a piece of property into three or more parcels.

A tax deferral would apply to surveying and platting as well as making improvements necessitated by subdividing – for things such as putting in access roads, drainage ditches, and utility corridors.

The measure would give municipalities the flexibility to defer increases in property taxes on subdivided parcels until a lot is sold or until a residential or commercial building is constructed on a plot of land. It would allow a local government to adopt the optional deferral for all or a portion of a subdivided property and let it decide the terms of paying the tax deferral and when those payments are due.

Supporters of this measure say it would remove a disincentive for developing privately owned property by holding taxes at the undeveloped land value until improvements occur that lead to a parcel's being developed and sold – thus becoming more valuable and capable of generating more revenues for local governments that choose to exercise this option.

The purpose of the bill is to encourage land development for more housing and let local governments decide whether a property tax deferral will benefit them.

CSHB 264 (CRA) is supported by the Alaska State Home Building Association, the Alaska Association of Realtors, and the Juneau Affordable Housing Commission.

Alaska State Capitol, Room 403 Juneau, Alaska 99801 (907) 465-3744

REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

To: Members of the House Finance Committee

From: Christopher Clark, Aide
Rep. Cathy Muñoz

Date: February 17, 2012

Re: Sectional analysis of CSHB 264 (CRA), relating to a property tax deferral

---

Kindly note that a sectional analysis of a bill or resolution should not be considered an authoritative interpretation of the measure itself. The legislation is the best statement of its contents.

Section 1. Amends Chapter 29.45, Municipal Taxation, by adding a new section, 29.45.051, that gives a municipality the option to allow a land owner to defer paying all or a portion of a property tax increase that is directly attributable to:

1) subdividing a piece of property into three or more parcels; and,
2) making improvements necessitated by subdividing land for things such as access roads, drainage ditches, and utility corridors.

A property tax deferral could last up to five years.

The property tax deferral would end after a subdivided parcel is sold or a residential or commercial building is constructed on it.

A municipality would be allowed to set up a way to apply a property tax deferral.

Section 2. Provides for an effective date of July 1, 2012.

Alaska State Capitol, Room 403 Juneau, Alaska 99801 (907) 465-3744

REPRESENTATIVE CATHY MUÑOZ

THE DIFFERENCES BETWEEN HB 264 AND CSHB 264 (CRA)

"An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

February 17, 2012

The House Community and Regional Affairs Committee made the following changes February 16, 2012, to House Bill 264:

(1) On page 1, line 9, of the original bill, following "parcels," it inserted "any improvements made to the property necessitated by its subdivision."

Explanation: The original language in HB 264 may have limited a property tax deferral to only those costs that are directly attributable to subdividing a parcel such as surveying and platting. Some municipalities in Alaska, such as Juneau, require subdivision developers to make improvements for things like access roads, drainage ditches, and utility corridors. Adding the words "any improvements made to the property necessitated by its subdivision" will allow improvement costs to be part of a property tax deferral.

(2) On page 2, line 1, and page 2, line 7, of the original bill, it replaced "the municipality grants a building permit for all or a portion of" with "on which a residential or commercial is constructed."

Explanation: This amendment is aimed at fulfilling the intent of the bill to end a property tax deferral when a property is improved and a building is constructed on it – so long as that happens within five years. The original language ended a deferral when a municipality grants a building permit for all or a portion of a subdivided parcel. There were two concerns over that:

1. *Some municipalities don't issue building permits; and,*
2. *No improvements may have been done at the time a permit is issued.*

This amendment ends a tax deferral when a building is constructed on the property.

Alaska State Capitol, Room 403 Juneau, Alaska 99801 (907) 465-3744

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **HB 264**
Fiscal Note Number
() Publish Date

Identifier (file name) HB264-DCCED-DCRA-02-10-12
Title MUNI PROPERTY TAX EXEMPTION: SUBDIVISIONS
Sponsor Representative Munoz
Requester House Community & Regional Affairs

Dept. Affected DCCED
Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
OMB Component Number 2879

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
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 0.0 *(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)

Initial Version

Prepared by Scott Ruby Phone 269-4569
Division Community and Regional Affairs Date/Time 2/10/2012 9:45am
Approved by JoEllen Hanrahan, Director Administrative Services Date 2/10/2012
Commerce, Community, and Economic Development

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 264

Analysis

HB 264 authorizes municipalities to adopt by ordinance a program to defer tax payments on certain newly subdivided properties.

This legislation allows for a deferral – up to five years, not an exemption from property taxes. It seeks to ease the short term cost of subdivision and development of properties, which could provide an incentive for local development and result in a net increase in property values. The property tax that is deferred is the portion attributable to the increase in assessed value.

There would be no fiscal impact to the Department if this legislation was enacted.

Juneau Empire Editorial: City's Top 10 goals: Tricks or Treats?
Posted: November 13, 2011 - 12:06 a.m.

The City and Borough of Juneau Assembly finalized its list of top 10 goals for 2011-12 at its Halloween meeting of the Committee of the Whole.

While the list offered some treats, it was a bit scary to see aiding affordable housing efforts left off the list.

The issue is important enough the League of Women Voters made it its No. 1 question for Assembly candidates to answer in its pre-election questionnaire.

Each Assembly candidate touched on it during conversations with the Empire's editorial board. Yet, when it came time to pick priorities for the year, there was no definite commitment to this issue.

The best the Assembly could muster was to try to "(f)ind ways to reach out not only to our neighboring Southeast communities, but all Alaska communities to enhance Juneau as the Capital City and an important regional economic and transportation hub," a pledge that could be fulfilled by ensuring the name Juneau is spelled correctly on state maps and shipping charts.

The problem is obvious.

The average cost of a single-family home in Juneau is $321,391, according to a recent report by the Juneau Economic Development Council.

The U.S. Census Bureau puts the national number at $243,900.

Juneau's rental vacancy and homeowner vacancy rates were at 3.2 and 1.4 percent, respectively, well below the 5 percent threshold needed for a healthy balance between profitability for landlords and sellers and affordability for renters and buyers.

The JEDC report concludes Juneau needs 360 more single-family residential units for our housing market to be healthy. And that's with Juneau's trend of nearly-flat population growth. When Juneau grows — as it must to enhance its role as a leading city in Alaska and Southeast — the problem will only be compounded if not addressed now.

Obvious problems do not always present apparent causes or lead to easy solutions, which is why we look to the Assembly for guidance.

When we spoke to candidates to get their takes on the housing issue, some reasons presented for Juneau's housing predicament — illogical demands and inexplicable delays in obtain building permits and a property tax system that can instantly increase the assessed value of a newly-subdivided lot several fold — are obstacles the Assembly can take the lead on addressing. Are building codes addressing the needs to foster safe construction and protect Juneau's environment, or are there some that are either outdated or designed as solutions in search of a problem?

A thorough review of Juneau's permitting requirements would answer those questions and could clear the way for developers exasperated with delays and denials to give building a fresh look. A property tax structure that doesn't punish an owner who subdivides his lot with a sudden spike in assessed value would also help.

Then-candidate Jesse Kiehl suggested delaying the tax increase for five years so the subdivider would have time to improve the land, build a house and sell it so the tax burden could be shared, an idea with significant merit.

Juneau's lack of affordable housing has been an issue for several years, and no action taken has significantly alleviated it. The time has come for the Assembly to take affirmative action to address this problem, both in the short term and the long term. We're hopeful the Assembly will revise its top 10 list and make a firm commitment to ensure this obstacle to Juneau's growth is, eventually, removed.



Alaska State
Home Building Association

Resolution in Support of HB264, Property Tax Increase Deferral

WHEREAS the cost of land development is constantly increasing due to requirements for permitting, planning, zoning; and

WHEREAS local municipal governments normally require payment up front for all the necessary costs to properly subdivide land into lots available for home building; and

WHEREAS after a parcel of land has been subdivided, the property taxes are immediately increased due to the higher assessment value of the new lots; and

WHEREAS the sale of newly subdivided lots may sometimes take years due to market conditions and other unpredictable variables; and

WHEREAS the impact and cost for local government services do not occur until a home is constructed on a new lot; and

WHEREAS the 27th Alaska Legislature is considering House Bill 264, sponsored by Representative Cathy Muñoz, to provide municipal governments the option and flexibility to defer property tax increases on new subdivided lots for up to five years;

BE IT THEREFORE RESOLVED that the Alaska State Home Building Association supports and encourages the passage of House Bill 264 by the 27th Alaska Legislature as way to help local municipal governments encourage land development; and

BE IT FURTHER RESOLVED that the Alaska State Home Building Association supports efforts by local government efforts to expand their tax base by encouraging land development.

ADOPTED by the Board of Directors of the Alaska State Home Building Association, a quorum being present, on this 20 of January, 2012.

Chad Edmondson
President

1-20-12
Witness

ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
Telephone (907) 563-7133 Fax (907) 561-1779
www.alaskarealtors.com

February 4, 2012

The Honorable Cathy Munoz
Alaska State Legislature
State Capitol, Room 3
Juneau, Alaska 99801-1182

RE: House Bill 264

Dear Representative Munoz:

The Alaska Association of REALTORS® with over 1,600 member's statewide wishes to indicate our support for House Bill 264. HB 264 addresses the cost of subdividing land for future sales that can be a significant obstacle in encouraging the use of available land for building needed homes.

This bill will defer some development costs until the property is actually prepared for use and sale. The savings on "front-end" costs will encourage making more land available for home building. Such an increase in the inventory of land that can be used for home building will improve the housing market for all Alaskans.

Thank you for addressing this important issue.

Sincerely,

Joni Schneider

Joni Schneider, ABR, GRI
2012 President

REALTOR is a registered mark which identifies a professional in real estate who subscribes to a strict Code of Ethics as a member of the NATIONAL ASSOCIATION OF REALTORS.

ALASKA MUNICIPAL LEAGUE
Alaska's Association of Mayors

217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 13, 2012

House C&RA
Representative Cathy Munoz
Room 403
State Capitol
Juneau, Alaska 99801

RE: HB 264

Dear Representative Munoz,

The Alaska Municipal League is opposed to HB 264, as one of our main policies is our opposition to all property tax exemptions and/or bills that divide property tax owners into different classes and shift the tax burden. While we understand this deferment is an option, the pressure from developers to enact this deferral might be so great as to make it mandatory. Since this deferment is not funded by the state, these taxes are simply shifted to other taxpayers, requiring them to subsidize developers for the deferment.

The intent of the bill appears to be to offer incentives to developers by keeping taxes low until the property is improved or sold. However, developers now have that ability by not subdividing the property until there is a demand for the subdivision. By offering these types of tax incentives, the state would be creating a special category of property owner who gets a tax break unlike other property owners who do not wish to subdivide, can't subdivide, or those who subdivide their property into less than three parcels.

For this reason, the members of AML are opposed to this bill. Thank you for the opportunity to comment.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director
Alaska Municipal League

5165 Glacier Highway
Juneau, Alaska 99801
(907) 780-4566 Fax 780-6646

D.J.G. DEVELOPMENT

January 19, 2012

Representative Cathy Munoz
State Capitol Room 403
Juneau AK, 99801

RE: House Bill 264

Dear Representative Munoz:

I support your House Bill 264 allowing for the deferral of municipal property taxes.

Considering the cost of construction and the economics of the market place HB 264 should assist construction in the Juneau promoting the increase in long term available housing for the community.

If you require any assistance, please contact me. Thank you for all the work you are doing for our community.

Sincerely,

Hugh N. Grant

Juneau Affordable Housing Commission

Commissioners
Alan Wilson, Chair
Norton Gregory
Stephen Sorensen
Shari Partin
Honey Bee Anderson
Rosemary Hagevig
Justin Shearer
Tamara Rowcroft

January 17, 2012

Mayor Bruce Botelho & Assembly
City and Borough of Juneau
155 S. Seward Street
Juneau, AK 99801

Re: Support for House Bill 264, "An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property; and providing for an effective date."

Dear Mayor Botelho and Assembly Members:

Juneau's Representative Cathy Munoz has offered the above legislation, which would fix tax assessments at the undeveloped land value for up to five years from the date of subdivision through development, subject to limitations which can be imposed by local governments to fit community needs. A copy of the bill just filed, is attached. The Affordable Housing Commission believes the bill will remove an important disincentive for development of privately owned land by reducing the carrying cost of property taxes on land before it can be effectively sold or become revenue producing.

High housing costs have been part of Juneau's reputation for a long time. The ACCRA Cost of Living Index compares living costs in various U.S. cities, including several in Alaska. As of the third quarter of 2011, Alaska's Capital City is about 40 percent more expensive to live in than the "average" US city, and about 9 percent more expensive than Anchorage. Our housing costs are about 79% higher than in the average US city and this dramatically inflates Juneau's cost of living overall. In a 2010 economic climate survey, completed by the Juneau Economic Development Council, Juneau business owners ranked high housing costs third on the list of most significant barriers to operating their businesses. Housing is especially burdensome for lower income residents. Forty-five percent of renters in Juneau spend more than 30% of their income on rent (2005-2007 American Community Survey 3-Year Estimates Survey). While there are many contractors capable of building residential housing units in Juneau, over the past several years, only 2 are building more than 2 units per year.

The City and Borough of Juneau has taken steps to address affordable housing. Since 2007, the CBJ established an Affordable Housing Commission, amended the Title 49 Land Use Code to include an affordable housing overlay zone and a permitting option for the creation of Single-Room Occupancy apartments, updated the Comprehensive Plan to identify buildable lands within the Urban Service Area, and provided gravel at cost as well as buildable land to developers for affordable housing projects, amongst other initiatives.

The Juneau Affordable Housing Commission supports the concept of tax deferral to remove a disincentive for real estate development. House Bill #264 offers a new tool to help make Juneau's housing more affordable. We respectfully request the City and Borough of Juneau adopt a resolution in support of its passage and enactment. Please let me know if you have questions or concerns.

Sincerely,



Alan Wilson
Chair, Affordable Housing Commission

cc:
Representative Beth Kerttula
Representative Cathy Munoz

-----Original Message-----
From: Billie Bob Allen [mailto:bballen@mtaonline.net]
Sent: Monday, March 19, 2012 12:04 PM
To: Rep. Cathy Munoz
Cc: Michael Paschall
Subject: Support for HB366

The Honorable Cathy Munoz
Alaska State House of Representatives
Chair, House Community and Regional Affairs Committee

Dear Representative Munoz:

Please accept this letter as support for HB366 which would establish an intrastate mutual aid system in Alaska. I have been authorized by my client, Alaska State Fair, Inc., (ASF) to notify you of their support for HB366. We have also issued a letter of support for the companion Bill SB208 to Senator Joe Paskvan sponsor of the proposed legislation through the Senate State Affairs Committee.

ASF management has been working with the Matanuska-Susitna Borough EMS and the State Homeland Security and Emergency Management Division in regards to emergency planning in the event of a disaster. Signatory to an Agreement to develop an initial plan to create shelter for the people of the Mat-Su Borough in the event of a disaster are the Mat-Su Borough, State of Alaska, Department of Corrections, Mat-Su Borough School District, American Red Cross, City of Palmer and Mat-Su Regional Medical Center. The purpose of the Agreement (MOU) is to form a partnership to plan, prepare, and implement mass sheltering protocol for use on the Alaska State Fair grounds.

To that end, Madam Chair, the ASF has pledged it's assets, where needed to benefit the people of the State of Alaska in the event of a disaster in any fashion that they can. ASF has approximately 130,000 sf under roof and is accessible by surface, rail, and air.

The commitment to assist by the Alaska State Fair supports their pledge and agreement to be a part of an intrastate mutual aid system, thus their favor to the passage of HB366.

Madam Chair, should you have any questions please do not hesitate to contact me.

Yours Truly,

Bill Allen
Legislative Consultant

cc: Michael Paschall

Sent from my iPad

ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 Schoon Street • Anchorage, Alaska 99518
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

February 20, 2012

Representative Cathy Munoz
State Capitol, Room 403
Juneau, AK 99801-1182

Re: HB 264

Dear Representative ~~Munoz~~ Cathy:

On behalf of the Associated General Contractors of Alaska, a construction trade association of over 650 business members, representing the majority of the construction industry in Alaska, I thank you for sponsoring HB 264.

The cost of land development adds significantly to the cost of providing new housing in a community. Quite often the land development costs are increased with the carrying costs of unsold but subdivided and developed lots.This legislation will give municipalities the option to provide assistance to develop land for housing by deferring the property tax increase associated with the increased value of subdividing a piece of property.

It can benefit the municipalities by making it a little more cost effective to subdivide land for the housing market and it benefits developers by allowing some of the cost of the improvements to be deferred until the property is sold. It embodies two necessary qualities that make this type of legislation good: it is optional, not mandated and it defers taxes but does not forgive them.

Thank you again for your sponsorship and support for HB 264

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska

From: **Jamey Young** <jamey907@gmail.com>
Date: Wed, Feb 22, 2012 at 1:07 PM
Subject: HB264
To: Representative_Cathy_Munoz@legis.state.ak.us

Dear Representative Munoz,

I was hoping to be able to speak to this issue in person but find myself "under the weather". Thank goodness for modern technology.

As you are aware from previous conversations with you regarding this bill, I strongly support this piece of legislation. I speak today in my capacity as a board member for the Southeast Building Industry Association, as well as my experience and background in banking with various financial institutions locally.

I have had the wonderful opportunity to be the construction lender for two different residential subdivision projects as well as several individual commercial and residential construction loans. One of the greatest risks associated especially with subdivision development is the high cost of up-front fees, permits, development costs and the impact of property taxes being assessed on the individual lots when the subdivision is recorded.

In the rough example of a 10 acre parcel being subdivided in to 40 individual building lots, it is possible that the property taxes could go from $5,000 for the $500,000 large parcel to $40,000 if 40 lots were created valued at $100,000 each at a 10 mil rate. This new liability is born by the developer no matter when the lots sell.

It is essentially the same as requiring a retailer to pay the sales tax on their inventory based on the retail price when they receive it, not when it is sold.

These additional costs and risks have the consequences of driving costs up through developer having to give up greater economies of scale by phasing in developments. It is much less expensive to put in the infrastructure for 40 lots at one time instead of 20 lots at two different times.

From a lending perspective, the increased cash outflow needed to carry the property taxes on the full final value of the lots without being matched to the timing of the cash inflow when the lots are sold creates greater risk to the lender. Risk is compensated in two ways, higher rates for borrowing and/or lower loan amounts, each of which adds to the costs to the end purchaser of the lot and higher housing (or commercial) prices without real increased benefit to the developer or lender. Through the higher costs and reductions in the amount of development that could have been done, the taxing authority is, in my opinion, ultimately getting less revenue through less eventual development.

Given that bill offers local taxing authorities flexibility in their implementation, local circumstances can be factored in to meet the overall best benefit for the community at large.

I thank you for your support of this bill and request that my thoughts and concerns be shared with other legislators that will be making their own decision on this legislation. I would also be pleased to discuss this matter with you or others in greater detail should that prove to be helpful.

Sincerely,

James M. (Jamey) Young
4923 Wren Drive
Juneau, AK 99801
907-723-1222 cell
907-789-7148 home

Darrell Bourne

From: "Jerry Koerner" <jeriko@gci.net>
Date: Friday, March 09, 2012 1:53 PM
To: "'Darrell Bourne'" <bourne@alaska.net>
Subject: David H. Ainley Trust; land development

Darrell, Below is a statement from myself, Trustee of the Ainley Trust:

The Trustees of the David H. Ainley Trust are studying the development costs to develop our remaining 200 acres of land within the City of North Pole. It is believed the Trust is the single largest land holder of undeveloped premier property with city utilities available. The City of Fairbanks does not have similar premier property left. The area is set up with numerous 'nature reserves' around the creeks and the recreational lake is nearly complete. Once all utilities are in place this will be a premier subdivision with emphasis on the natural beauty, creeks and a lake.

A huge reservation the Trustees have in subdividing the already approved 80 lots is this; Once the plat is approved the taxes go through the roof. We simply cannot afford to sit on lots for an extended period of time while the taxes eat up any hope of breaking even. Developing land in the North Pole/Fairbanks area is very costly and has to be done with slow increments. If approved, a grace period of 'tax relief' would be a big incentive for us to move forward with development of this next phase of lots. We have spoken to the City of North Pole and are looking at options to make utility development cost realistic.

We look forward to continuing to subdivide and make lots available for present and future generations to come. If you have any questions feel free to contact my office.

Thank you,

Jerry Koerner, Real Estate Developer and Real Estate Broker, JeriKo Real Estate

Jerry Koerner
Trustee, David H. Ainley Trust
Broker, JeriKo Real Estate

HB 264

My name is Darrell Bourne.

I represent the Interior Alaska Building Association

I am a 30 year Fairbanks building contractor

I support HB264

I am a partner in a 52 Acre subdivision, on a paved road, ten minutes-drive from Fairbanks, and is located between the highway on the South and the Chena River on the North. All the roads and most of the power were completed 5 years ago. There are 18 river lots. Our goal is not to sale individual lots, only new home/lot package sales.

In 2007 we subdivided 10 lots on a cross street that travels through the subdivision. Our intention was to build on each of those ten lots and then subdivide 10 more. The reasoning was to "not have to pay the higher tax on the divided individual lots. In 2009 and 2010 the local new home market started into a steady decline. In 5 years we have sold 3 homes, directly attributed to the flat economy.

There are two kinds of buyers: Most home buyers are on a fixed and limited income. They want an economical nice home, but aren't real particular where it is located.

Then there are those that only want to live on the Chena River. The extra cost is not a factor, even in a tight building market. In the last 5 years, I have missed 5 or 6 new home sales, simply because I have not had a River Lot to build on.

If our borough would adopt this amendment as proposed, we could move forward easily to provide a more saleable home. I have a short waiting list of buyers that have said "please notify me when those lots are ready. We want a house on the Chena".

The passage of this bill would be a great thing for Fairbanks builders and developers. It would also have a positive effect for local governments. Our North Star Borough would now have at least several more upper-end homes to include in their tax base. As it is, they have only raw land to tax. This bill could be a key to breaking up a financial log-jamb. Let's make a move, and help our communities begin to recover.

Please pass HB 264

March 6, 2012

Representative Cathy Engstrom Munoz
State Capital, Room 403
Juneau, Alaska

Dear Representative Munoz,

I am writing to express my support for House Bill 264, "An Act allowing a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property."

Since 2005, Anchorage has seen a significant decline in multifamily and single family home construction. Looking back over a ten year period, the year 2003 saw the highest number of units constructed with a total of 2,028. Now compare that to last year when only 317 units were constructed. Most of the new construction today is being done by affordable housing organizations who rely on federal, state, and municipal programs to subsidize the construction of rent restricted units. Compounding the situation is that rental properties are scarce, with a less than 2% vacancy rate across the city.

There are several factors contributing to the decline in housing construction. Most significant is the state of the nation and the decline in housing values. Buyers are increasingly reluctant to purchase a home with the prospect of losing value, despite low interest rates. But in Anchorage, according to a local mortgage company, the number of applications for qualified buyers is on the rise. Finding a home to meet their needs is the problem. Additionally, for developers finding financing and increased regulatory requirements have contributed to the decline in housing construction.

In today's market, houses will sell, but it will take time. Housing developers need tools like HB 264 which will help with holding costs while they build and market homes.

House Bill 264 is important for Anchorage and for all Alaskan communities. We as a state need to do everything possible to stimulate the construction of new housing units for our citizens.

Sincerely,

Mary Jane Michael
2421 Wellington Court
Anchorage, Alaska
(907) 440-1707

Tax deferral passes House
By **Rosemarie Alexander**, KTOO
March 26, 2012 3:16 pm

Legislation aimed at encouraging affordable housing has passed the Alaska House.
Juneau Rep. Cathy Muñoz sponsored HB 264 at the request of local contractors and the Alaska State Home Building Association who say current tax laws hinder development.
The bill would allow municipalities to defer property tax increases on subdivided lots until they are sold or have commercial value. Munoz says taxes can be five to 10 times higher as soon as the land is subdivided.
"In communities like Juneau that experience a limited land base and high housing costs, that extra carrying cost is a huge deterrent to new subdivision and housing development," Munoz says. "So this is meant to defer the increasing tax burden, but ultimately the cities benefit because they get that tax burden back, plus extra tax due to new housing in their communities."
The legislation also allows local governments to negotiate payment terms when the deferred taxes are due.
HB 264 is on its way to the Senate.

****

House passes Muñoz' subdivisions bill
New housing could get tax deferrals while being built
Posted: March 27, 2012 - 12:14am
By Pat Forgey
JUNEAU EMPIRE

The Alaska House of Representatives Monday approved and sent to the Senate a bill aimed at reducing the cost to develop new housing.
Sponsored by Rep. Cathy Muñoz, R-Juneau, and others, House Bill 264 would allow cities to defer collection of increased property taxes on new subdivisions until the homes are built and sold.
As it is now, subdividing significantly increases land values and the accompanying property taxes for developers.
"As soon as that process is initiated and finalized, the tax burden goes through the roof, sometimes five times — sometimes 10 times — the pre-filing rate," Muñoz said.
Muñoz said local homebuilders and the Alaska State Home Building Association brought the bill to her hoping to lower the cost of development.
"In communities like Juneau that are experiencing a limited land base and high housing cost, that extra carrying cost is a huge deterrent to new subdivisions and new housing development," Muñoz said, speaking at a press conference before the bill passed overwhelmingly on the House floor.
Helping out the bill were its co-sponsors, including House Speaker Mike Chenault, R-Nikiski, and Minority Leader Beth Kerttula, D-Juneau.
"This helps us have more development in Juneau, and we need it — we need more housing," Kerttula said.
It is difficult for developers to pay the ongoing higher costs during the development process, but, when the houses are later sold, the money to pay the deferred taxes is then available.
Developer Hugh Grant, as well the Juneau Affordable Housing Commission, endorsed the bill.
Commission Chairman Alan Wilson said the bill removes a disincentive for real estate development and offers a new tool to help make housing more affordable.
Sen. Dennis Egan, D-Juneau, said he thinks the bill has a good chance to pass the Senate as well, despite the short time left in the legislative session.
"It's a good idea," he said, but it took some changes to get municipal endorsement. There's now a deadline of five years for the deferred taxes to be paid.
"There were concerns, but with the cities' endorsement I think it has a good chance of action this year," he said.

It would be up to cities to decide whether to offer the property tax deferral, according to the bill. Muñoz said the cities will not only get all the deferred taxes, they'll also get the additional taxes from any development the bill spurs.

The session ends April 15, and the House will stop committee action on its own bills next week and consider only Senate bills after that, said House Majority Leader Alan Austerman, R-Kodiak. The Senate is expected to take reciprocal action.

• Contact reporter Pat Forgey at 523-2250 or at patrick.forgey@juneauempire.com.

27-LS1419\E
Nauman
3/30/12

CS FOR SENATE BILL NO. 223(CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to a credit against the net income tax for a contribution made by a taxpayer to a nonprofit organization that provides an emergency shelter for the homeless or a facility for alcohol or drug detoxification."

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

*** Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.048. Homeless shelter and drug and alcohol treatment facility contribution credit. (a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted by a nonprofit organization in existence on January 1, 2012, that qualifies for exemption from taxation under 26 U.S.C. 501(c)(3) (Internal Revenue Code) and that operates principally to provide

(1) an emergency shelter for the homeless;

(2) a facility for alcohol or drug detoxification; or

(3) a combination of the programs described in (1) and (2) of this subsection.

(b) The amount of the credit is the lesser of 50 percent of the amount of the cash contribution or $200,000.

(c) The department shall develop and implement procedures by which a taxpayer may submit information regarding the taxpayer's proposed contribution to the department and request a preliminary determination of whether the contribution qualifies for the tax credit under this section. A preliminary determination by the department that the contribution qualifies for the credit is binding, unless the department determines that the taxpayer has made a material misrepresentation in the taxpayer's submission.

(d) The commissioner shall, by January 1 of each year, provide to the legislature a list of recipients of contributions, the total amount of contributions reported, and the total amount of credit claimed under this section during the previous calendar year.

(e) A contribution claimed as a credit under this section may not

(1) be the basis for a credit claimed under another provision of this title; or

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter.

(f) The credit under this section may not reduce a person's tax liability under this chapter to below zero for any tax year. An unused credit or portion of a credit not used under this section for a tax year may not be sold, traded, transferred, or applied in a subsequent tax year.

*** Sec. 2.** AS 43.20.048 is repealed January 1, 2018.

HB 314

<TARGET><BILL>HB 314</BILL><SUBJECT>HB 314</SUBJECT><COMM>SCRA27</COMM></TARGET>

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair, Labor and Commerce
- Member: Rules, Resources

Session: January – April
State Capitol
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Interim: May – December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
Fax: 907-283-2763

Official Business

March 15, 2012

Senator Olson, Chair
Community and Regional Affairs
Room 508, State Capitol
Juneau, Alaska 99801

At your earliest convenience, I respectfully request the scheduling of House Bill 314, "An Act extending the time period for which the Alaska Railroad Corporation may lease land without reserving the right to terminate the lease; and providing for an effective date."

House Bill 314 extends the maximum Alaska Railroad property lease term from 55 to 95 years. This legislation allows developers and owners the flexibility that is necessary in the current real estate market to make long term developments and improvements on property owned by the State of Alaska under the Alaska Railroad Corporation's direction.

Please do not hesitate to contact my staff, Anna Latham, at 465-4530 with any questions or concerns about this legislation. I look forward to hearing from you and discussing this bill in further detail.

Thank you for your consideration.

Representative Kurt Olson
District 33

Email: Representative_Kurt_Olson@legis.state.ak.us

ALASKA STATE LEGISLATURE
HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON
Chairman
State Capitol, Room 24
Juneau, AK 99801-1182
(907) 465-4954 Fax 465-3835

Rep. Craig Johnson, Vice- Chair
Rep. Mike Chenault
Rep. Lindsey Holmes
Rep. Dan Saddler
Rep. Steve Thompson
Rep. Bob Miller

House Bill 314
Sponsor Statement

The Alaska Railroad is mandated by the state to foster and encourage economic development for Alaskan communities and the state as a whole. HB 314, which extends the maximum Alaska Railroad property lease term from 55 to 95 years, is in line with this directive. HB 314 will create sizeable investment opportunities, which in turn will contribute to economic growth and jobs for Alaskans.

Real estate developers and lending institutions agree that large multi-million dollar developments require a level of financial security afforded by longer leases. High value building construction comes with the expectation that builders will be able to recoup their substantial investments through subsequent sales. When millions of dollars are at stake, investors require sufficient time to sell and ensure a marketable property exists for refinancing and for future buyers.

It is important to note that shorter leases will still be approved when appropriate. The Alaska Railroad will look closely at the economic life of proposed improvements and investments before making a 95 year commitment to the use of railroad land.

HB 314 allows developers and owners the flexibility that is necessary in the current real estate market to make long term developments and improvements on property owned by the State of Alaska under the Alaska Railroad Corporation's direction.

HB 314 is supported by the Alaska Railroad Corporation, the City of Seward, the City of Whittier, the Municipality of Anchorage and the Alaska RR Leaseholders Association.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HB 314**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB314-DNR-MLW -2-10-12
Title: Alaska Railroad Land Leases
Sponsor: Labor & Commerce
Requester: (H) L&C

Dept. Affected: Department of Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining Land & Water
OMB Component Number: 3002

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Part-time	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**0**

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

Estimated CAPITAL (FY13) costs 0.0 *(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)

Initial Version, not applicable

Prepared by: Brent Goodrum, Director — Phone: 269-8600
Division: Mining, Land & Water — Date/Time: 2/10/12 9:00 AM
Approved by: Daniel S. Sullivan, Commissioner — Date: 2/10/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 314

Analysis

HB314 extends the time period from 55 years to 95 years for which the Alaska Railroad Corporation may lease land.

There is no expected fiscal impact on DNR.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **HB 314**
Fiscal Note Number
() Publish Date

Identifier (file name) HB314-DCCED-ARRC-02-10-12
Title Alaska Railroad Land Leases
Sponsor House Labor and Commerce
Requester House Labor and Commerce

Dept. Affected DCCED
Appropriation Alaska Railroad
Allocation Alaska Railroad
OMB Component Number

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				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

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

Estimated CAPITAL (FY13) costs 0.0 *(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)

Initial Version

Prepared by Bill O'Leary, Vice President Finance
Division Alaska Railroad Corporation
Approved by JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development

Phone 907-265-2516
Date/Time 2/10/12 2:00 PM
Date 2/10/2012

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 314

Analysis

This legislation extends the time period for which the Alaska Railroad may lease land from 55 years to 95 years.

House Bill 314 will not create a fiscal impact on the State of Alaska but will provide future benefit to the Alaska Railroad Corporation and individuals interested in leasing Alaska Railroad land. This legislation will allow for the Alaska Railroad Board of Directors to lease land for certain projects it approves for a period of up to 95 years.

The Alaska Railroad Corporation (ARRC) is a public corporation supported by revenues generated through its freight, passenger and real estate activities. ARRC does not receive state operating subsidies.

Executive Office
Telephone: 907-265-2403
Facsimile: 907-265-2312

October 25, 2011

Alaska State Legislature
Capitol Building
Juneau, Alaska 99811

Dear Legislators:

At our September 29, 2011 Board of Directors meeting, we directed management to seek legislative approval to extend the maximum Alaska Railroad property lease term from 55 to 95 years.

As state-owned entity, the Alaska Railroad has a mandate to foster and encourage economic development for Alaskan communities and the state as a whole. We believe the 95-year lease term extension is in line with this directive and will create sizeable investments opportunities which in turn will contribute to economic growth and jobs for Alaskans.

The decision to request legislative approval for the ability to issue longer leases resulted from many meetings in 2011 with our real estate customers and professionals in the real estate industry. The opportunity for a 95-year lease would accommodate existing and potential Alaska Railroad real estate customers who have repeatedly expressed desire for a longer lease term.

Prior to the transfer of the Alaska Railroad to the State of Alaska, lease terms could be as long as 99 years under federal ownership. After 1985, state restrictions limited lease terms to 35 years until 2002, when the State Legislature approved a maximum term of 55 years.

Real estate developers and lending institutions agree that large multi-million-dollar developments require a level of financial security afforded by longer leases. High-value building construction comes with the expectation that builders will be able to recoup their substantial investments through subsequent sales. When millions of dollars are at stake, investors require sufficient time to sell and ensure a marketable property exists for refinancing and for future buyers.

In making this request for legislative approval, I would like to assure legislators that the Alaska Railroad would make prudent use of a longer maximum lease option. A 95-year lease would not be the standard lease. Rather, it would be available for those infrequent opportunities when a developer or business is seeking to make considerable capital improvements and infrastructure investments. The Alaska Railroad will look closely at the economic life of proposed improvements and investments before making a 95-year long-term commitment to the use of railroad land.

Thank you for considering this important economic opportunity initiative.

Sincerely

Linda Leary
Board Chair, Alaska Railroad Corporation

327 W. Ship Creek Avenue
Anchorage, Alaska 99501

MAILING ADDRESS
P.O. Box 107500 Anchorage, Alaska, 99510-7500

TEL 907.265.2300 FAX 907.265.2416
AlaskaRailroad.com

THE CITY OF WHITTIER

Gateway to Western Prince William Sound

P.O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

January 16TH, 2012

Alaska Railroad Corporation
327 W. Ship Creek Ave.
Anchorage, Alaska 99501
Attn: Corporate Affairs

Re: Alaska Railroad Ground Lease Extension to 95 years

Dear Alaska Railroad Board of Directors,

For the reasons listed below the City of Whittier supports the proposed legislation that would allow ARRC to extend the maximum lease term from 55 years to 95 years.

1. *Financial institutions would be more likely to provide financial support to developers as well as business owners for high dollar projects.*

2. *Businesses and improvements would become more sellable and transferrable to new owners because there would be more finance periods throughout the term of the lease.*

3. *Owners could and would be more likely to make continued improvements with a longer lease period.*

The ARRC BOD would of course make the final determination on a case to case basis. Their approval would be determined by each proposal submitted to them.
This extension of the ARRC leases will allow developers and owners the flexibility that is necessary in the current market to make long term developments and improvements on property owned by the State of Alaska under Alaska Railroad Corporation's direction.

Thank-you,

Robert Prunella
City Manager
Whittier, Alaska

CITY OF SEWARD
P.O. BOX 167
SEWARD, ALASKA 99664-0167

- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

12 January 2012

Alaska Railroad Corporation
327 W. Ship Creek Ave.
Anchorage, AK 99501
Attn: Corporate Affairs

RE; Recommendation to allow 95-year ground leases of ARRC lands

Dear Alaska Railroad Board of Directors,

The Alaska Railroad begins in Seward, owns significant quantities of land in Seward, and has always been an economic development partner with Seward. As stewards, we share the common goal of deriving the best utilization of our lands. Towards that end, we as a City are reviewing the terms we lease land under, just as we understand the Railroad is doing.

We are finding that in order to stimulate investment by the businesses we lease land to we will need to extend the length of our lease periods, and we urge the Railroad to do the same.

Lenders are demanding assurance of a long-term interest in the property prior to financing or refinancing businesses. There is no motivation to invest long term on a lease that won't endure for the life of the business. As leases near maturity we are seeing reluctance to improve structures on the lease sites; you are no doubt seeing the same.

Confidence in the knowledge that a briefer lease term won't restrict growth potential or transfer opportunity promotes a robust business that will continue to produce revenue for the lessor.

We understand that the Board of Directors will make the final determinations as to length of leases on a case by case basis, has the authority and responsibility to require shorter lease terms when appropriate, and that the proposed longer term would be applicable only upon the Board's approval.

For the reasons stated above, we believe that having the ability to lease for 95 years, 40 years longer than the current 55 year maximum, is a sound and worthwhile change necessary to thrive in today's market. We support adoption of legislation authorizing this change in order to promote long term development on State lands under the direction of the Alaska Railroad Corporation.

Thank you,

Jim Hunt

Seward City Manager

Municipality of Anchorage

2012 State Legislative Program

(State Fiscal Year 2013)

Dan Sullivan, Mayor

Assembly

Debbie Ossiander, Chair

Ernie Hall, Vice Chair

Chris Birch

Harriet Drummond

Patrick Flynn

Elvi Gray-Jackson

Paul Honeman

Jennifer Johnston

Bill Starr

Dick Traini

Adam Trombley

Energy

Natural Gas: Support legislation that promotes natural gas development in the Cook Inlet, and modernizes aging Railbelt electrical transmission facilities.

Oil Production: The MOA strongly supports all efforts to maximize oil production to maintain Trans Alaska Pipeline Service (TAPS) viability; and encourages a competitive analysis be performed to address the existing regulatory and fiscal framework to identify whether Alaska is globally positioned to attract maximum development.

Private Sector Development

AKRR Lease Extension: The MOA supports legislative approval to extend the maximum Alaska Railroad property lease term from 55 to 95 years. The opportunity for a 99-year lease would accommodate existing and potential Alaska Railroad real estate customers who have repeatedly expressed support for a longer lease term and ultimately help private sector development in Anchorage.

Film Credits: MOA supports extending the Alaska Film Production Incentive Program if the level of credits available under the program incentivizes the appropriate local investment and economic benefit that was intended by the program.

Public Safety

Synthetic Cocaine (AKA "Bath Salts"): There is a new synthetic drug on the streets, which is sold in smoke shops and elsewhere most commonly called "bath salts." The situation is similar to the synthetic canabanoid ("incense") issue we addressed last year. These products are packaged to appear that they are not intended for ingestion, but everyone knows otherwise, "Bath salts" produce a high similar to methamphetamine. People who ingest this product often become quite violent, and are extremely difficult to overpower and control. As of this writing, the active ingredients of this drug have just been temporarily listed by the DEA on its schedule of controlled substances, and a municipal ordinance banning the drug has been introduced at the Anchorage Assembly. Any law Anchorage passes will only be a misdemeanor. However, the Alaska Statues need to be amended, as they were for synthetic canabanoids last session, to create felony consequences for possession and use of this new synthetic street drug.

Involuntary Commitment: Amend AS 47.27.190 on Involuntary Commitment, Section (a) by adding language to make the statute more consistent with AS 47.37.180 on Emergency Commitment.

Prosecution Surcharge: Under the philosophy that cost-causers should be cost-payers, add a surcharge for prosecution similar to that for law enforcement to allow law departments to capture at least a portion of the funds expended in the interest of public safety. Under AS 12.55.039, a

Cook Inlet Housing Authority

Promoting Independence Through Housing

January 9, 2012

Alaska Railroad Corporation
327 W. Ship Creek Ave.
Anchorage, Alaska 99501
Attn: Corporate Affairs

SUBJECT: RECOMMENDATION TO ALLOW 95-YEAR GROUND LEASES OF ALASKA RAILROAD LAND

Dear Alaska Railroad Corporation Board of Directors:

I write on behalf of Cook Inlet Housing Authority, the regional housing authority serving Southcentral Alaska, to support proposed legislation that would authorize the Alaska Railroad Corporation (ARRC) to lease land for a maximum term of 95 years, an increase from its current 55-year maximum.

Cook Inlet Housing is one of the most active residential developers in Southcentral Alaska. Our developments serve working families in need of quality, affordable housing. As such, our ability to make projects feasible depends upon the structure of each deal. Presently, ARRC's 55-year limitation on leases presents an impediment to such developments.

Increasing the allowable lease term would enable developers like Cook Inlet Housing to finance more expensive projects by providing financial institutions the peace of mind they need to make large loans for development on ARRC land. Further, the longer lease term would enable investors to refinance throughout the lease term, facilitating ongoing economic development.

Of course, ARRC would not be required to approve any particular 95-year lease. Rather, each lease would remain subject to final approval by the ARRC Board of Directors. The ARRC Board would evaluate all lease terms, including duration, on a case-by-case basis.

Additional flexibility and security are necessary to encourage economic development in the Alaska market. Granting ARRC authority to enter into leases up to 95 years will positively impact construction and development activity on property owned by the State of Alaska and under the control of the Alaska Railroad Corporation. Cook Inlet Housing strongly supports legislation that would authorize ARRC to lease land for a maximum term of 95 years.

Respectfully,

Carol Gore
President/CEO

3510 Spenard Road, Suite 100 • Anchorage, AK 99503 • Tel 907-793-3000 • Fax 907-793-3070

JACKOVICH

Headquarters:
P.O. Box 70407, 1607 Well St.
Fairbanks, Alaska 99707-0407
(907) 456-4414
FAX: (907) 452-4846
1-800-770-4414

1716 Post Road
Anchorage, Alaska 99501
(907) 277-1406
FAX: (907) 258-1700
1-800-478-1406

INDUSTRIAL & CONSTRUCTION SUPPLY, INC.

February 6, 2012

Alaska Railroad Corporation
327 W. Ship Creek Ave.
Anchorage, AK, 99501
Attn: Corporate Affairs

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

To Alaska Railroad Board of Directors:

Jackovich Industrial & Construction Supply Inc., supports the Alaska Railroads proposal to the legislation to change the current land lease term from a maximum of 55 years to a maximum of 95 years.

The new lease term would allow the Lessee's to be able to secure better financing. I believe with better finance options to the Lessee's we would see larger developments and improvements to existing buildings. It would also give the Lessee's more comfort and confidence to build nicer and larger buildings.

Sincerely,

Crystal Haman
Vice President
Jackovich Industrial and Construction Supply, Inc.

AS&G a subsidiary of Alaska Basic Industries
ANCHORAGE SAND and GRAVEL CO., INC.
1040 O'Malley Road • Anchorage, Alaska 99515 • (907) 349-3333 • FAX (907) 344-2844 • www.anchsand.com

January 6, 2012

Alaska Railroad Corporation
327 W. Ship Creek Ave.
Anchorage, Alaska 99501
Attn: Corporate Affairs

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

Dear Alaska Railroad Board of Directors:

Anchorage Sand & Gravel (AS&G) has been operating our cement division (Alaska Basic Industries) at the Port of Anchorage, on Alaska Railroad Corporation (ARRC) property, for many years. We have millions of capital dollars invested and plan to invest much more in the near future. AS&G supports proposed legislation that would allow the Alaska Railroad Corporation (ARRC) to change its current authority to lease land from a maximum term of 55 years to a maximum term of 95 years.

Reasons for support:

1) It would allow developers and business owners such as AS&G the security to know they can invest in large capital projects and be allowed the time necessary to take full advantage of their investments.

2) It would allow owners to continue to make improvements during the lease period over a longer period of time.

3) It would allow for several refinancing periods throughout the lease term which would allow improvements and businesses to be sold and transferred to new entities.

4) I understand that a maximum 95-year lease term is just that. A 95-year lease would be subject to ARRC Board of Directors approval. The ARRC Board Directors would make the final determination regarding appropriate lease terms on a case by case basis depending on the proposal with 95 years as the maximum any project could qualify for receiving.

This change to the ARRC's lease term would allow the flexibility necessary in today's market to encourage further long-term development on property owned by the State of Alaska under the direction of the Alaska Railroad Corporation.

Thank you,
Wes Vander Martin
Vice President/General Manager

PFEFFER
DEVELOPMENT

December 9, 2011

Jim Kubitz
Vice President of Real Estate and Facilities
Alaska Railroad
327 W. Ship Creek Ave.
Anchorage, Alaska 99501

RE: Recommendation to Allow 95-Year Ground Lease Terms on Alaska Railroad Land

Dear Jim,

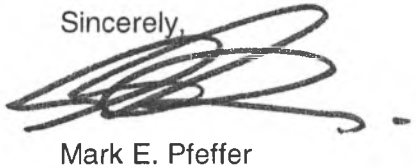
It has been a pleasure working with you to pursue commercial real estate development opportunities on land owned by the Alaska Railroad. Our team at PD has identified particular Alaska Railroad sites for possible development pursuits at Pfeffer Development. We recognize that railroad lands and activities have been closely linked with the development of Alaska's economy and population centers.

Most recently, we submitted an Alaska Railroad-owned site to a solicitation for leased space through the General Services Administration (GSA). GSA is considering this site for a federal lease.

The current 55-year ground lease term provision, however, restricts our capabilities as a developer. Increasing this term to 95 years would be most conducive for financing, allow the highest and best use of land, and overall provide an ideal condition for successful real estate development. This longer term would not only provide a more appropriate term for our current engagement with GSA, but also strengthen the Railroad's ability to develop other sites.

We highly recommend the Alaska Railroad and the Alaska Legislature allow 95-year ground lease terms. This would allow the Railroad to maximize their potential to foster community and commercial growth, as well as enhance state-owned Alaska Railroad assets.

Sincerely,



Mark E. Pfeffer
Managing Member

425 G Street, Suite 210 • Anchorage, Alaska 99501 907.646.4644 phone • 907.646.4655 fax

ARRLA
Alaska Railroad Leaseholders Association
P.O. Box 112804
Anchorage, Alaska 99511-2804
Phone 907.276.4303

January 23, 2012

Alaska State Legislature
Capitol Building
Juneau, Alaska 99811

Dear Legislators:

The Alaska Railroad Leaseholders Association is in favor of Senate Bill 156. The Legislation which provides for extended terms for up to 95 years will give the Leaseholders the ability to provide for the economic development activities and financial requirements from the lending institutes for leased property.

Lease holders to Alaska Railroad property feel that it is in the best interest of the State of Alaska, the Railroad, and the Leaseholders to provide certainty for business and family interests which utilize railroad lease land.

Sincerely,

Richard Faulkner
President
Alaska Railroad Leaseholders Association

THE ODOM CORPORATION

January 17, 2012

Alaska Railroad Corporation
Attn: Corporate Affairs
327 W. Ship Creek Ave.
Anchorage, Alaska 99501

Re: Recommendation to allow 95-year ground leases of Alaska Railroad land

Dear Alaska Railroad Board of Directors:

We support proposed legislation that would allow the Alaska Railroad Corporation (ARRC) to change its current authority to lease land from a maximum term of 55 years to a maximum of 95 years.

Reasons for support:

- It would allow developers and business owners to finance large dollar projects and would provide adequate comfort to allow banks to secure their loans.
- It would allow owners to continue to make improvements during the lease period over a longer period of time.
- It would allow for several refinancing periods throughout the lease term which would allow improvements and businesses to be sold and transferred to new entities.
- We understand that a maximum 95 year lease term is just that. A 95 year lease would be subject to ARRC Board of Directors approval. The ARRC Board of Directors would make the final determination regarding appropriate lease terms on a case by case basis depending on the proposal with 95 years as the maximum any project could qualify for receiving.

This change to the AARC's lease term would allow the flexibility necessary in today's market to encourage further long-term development on property owned by the State of Alaska under the direction of the Alaska Railroad Corporation.

Thank you,

THE ODOM CORPORATION

Bill Odom

William L. Odom
Executive Vice President/Vice Chairman

WLO/ab

240 W 1st Avenue, Anchorage, AK 99501
· (800) 478-2653 · Facsimile: (907) 264-0343

Trapline, LLC and Lumen Park, LLC
1113 W. Fireweed #202
Anchorage, Alaska 99503
(907) 277-2663

12/7/11

Jim Kubitz, Vice President
327 W. Ship Creek Ave.
Anchorage, Alaska 99501

Dear Jim,

Thanks for meeting with us today to discuss real estate opportunities on Alaska Railroad land in Anchorage, Fairbanks, and Whittier.

As multi-family housing developers, we are very much interested in pursuing opportunities with the Railroad but we would be stymied by the 55 year lease term stipulation.

A longer ground lease term of 95 years would allow building owners to invest in maintaining their property over a longer period of time, matching the complete economic life of a building more closely to the ground lease term.

We hope the Alaska Railroad and the Alaska Legislature recognize that the 55 year lease term is out of step with the current lease market and is an impediment to Railroad land development.

Sincerely,

John McGrew

Ron Bateman

Glenn Gellert

HJR

24

<TARGET><BILL>HJR 24</BILL><SUBJECT>HJR 24</SUBJECT><COMM>SCRA27</COMM></TARGET>

HOUSE JOINT RESOLUTION NO. 24

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE PEGGY WILSON

Introduced: 3/25/11
Referred:

A RESOLUTION

Urging the United States Congress to reauthorize the Secure Rural Schools and Communities Self-Determination Act of 2000.

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

WHEREAS, in 1908, the United States Congress enacted 16 U.S.C. 500 (National Forest Receipts Program), which required 25 percent of annual income earned from activities on national forest land to be shared with states for distribution to cities and boroughs in which the land is located for the benefit of education and roads; and

WHEREAS, in 1986, changes in the approach to managing our national forests seriously curtailed the ability of forest communities to harvest forest products and resulted in steep declines in forest revenue paid to affected communities; and

WHEREAS, in the early 1990s, the United States Congress recognized that the decision to secure and retain land in federal ownership would deprive the communities in which the land is located of revenue otherwise received if the land were in private ownership; and

WHEREAS the enactment of P.L. 106-393, 16 U.S.C. 500 note (Secure Rural Schools and Communities Self-Determination Act of 2000), temporarily stabilized national

forest revenue payments to forest communities and replaced much needed financial support for education and roads; and

WHEREAS many of the state's rural communities are nestled in the Tongass National Forest and the Chugach National Forest; and

WHEREAS there continues to be little privately owned land in those forest communities on which to pursue economic development activities, and the communities therefore remain largely dependent on revenue generated from national forests; and

WHEREAS P.L. 106-393 (Secure Rural Schools and Communities Self-Determination Act of 2000) expires in 2011; and

WHEREAS education is one of the critical services supported by P.L. 106-393; and

WHEREAS failure to reauthorize and extend P.L. 106-393 will have a devastating effect on many forest communities across America, especially communities in this state, and will severely affect the public education of students living in those forest communities;

BE IT RESOLVED that the Alaska State Legislature respectfully requests that the United States Congress and the President sign into law a long-term authorization of the Secure Rural Schools and Communities Self-Determination Act of 2000.

COPIES of this resolution shall be sent to the Honorable Barack Obama, President of the United States; the Honorable Arne Duncan, United States Secretary of Education; the Honorable Lisa Murkowski and the Honorable Mark Begich, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress; and all other members of the 112th United States Congress.

ALASKA STATE LEGISLATURE

Interim:
P.O. Box 109
Wrangell, AK 99929
Phone: (907) 874-3088
Fax: (907) 874-3055

Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
1-800-686-3824
Fax: (907) 465-3175

REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 2

SPONSOR STATEMENT
House Joint Resolution 24

"Urging the United States Congress to reauthorize the Secure Rural Schools and Communities Self-Determination Act of 2000"

HJR 24 urges the President and the United States Congress to authorize a secure and sustained funding mechanism to support public education in Alaska.

In 1908, the federal government established the National Forest Receipts Program, which provided support for schools and roads in America's rural communities - those that were surrounded by the newly created National Forests. Congress recognized the fact that communities located in these areas would be deprived of opportunities for economic development and much-needed tax revenues that would otherwise be possible if the land were privately owned. Through this program, 25% of the annual income earned from activities within a national forest was shared with the states for distribution to the boroughs and cities located within the national forest.

In 1999, Congress recognized the adverse consequences of recent legislation that resulted in declining timber sales and significantly declining revenues to rural communities. The 2000 Secure Rural Schools and Community Self-Determination Act (SRSCA) was created to provide annual safety-net payments to support rural schools and roads, based on historic timber revenue levels between 1986 and 1999.

The situation in these rural communities has not changed. They are still surrounded by national forests rather than privately-owned land, and still not able to collect taxes from private enterprises on those forest lands. However, the agreement from the federal government is about to sunset. Payments from the Secure Rural Schools Act have declined each year, by design, and the Act is scheduled to end in September 2011.

Many of Alaska's rural communities are surrounded by either the Tongass National Forest or the Chugach National Forest, making them highly dependent on the federal government for continued support for roads and schools. This Resolution urges the United States President and the United States Congress to sign into law a long-term authorization of the Secure Rural Schools and Communities Self-Determination Act.











The History ...

Secure Rural Schools and Community Self-Determination Act History...

A Tradition of Conservation and Commitment

On March 3, 1891 the President of the United States, Benjamin Harrison, was given the authority to create Forest Reserves. Passage of the Forest Reserve Act created concern in many rural communities, as large blocks of land originally intended for settlement and economic development were no longer available for that use. In 1891, Western and Southern communities were highly dependent upon these lands for grazing, timber, and water. In addition to concerns over the potential economic impacts of this action, especially to schools and roads, many citizens were apprehensive about the federal, rather than local, management of these lands.

These concerns provided the impetus for Congress, in 1897, to specify the purpose of the Forest Reserves:

1) The lands placed in the Reserves would be improved and protected;
2) The lands placed in the Reserves would secure favorable conditions for water flow;
3) The lands placed in the Reserves would furnish a continual supply of timber to meet the needs of the citizens of the United States.

This additional specificity did little to assuage concerns in the West and protests soon erupted. In Rapid City, South Dakota, over 30,000 people gathered to object to the establishment of the Black Hills Forest Reserve on the grounds that it would be disastrous to the economy of South Dakota.

In 1905, the Forest Reserves were renamed the U.S. National Forest, and the U.S. Forest Service was founded to manage the set-aside lands. Subsequent Presidents continued to set aside lands, even as concern and opposition continued to grow.

President Theodore Roosevelt and Gifford Pinchot, Chief of the Forest Service, were so concerned about the growing opposition, and feared that it would jeopardize the future of the U.S. National Forests, that they proposed a new concept - revenue sharing. In 1906, they proposed - and Congress approved - a bill that specified that 10% of all revenues generated on National Forests would be returned to the counties that housed these forests. The dollars were to be used for the maintenance of county roads and public schools.

In a classic showdown, county officials finally said, "no deal" and in 1908, Congress increased the revenue to be shared with counties and schools to 25%.

For 100 years... this 1908 revenue sharing program has been the law. Since 1908, this program has protected our National Forests for the enjoyment of all citizens, provided a clean and safe drinking water supply (both urban and rural) across the nation, and supported services in rural counties and schools.

From 1908 until the 1980's this revenue sharing system worked well for the forest counties and schools. Management of the lands provided a steady and significant income stream. By the late 1980's, however, national policy caused a precipitous decline in the use of these lands for grazing, timber management, and mining. As a result, U.S. Forest Service revenues dramatically declined, as did the receipts to support rural communities and schools. By 1990, these revenues had declined by over 70%, creating financial crisis for rural communities!

National Forest Counties & Schools Coalition Created

In response to this crisis, county commissioners, school leaders, and concerned citizens from forest counties nationwide formed the National Forest Counties & Schools Coalition (NFCSC) in 1990.

The Secure Rural Schools and Community Self-Determination Act (SRSCA)

In October of 2000, the Secure Rural Schools and Community Self-Determination Act (SRSCA) was signed into law. This bill provided payments to rural counties for services and to fund public schools. Furthermore, it provided dollars for counties to invest in the restoration and enhancement of National Forests. To identify worthy restoration projects, local communities formed Resource Advisory Committees (RACs) composed of a broad spectrum of stakeholders. Resource Advisory Committees are truly a success story, completing thousands of projects on National Forest lands without a single lawsuit or appeal. Additionally, SRSCA funds emergency and search and rescue operations on National Forest lands.

Today, the Secure Rural Schools and Community Self-Determination Act is a national success story. Dollars from SRSCA:

- Provides tens of thousands of jobs in 41 States
- Support school programs for over 9,000,000 children
- Fund county programs for health care, search and rescue operations, and maintenance of roads and bridges
- Restore and enhance National Forests through enhancement projects and



Fate of Secure Rural Schools Act Unclear

This article appeared in the September 2010 Rural Policy Matters.

Editor's note: Links are free and current at time of posting, but may require registration or expire over time.

The federal legislation that provides funding to rural school districts located in many of the nation's timber counties is set to expire in 2011. Whether or not it will be renewed is uncertain as Congress wrangles over the budget process.

The Secure Rural Schools and Community Self-Determination Act (SRS) provides funding to districts to offset some of the loss of timber revenues in counties with national forests. First authorized in 2000, the Secure Rural Schools Act was an attempt to help counties and schools adjust to dramatic decreases in funding resulting from restrictions on timbering in National Forests located in their jurisdictions. The Act was renewed in 2008.

About $419 million in SRS funding will be allocated in 2010 to 729 rural counties, parishes, and boroughs in 41 states. The funding will reach some 9 million rural students.

Supporters argue that the SRS provides revenue necessary for maintaining roads and essential services and supporting schools in rural forest counties. Many of these counties are relatively high-poverty and have few sources of taxable wealth. Critics say the SRS was intended to be a short-term transition for affected counties.

For more information, visit the website of the **Partnership for Rural America**, which advocates for funding for the SRS.

Read more from the September 2010 Rural Policy Matters.

Rural Policy Matters is published monthly by the Rural School and Community Trust.
For subscription information visit http://www.ruraledu.org/cms.php?action=keep_connected.

Comments, questions, and contributions for Rural Policy Matters should be sent to:

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E-mail: info@ruraledu.org

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FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HJR 24
(H) Publish Date: 4/8/2011

HJR-24-(H)CRA 4-8-11
Title: Support Federal Forest Land Revenue Sharing
Sponsor: Representative P.Wilson
Requester: House Community & Regional Affairs

Dept. Affected:
Appropriation:
Allocation:
OMB Component Number:

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

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

Initial Version

Prepared by: Terry Harvey
Division: (H)CRA
Approved by: (H)CRA Chair Munoz

Phone:
Date/Time:
Date:

FY 11 National Forest Receipts Program (Secure Rural Schools)
Title I Payment List

Municipality/ Rural Educational Attendance Area (REAA)		**Payment Amount**
Haines Borough	$	367,524
City and Borough of Juneau	$	815,850
Ketchikan Gateway Borough	$	1,229,685
City and Borough of Sitka	$	1,150,914
City and Borough of Yakutat	$	656,704
Municipality of Anchorage	$	104,563
Kenai Peninsula Borough	$	645,783
Kodiak Island Borough	$	1,462
Matanuska-Susitna Borough	$	32,219
City of Petersburg	$	1,460,753
City and Borough of Wrangell	$	1,495,061
City of Craig	$	910,402
City of Hoonah	$	319,739
City of Kake	$	293,431
City of Klawock	$	405,750
City of Pelican	$	38,858
Municipality of Skagway	$	28,800
City of Angoon	$	31,892
City of Coffman Cove	$	83,483
City of Gustavus	$	129,435
City of Kasaan	$	35,127
City of Port Alexander	$	5,184
City of Tenakee Springs	$	10,368
City of Thorne Bay	$	143,660
Annette Island School District	$	735,771
Chatham School District	$	415,807
Southeast Island School District	$	373,801
City of Cordova	$	1,180,532
City of Valdez	$	2,198,775
Chugach School District	$	188,822
City of Whittier	$	59,111
City of Hydaburg	$	163,562
Metlakatla Community Dev. Corp.	$	144,738
State of Alaska/DOTPF	$	170,000
Total	**$**	**16,027,565**

All Service Receipts (ASR)

Final Payment Summary Report PNF (ASR-10-01)

Fiscal Year : 2009 **National :** YES **Run Date :** 01/22/2010

Region: NA **Admin Unit** : NA **PNF :** NA

State : NA **County :** NA **Cong. District :** NA

State	Acres	25% 7 Year Rolling Average Payment	Formula / Transition Payment	ASR Acts Payment	Total Payment	Average Payment Per Acre
ALABAMA (01)	668,975	$0.00	$2,236,181.61	$0.00	$2,236,181.61	$3.34
ALASKA (02)	21,965,908	$0.00	$18,760,459.69	$0.00	$18,760,459.69	$0.85
ARIZONA (04)	11,264,670	$0.00	$16,688,162.30	$0.00	$16,688,162.30	$1.48
ARKANSAS (05)	2,598,649	$47,077.46	$8,309,598.65	$0.77	$8,356,676.88	$3.22
CALIFORNIA (06)	20,789,711	$2,677,937.96	$50,125,615.83	$0.00	$52,803,553.79	$2.54
COLORADO (08)	13,883,891	$2,518,684.56	$14,641,261.61	$0.00	$17,159,946.17	$1.24
FLORIDA (12)	1,176,201	$461.81	$2,862,312.71	$0.00	$2,862,774.52	$2.43
GEORGIA (13)	866,253	$0.00	$1,864,094.56	$0.00	$1,864,094.56	$2.15
IDAHO (16)	20,416,939	$1.67	$34,899,666.19	$0.00	$34,899,667.86	$1.71
ILLINOIS (17)	297,654	$6,169.32	$107,585.49	$0.00	$113,754.81	$0.38
INDIANA (18)	202,420	$0.00	$337,400.95	$0.00	$337,400.95	$1.67
KENTUCKY (21)	814,045	$0.00	$2,596,891.48	$0.00	$2,596,891.48	$3.19
LOUISIANA (22)	604,373	$0.00	$2,620,068.43	$0.00	$2,620,068.43	$4.34
MAINE (23)	53,709	$0.00	$99,274.55	$0.00	$99,274.55	$1.85
MICHIGAN (26)	2,874,970	$953,762.21	$3,397,132.53	$0.00	$4,350,894.74	$1.51
MINNESOTA (27)	2,840,803	$100.93	$3,300,075.13	$6,150,000.00	$9,450,176.06	$3.33
MISSISSIPPI (28)	1,173,863	$0.00	$7,705,738.18	$0.00	$7,705,738.18	$6.56
MISSOURI (29)	1,492,238	$0.00	$4,681,714.52	$0.00	$4,681,714.52	$3.14
MONTANA (30)	16,969,154	$95,457.89	$24,523,555.15	$0.00	$24,619,013.04	$1.45
NEBRASKA (31)	257,783	$0.00	$584,375.69	$0.00	$584,375.69	$2.27
NEVADA (32)	5,764,024	$34,940.97	$5,174,213.10	$0.00	$5,209,154.07	$0.90
NEW HAMPSHIRE (33)	735,512	$349,356.28	$275,185.23	$0.00	$624,541.51	$0.85
NEW MEXICO (35)	9,187,225	$0.00	$18,185,891.96	$0.00	$18,185,891.96	$1.98
NEW YORK (36)	16,228	$0.00	$29,464.13	$0.00	$29,464.13	$1.82
NORTH CAROLINA (37)	1,255,204	$0.00	$2,326,601.17	$0.00	$2,326,601.17	$1.85
NORTH DAKOTA (38)	743	$0.00	$790.99	$0.00	$790.99	$1.06
OHIO (39)	241,052	$9,868.22	$339,674.09	$0.00	$349,542.31	$1.45

Note: PCPI data for year 2007 is used for Formula Payment Calculation

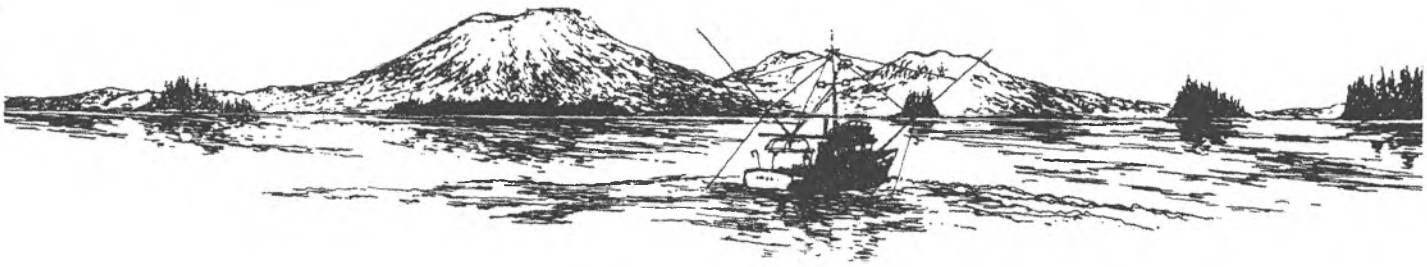
State	Acres	25% 7 Year Rolling Average Payment	Formula / Transition Payment	ASR Acts Payment	Total Payment	Average Payment Per Acre
OKLAHOMA (40)	354,482	$0.00	$1,192,432.79	$0.00	$1,192,432.79	$3.36
OREGON (41)	15,146,201	$126,568.94	$121,316,389.19	$0.00	$121,442,958.13	$8.02
PENNSYLVANIA (42)	513,316	$2,103,533.53	$2,505,581.90	$0.00	$4,609,115.43	$8.98
PUERTO RICO (72)	28,002	$0.00	$184,679.24	$0.00	$184,679.24	$6.60
SOUTH CAROLINA (45)	630,703	$0.00	$2,498,375.29	$0.00	$2,498,375.29	$3.96
SOUTH DAKOTA (46)	1,150,488	$8,981.66	$2,931,092.19	$0.00	$2,940,073.85	$2.56
TENNESSEE (47)	716,485	$0.00	$1,428,411.45	$0.00	$1,428,411.45	$1.99
TEXAS (48)	637,745	$0.00	$3,655,940.68	$0.00	$3,655,940.68	$5.73
UTAH (49)	8,149,911	$194,501.93	$14,177,027.73	$0.00	$14,371,529.66	$1.76
VERMONT (50)	399,058	$0.00	$400,726.81	$0.00	$400,726.81	$1.00
VIRGINIA (51)	1,664,231	$67,927.88	$2,093,723.38	$0.00	$2,161,651.26	$1.30
WASHINGTON (53)	10,858,594	$0.00	$33,990,941.90	$13,252.05	$34,004,193.95	$3.13
WEST VIRGINIA (54)	1,043,248	$0.00	$2,356,829.70	$0.00	$2,356,829.70	$2.26
WISCONSIN (55)	1,533,144	$13,978.66	$2,730,069.65	$0.00	$2,744,048.31	$1.79
WYOMING (56)	8,691,800	$532,815.09	$4,357,627.04	$0.00	$4,890,442.13	$0.56
Grand Total :	**189,929,605**	**$9,742,126.97**	**$422,492,834.86**	**$6,163,252.82**	**$438,398,214.65**	**$2.31**

Note: PCPI data for year 2007 is used for Formula Payment Calculation

SITKA SCHOOL DISTRICT

www.ssd.k12.ak.us

300 Kostrometinoff



Sitka, Alaska 99835
Phone: (907) 747-8622
Fax: (907) 966-1260

April 1, 2011

Representative Peggy Wilson
State Capitol Room 408
Juneau AK, 99801

Dear Representative Wilson,

The Sitka School District has actively worked to support reauthorization of the federal Secure Rural Schools and Communities Act (SRSCA) of 2000. To that end, the Sitka School District is a member of the National Forest Counties and Schools Coalition (NFCSC), and I, Lon Garrison am a member of their Board of Directors representing the Alaskan education sector. We as a local school board, feel it is imperative that the US Congress and the President abide by the compact forged in 1908 when the federal government acquired lands for public use and committed 25% of the revenue from those lands to support local communities and schools.

Sitka, along with most Southeast communities resides in the heart of the largest national forest in the nation, the Tongass National Forest, and yet does not receive any of the 25% revenue from these public lands because resource development, especially timber, is no longer viable. Without the ability to develop, extract and sell these resources, communities such as Sitka must rely on the federal government to provide an alternate source of revenue to support our local infrastructure and schools. Thus Secure Rural Schools funding is imperative to us.

Working with the NFCSC board and their associated Partnership for Rural America campaign, have been able to get the Obama administration to budget for a five year reauthorization of the Secure Rural Schools and Communities Act, with the 2012 year funded at $328 million and ramping down to zero over five years. While not funded at the level we had hoped, this is a start. Unfortunately, Title I funds for schools and roads declines quickly while money for Title II (resource development funds) increases. The following table provides an overview of what this means to both the Sitka School District and the state as a whole:

PDF created with pdfFactory trial version www.pdffactory.com

2012 SRSCA Reauthorization in the President's Budget

Year	Sitka Total	Title I (schools & Roads)	Title II (USFS RAC projects)	Sitka Schools Dist. Title I share	Statewide Total
2012	$1,361,227	$944,525	$416,702.10	**$472,262**	$17,656,631.09
2013	$1,266,774	$850,072	$416,702.10	**$425,036**	$16,431,476.72
2014	$1,054,256	$637,554	$416,702.10	**$318,777**	$13,674,885.62
2015	$894,868	$478,166	$416,702.10	**$239,083**	$11,607,436.79
2016	$775,326	$358,624	$416,702.10	**$179,312**	$10,056,849.18
totals	**$5,352,452**	**$3,268,941**	**$2,083,511**	**$1,634,471**	**$69,427,279**

As you can see, SRSCA provides significant funds for education and infrastructure to our community that we would otherwise not receive. For the State of Alaska, over a 5 year period this will mean over $69 million to forested communities. The Sitka School Board has expended significant funds, time and effort on our own behalf and on behalf of all forested communities in this state to persuade the federal government to live up to the compact of 1908.

As a board, we urge legislative support for passage of House Joint Resolution No. 24 urging the US Congress to reauthorize the Secure Rural Schools and Communities Act of 2000. The time is of the essence as the House of Representatives will be putting forth their FY2012 budget on April 5, 2011. We hopefully will be part of that budget, but we truly need the support of everyone to make it happen.

We thank you for your efforts to raise the awareness of this issue and to give us a chance to educate our state and local governments. This is important funding that for some communities is critically important.

With warm regards,

L D G

Lon D. Garrison
President, Sitka School Board

"Educating Today's Children to Become Tomorrow's Leaders"

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Thursday October 28 2010

Murkowski Raises Concerns Over Obama Administration's Warning That It May Not Support Renewal of Secure Rural Schools Program

WASHINGTON, D.C. - The Obama administration has warned that it may not support reauthorization of a program that helps fund schools, road maintenance and public facilities in Alaska communities that border national forest lands.

The warning came in a recent letter from Secretary of Agriculture Tom Vilsack to Murkowski. Vilsack was responding to a letter Murkowski sent to President Obama in July asking that the president recommend reauthorization of the Secure Rural Schools and Community Development Act in his Fiscal Year 2012 budget, which will be released in February 2011. The rural schools revenue sharing program, which is known in some communities as "timber receipts," "county payments" or "national forest receipts," expires on September 30, 2011.

Vilsack said the administration would carefully consider the program's reauthorization, but added, "Presently we have the challenge of determining the proper course for the future of this program, including the determination of how to pay for" its continuation.

Murkowski responded: "No doubt these are difficult fiscal times for the nation. However, we must not forget that the Forest Service controls nearly 22 million acres of Alaska lands and has a responsibility to support the schools and communities that may neither tax nor develop these lands. That is why I have been a steadfast supporter of the Secure Rural Schools and Community Self Determination Act over the years and will continue to fight for this crucial program next year."

The Secure Rural Schools and Community Self Determination Act was last reauthorized in 2008 with Murkowski's support.

Alaska communities and schools are slated to receive about $85 million in revenue sharing payments from September 1, 2008, to September 30, 2011, under the current law. Unless the law is extended next year, Alaska communities and school districts will receive the last checks issued under the 2008 Act in calendar year 2012. About $35 million is currently divided among the organized boroughs as follows:

Municipality of Anchorage $538,315

Haines Borough $2,063,541

City and Borough of Juneau $4,130,098

Kenai Peninsula Borough $4,130,098

Kodiak Island Borough $9,133

Ketchikan Gateway Borough $6,949,213

Matanuska-Susitna Borough $148,896

http://murkowski.senate.gov/public/index.cfm?p=PressReleases&ContentRecord_id=a122

City and Borough of Sitka $6,552,532

Municipality of Skagway $434,457

Yakutat City and Borough $3,258,918

Wrangell City and Borough $7,797,595

The remaining nearly $50 million is distributed by the State of Alaska to school districts and communities in the Unorganized Borough that borders the Tongass and Chugach National Forests.

These funds benefit Cordova, Whittier, Valdez and the Chugach REAA in Southcentral Alaska. Southeast Alaska recipients include Angoon, Coffman Cove, Craig, Gustavus, Hoonah, Hydaburg, Kake, Kasaan, Klawock, Metlakatla, Pelican, Petersburg, Port Alexander, Tenakee Springs, Thorne Bay as well as the Annette Island, Chatham and Southeast Island School Districts.

Senate responsibility for reauthorizing the Secure Rural Schools and Community Self Determination Act rests with the Energy and Natural Resources Committee on which Murkowski serves as the senior Republican member.

###

United States Senate
WASHINGTON, DC 20510

July 14, 2010

The President
The White House
Washington, DC 20500

Dear Mr. President:

We respectfully request that you include a long-term reauthorization of the Secure Rural Schools and Communities Self-Determination Act (SRSCA), and the concomitant funding, in your Fiscal Year (FY) 2012 budget request to Congress.

The SRSCA is not an entitlement program, but rather a demonstration of the commitment that this nation made to rural forest counties when it determined that large blocks (193 million acres in total) of our forest lands should be set aside for the benefit of the entire nation. Indeed this "contract" between the federal government and rural America is part of the very foundation of our national forest system. President Theodore Roosevelt understood the value of conserving our forest lands and placing them in public trust. He likewise understood the economic burden this placed on rural counties to provide essential infrastructure like roads and public schools with their tax revenues reduced by the presence of federal lands in these counties.

To mitigate these economic effects, President Roosevelt and Forest Service Chief Gifford Pinchot supported a revenue sharing concept that made forest counties a contracted business partner with the federal government. In 1908, Congress approved a revenue sharing plan specifying 25 percent of all revenues from National Forests would be returned to forested counties. This law worked well for nearly a century. However, by the late 1980's national policies and court rulings substantially diminished revenue generating activity in our national forests. By 1998, revenues for national forest counties had declined by over 70 percent. The decline had a devastating impact on 780 counties nationwide and over nine million school children.

Recognizing its obligation to rural America, Congress passed the Secure Rural Schools and Communities Self-Determination Act of 2000, and President Bill Clinton signed the bill. It provided six years of funding. In 2007, Congress extended the SRSCA for one year. In 2008, Congress once again provided a four year extension of the SRSCA from 2008-2011.

Timber harvests have not rebounded, so both the logic and the need for this program remain as strong today as when President Roosevelt first supported revenue sharing. The vast majority of the funds provided through the SRSCA are used to directly fund jobs in road maintenance and public works and positions within the public school system. These are essential services for the citizens of these rural communities and constitute family-wage jobs.

Failure to extend the SRSCA in 2012 would have a devastating impact on the economies of over 780 of our most rural and most economically depressed counties and school districts across the nation. In these counties, unemployment is higher than in other regions of the country with rates approaching those experienced in the Great Depression.

Failure to extend the SRSCA would lead to an annual payment loss of $468 million starting in 2012-13. The economic impacts will be ongoing without an extension. This includes support for construction, roads, education, conservation, and various other government funded services and projects. The loss of the funding leads to various businesses throughout the United States, mainly in rural America, losing on an annual basis almost $1.37 billion in revenues, government at all levels losing over $188 million in tax receipts and over 11,000 people losing their jobs in 2012-13.

In addition, Title II of the SRSCA has proven to be a substantial asset to rural communities and our forested public lands. Since 2000, in a very collaborative process, over $350 million has been invested in watershed restoration and forest health projects by Resource Advisory Committees (RACs). Not one project has been appealed or litigated. In fact, based on changes in the 2008 Act, the number of RACs has grown from 55 to 116.

We are grateful that you appreciate the importance of the Secure Rural Schools and Communities Self-Determination Act. In May 2008, you stated in an interview with the Eugene Register-Guard, "I completely agree that it's [SRSCA] an obligation we have to meet. I think that we're not meeting it well right now because we're doing it piecemeal year after year by year. . . ." Those words send a strong message about the need to support this ongoing commitment to rural America.

We look forward to meeting with you and your administration to continue this historic partnership with rural America.

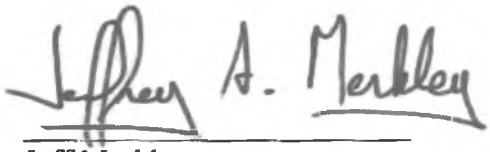
Sincerely,

Ron Wyden
United States Senator

Mike Crapo
United States Senator

Blanche L. Lincoln
United States Senator

Roger F. Wicker
United States Senator



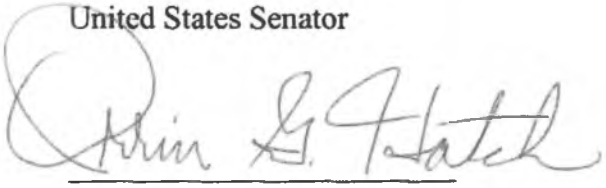
Jeff Merkley
United States Senator



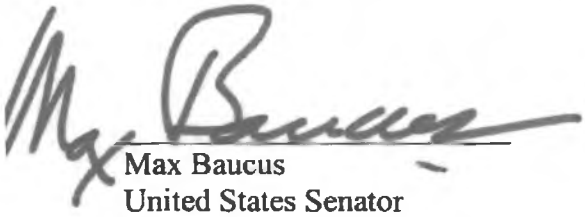
James E. Risch
United States Senator



Claire McCaskill
United States Senator



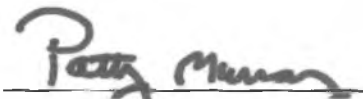
Orrin G. Hatch
United States Senator



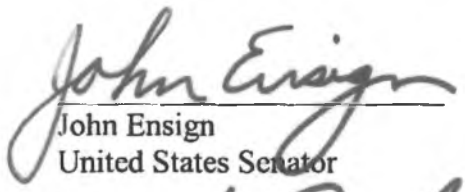
Max Baucus
United States Senator



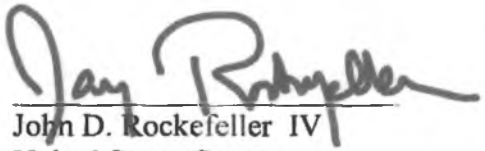
Lisa Murkowski
United United States Senator



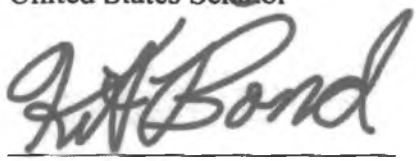
Patty Murray
United States Senator



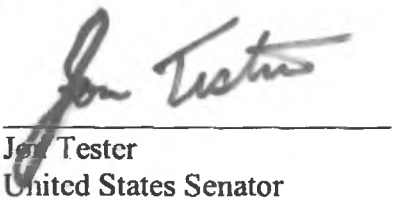
John Ensign
United States Senator



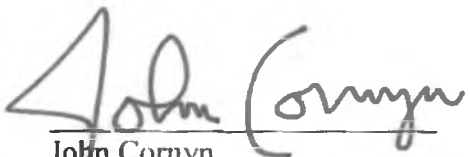
John D. Rockefeller IV
United States Senator



Christopher S. Bond
United States Senator



Jon Tester
United States Senator



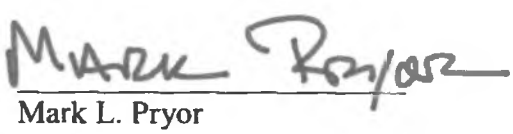
John Cornyn
United States Senator



Robert P. Casey, Jr.
United States Senator



Robert F. Bennett
United States Senator



Mark L. Pryor
United States Senator



Mark Begich
United States Senator

Mark Udall
United States Senator

Barbara Boxer
United States Senator

Russell D. Feingold
United States Senator

Michael F. Bennet
United States Senator

Maria Cantwell
United States Senator

Tom Udall
United States Senator

Tim Johnson
United States Senator

Dianne Feinstein
United States Senator

Jeff Bingaman
United States Senator

HJR

27

<TARGET><BILL>HJR 27</BILL><SUBJECT>HJR 27</SUBJECT><COMM>SCRA27</COMM></TARGET>

Alaska State Legislature

State Capitol, Room 102
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Toll Free (800) 665-4389
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
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Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton

District 35

MEMORANDUM

TO: Senator Olson

FROM: Representative Paul Seaton

DATE: April 11, 2011

RE: Request for a hearing, HJR 27

I respectfully request a hearing on HJR 27 before the Senate Community and Regional Affairs Committee.

In summary, HJR 27 expresses the support of the Alaska State Legislature for re-locating the Coastal Villages Region Fund fleet to Seward, Alaska.

Attached please find: sponsor statement, fiscal note, HJR 27, letters of support (from Coastal Villages, KPBN, KPEDC and congressional delegation), and PND engineering study.

Staff contact: Katie Koester, 465-2028

Alaska State Legislature

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Toll Free (800) 665-2689
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
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REPRESENTATIVE Paul Seaton
District 35

Sponsor Statement HJR 27
"Bring the Fleet Home"

Coastal Villages Region Fund is one of six Community Development Quota (CDQ) groups created under re-authorization of the Magnuson-Stevens Fishery Conservation and Management Act to provide economic development in villages located in Western Alaska from the fisheries resources of the Bearing Sea. There are 65 communities within a fifty-mile radius of the Bering Sea coastline who participate in the program.

Coastal Villages has grown from a small start up company to one of the largest Alaska based and Alaska owned seafood companies. They have a fleet of 18 ships that fish the pollock, cod, ground fish and crab fisheries in addition to providing bulk transportation and tender services. Coastal Villages is projected to bring in $75 million in sales in 2011.

With a company this large there are millions spent in support services where the fleet home ports such as training programs, fuel, processing, office/warehouse space, and maintenance. This is currently spent in Seattle, however it has been a long standing wish of Coastal Villages and Alaskan leaders to bring the CDQ groups back to Alaska. Coastal Villages has identified Seward as a port that meets their needs for a home port: ice free year- round; road, rail and air access; land and harbor development space; dry dock services for maintenance; and maritime licensing and training.

HJR 27 expresses the support of the Alaska State Legislature for re-locating Coastal Villages Region Fund to Seward, Alaska.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HJR 27**
() Publish Date

Identifier (file name): HJR27-LEG-COU-04-06-2011
Title: "Relocate Coastal Villages Region Fund"
Sponsor: Representative Seaton
Requester: House Spec Comm on Economic Dev, Trade & Tourism

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial Version

Prepared by: Shane Miller, Finance Manager — Phone 465-6626
Division: Legislative Affairs Agency — Date/Time 4/6/11 1:49 PM
Approved by: Pamela Varni, Executive Director — Date 4/6/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

This fiscal note has zero impact on the Legislative Affairs Agency.

Coastal Villages Region Fund

711 H Street, Suite 200 • Anchorage, Alaska 99501 • Phone 907.278.5151 • Fax 907.278.5150

February 7, 2011

The Honorable Willard E. Dunham
P.O. Box 167
Seward, AK 99664

Dear Mayor Dunham,

We have a historic opportunity at hand – moving the home port of the Coastal Villages Region Fund (CVRF) fishing fleet from Seattle to Alaska. This is a longstanding goal of many prominent Alaskans that began with the Magnuson-Stevens Act of 1976 and the Community Development Quota (CDQ) Program that began in December of 1992. The vision of the recent Senator Ted Stevens and others saw the Magnuson-Stevens Act of 1976 and subsequent amendments to the Act as opportunities first to Americanize the fishing fleet in Alaska, secondly to provide fishing quotas to the communities surrounding prime fishing areas, thirdly to reinvest profits to produce jobs and grow the industry, and finally to Alaskanize the Alaska fishing fleet.

It is conceivable that the move of CRVF to Alaska would encourage the other 5 CDQ Groups to relocate their home ports to Alaska as well. Please allow me a moment to introduce you to the CDQ Program. The CDQ program allocates a portion of the Bering Sea and Aleutian Island harvest amounts to CDQ groups, including pollock, halibut, Pacific cod, crab and bycatch species. The CDQ program was granted perpetuity status during the 1996 reauthorization of the Magnuson-Stevens Act.

Our Coastal Villages Region Fund has become the largest of the CDQ groups. We may be the largest Alaskan owned and Alaska based Seafood Company in Alaska's 100+ year history of commercial fisheries. CVRF is owned by 9,400 native Alaskans from the beautiful west coast of our great state. We are projected to generate about $100 million in seafood sales in 2011. In the 1990s when the Federal government allocated most of the Bering Sea to Seattle and Japanese companies it gave Coastal Villages 2% of the fish. Over the last decade we have gone from zero to nearly a quarter of a billion dollar balance sheet. And we have become the largest private-sector employer in the Kuskokwim Region.

CVRF offers fishing and processing jobs for more than 1,000 of our residents each year. We offer scholarships and summer jobs to our youth. We have become the largest Alaska based harvester and processor of seafood in the Bering Sea. Coastal Villages provides hope, fish, and work.

To provide the regional jobs Coastal Villages owns and operates a fleet of large fishing and processing vessels in the Bering Sea. With success our Bering Sea fleet has become quite big – it costs $2 million to fill up the fuel tanks of our fishing fleet one time; we pay the crew more than $10 million each year; we have more than 250 crew members including skippers who make more

than $300 thousand each year and entry level jobs that pay more than $50 thousand each year; we spend between $5 million and $10 million each year on maintenance; we spend approximately $20M annually in Seattle for moorage, vendor support, and maintenance; and we spend approximately $2M per year to fly crews to and from Alaska and Seattle. This is money that should be spent in Alaska, not in Seattle.

There are no harbors on the Alaska road system big enough to moor our entire fleet of vehicles. We need half a mile of dock space to park our vessels; we need 20,000 square feet of warehouse; we need 5,000 square feet of office space; we need 5 to 10 acres of fenced yard each year for equipment and staging; we need vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair the 50 diesel engines aboard our vessels, provide packaging for seafood products, provide fuel, provide Marine safety training, provide groceries and provisions. In other words we need in Alaska all those things that Seattle vendors have been providing for the last 50 years for the fishing industry. We need your help to Alaskanize the Bering Sea fisheries.

Coastal Villages has 100% ownership of 8 deep draft vessels ranging in length from 113 feet to 341 feet and 10 other tenders, longliners, and a tug. In partnership with another CDQ group, the Norton Sound Economic Development Corporation, we acquired another crab vessel and 5 pollock trawlers just last week. We will continue to buy more of the Seattle based Alaska fishing vessels in the future because the Federal CDQ Program requires all 6 CDQ Groups to reinvest in the Bering Sea. It is inevitable that our recently acquired fleet will gravitate north to its owner for the same reason that many of the vessels still go south to their Seattle owners and for the same reason that before the Americanization of our fisheries that began in 1976 the vessels used to go home to cities in Asia.

In considering moving our home port from Seattle to Alaska, our Board of Directors and staff established a set of criteria that are essential to our success. We identified the following requirements:

deep water year-round ice-free port
sufficient space and depth of water to construct a half-mile of dock for mooring, loading, and servicing our deep draft and other vessels
sufficient land upland to construct warehouses and offices
existing ship repair and maritime support facilities
existing maritime training and licensing facilities
road, rail, and air access

In examining ports across Alaska, we concluded that Seward on Resurrection Bay meets all our requirements. It is a deep water year-round ice-free port. It has the space on the water and upland to construct the half-mile of dockage to meet our needs, and room to expand in the future to meet the needs of others that will surely migrate north, including the other 5 CDQ groups. It is the home of AVTEC where our residents receive training, licensing, and recertification of maritime skills. It has a major ship repair facility, Seward Ship's Dry Dock that has the capability of lifting and repairing our largest 341 foot fishing vessel. It has a 250-ton travel lift and upland storage and maintenance space for our smaller vessels at the Seward Marine Industrial Center. It has an

existing maritime and fishing industry. It has road, rail, and air access and close proximity to Anchorage.

By working together we can accelerate this process of Alaskanizing the part of the Alaskan fishing fleet active in the Bering Sea. We look forward to working with you to achieve this historic opportunity.

Quyana,

John O. Mark, President
Coastal Villages Region Fund

Congress of the United States

Washington, DC 20510

March 31, 2011

The Honorable Sean Parnell
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

We recently heard presentations by the Coastal Villages Region Fund (CVRF) and the City of Seward regarding a proposal before the State of Alaska and the Alaska State Legislature to construct homeport facilities for the Community Development Quota (CDQ) fishing fleet.

As you are aware, Alaska has been working since Statehood to fully develop its coastal marine resources. In 1976 the Congress expanded sovereign jurisdiction over the conservation and management of fish stocks to 200 miles. The State of Alaska worked tirelessly within the framework of the Magnuson-Stevens Fishery Conservation and Management Act to transition from a federal fishery dominated by foreign fishing vessels to a fishery fully utilized by Americans. Over the last fifteen years we have seen substantial investments into the Alaskan fishery, and it is now a much more substantial part of the state's economy.

The next logical step, in our opinion, is to promote policies and initiatives that will maximize the value of the federal fisheries to Alaskan communities and businesses. The State of Alaska worked in partnership with the Alaska Congressional Delegation in the 1990s to develop the CDQ program in the Bering Sea. For the first time, residents of Bering Sea villages were provided a direct stake in the fishing industry. The CDQ community participation has taken firm root to include increasing ownership of the fishing and processing fleets. The next phase is bringing more economic value from this participation to Alaska.

The President and Board of Directors of the Coastal Villages Region Fund have proposed Seward become the homeport for its growing fishing and processing fleet. The City of Seward meets all CVRF requirements that include a (1) year-round ice-free deep water port; (2) road, rail, and air access; (3) available space on the water and upland for development; (4) major ship repair capabilities; and (5) maritime training and licensing through AVTEC. These are the assets that will allow successful and profitable re-location of the CVRF fleet from Seattle to Seward.

The relocation of the largest CDQ group to Alaska will begin the transition of hiring Alaskan vendors to repair propellers and vessels, weld and paint, service electronics, mend fishing gear, repair diesel engines, supply packaging, provide fuel and groceries, and provide marine safety training. The dollars earned by Coastal Villages in the Bering Sea fisheries will ripple through the greater Alaska economy. The hurdles to this initiative are the lack of adequate dock space and uplands in an Alaskan port community, on the road system, to handle the substantial needs of this growing enterprise.

In a preliminary study, the U.S. Army Corps of Engineers has already found the project is economic. We are aware that an economic analysis, engineering design, geotechnical report and preparation of permit documents all need to be submitted to move this project forward. Construction of the project and movement of the home port of CVRF to Seward could be completed by December 15, 2014, if the previously mentioned steps are funded and expeditiously enacted.

We hope that this project may act as the catalyst for the consideration by other CDQ groups to homeport in Alaska. Such a move would result in tens of millions of dollars in new annual income for Alaskan vendors, more revenues for the State of Alaska, and local job creation. We look forward to working with you in the future to help Alaska maximize the value of the federal fisheries for its residents.

Respectfully,

Lisa Murkowski
United States Senator

Mark Begich
United States Senator

Don Young
Congressman for Alaska

Introduced by:	McClure
Date:	03/01/11
Action:	Adopted
Vote:	8 Yes, 0 No, 1 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2011-014

A RESOLUTION SUPPORTING THE CITY OF SEWARD'S STATE FUNDING REQUEST TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FUND'S FISHING FLEET IN SEWARD, ALASKA

WHEREAS, the Coastal Villages Region Fund (CVRF) is one of six Community Development Quota (CDQ) groups; and

WHEREAS, it has been a longstanding goal, beginning with the Magnuson-Stevens Act of 1976, and the CDQ Program in 1982 to return the home port of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

WHEREAS, CVRF offers fishing and processing jobs for more than 1,000 residents each year; and

WHEREAS, Coastal Villages owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

WHEREAS, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet, and is the only port in Alaska to meet all of the requirements; and

WHEREAS, the City of Seward is poised to become the home port for the CVRF fleet;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly supports the relocation of the Coastal Villages Region Fund's fishing fleet from Seattle to Alaska.

SECTION 2. That the Kenai Peninsula Borough Assembly supports the efforts of the City of Seward to obtain FY2012 state funding to prepare for this relocation effort.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 1ST DAY OF MARCH, 2011.

Gary Knopp, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

KENAI PENINSULA BOROUGH 1964

Yes:	Haggerty, Johnson, McClure, Pierce, Smalley, Smith, Tauriainen, Knopp
No:	None
Absent:	Murphy

14896 Kenai Spur Highway, Suite 103-A • Kenai, AK 99611
Phone: (907) 283-3335 • Fax: (907) 283-3913
info@kpedd.org • www.kpedd.org

Leadership to enhance, foster and promote economic development

Introduced: J. Torgerson
Date: 2/24/2011

KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT, INC.

RESOLUTION 2011-12

SUPPORT OF THE CITY OF SEWARD'S REQUEST FOR STATE FUNDING TO ESTABLISH THE HOME PORT OF THE COASTAL VILLAGES REGION FISHING FLEET IN SEWARD ALASKA.

Whereas, the Coastal Villages Region Fund is one of six Community Development Quota Groups in Alaska; and

Whereas, it has been a longstanding goal, beginning with the Magnusun-Stevens Act of 1976 and the CDQ Program in 1982 to return the home port of Coastal Villages Region Fund's fishing fleet from Seattle to Alaska; and

Whereas Coastal Villages Region Fund offers fishing and processing jobs for more than 1,000 residents each year; and

Whereas, Coastal Villages Region Fund owns and operates a large fleet of fishing and processing vessels in the Bering Sea; and

Whereas, the City of Seward on Resurrection Bay meets all of their requirements for a home port in Alaska for the fleet; and

Whereas the City of Seward is poised to become the home port for the Coastal Village Region Fund's fleet;

NOW THERREFORE BE IT RESOLVED BY THE Board of Directors of the Kenai Peninsula Economic Development District that:

The District supports the relocation of the Coastal Village Regions Fund's fishing fleet from Seattle to Alaska.

The District supports the City of Seward's request for funding from the State of Alaska for this relocation effort.

The District finds that this project meets the Comprehensive Economic Development Strategy produced by the District with support of the Kenai Peninsula Borough, the State of Alaska and the Economic Development Administration.

APPROVED BY THE KPEDD BOARD OF DIRECTORS THIS 24TH DAY OF FEBRUARY, 2011.

Kristine Holdridge
President

2.24.11
Date

ATTEST:

John Torgerson
Executive Director

2-28-11
Date

P | N | D
ENGINEERS, INC.

February 9, 2011 111015

Mr. Phillip Oates
City Manager
City of Seward
PO Box 167
Anchorage, Alaska 99664

Subject: SMIC Basin Concept Design and Economics Study

Dear Mr. Oates:

As requested by the City of Seward, PND Engineers, Inc. (PND) has performed a scoping analysis for a proposed boat harbor located at the Seward Marine Industrial Center (SMIC). The proposed boat harbor would be developed as a commercial craft facility with the primary tenant being the CDQ fleet. Vessels would be in the range of 40 feet through 350 feet.

The CDQ fleet is seeking to home port in Alaska, and Seward is ideally situated to support this fleet. Seward's infrastructure can provide the necessary support and the SMIC area provides the necessary real estate for development. By utilizing and improving the existing infrastructure in Seward, the benefits of the project will include:

- Growth of the overall Alaskan economy
- Provision of more Alaskan jobs
- Protecting Alaskan resources
- Providing a means to further enable the development of the private sector in Alaska
- Keep Alaskan owned vessels in Alaska

Attached Figure 1 depicts conceptual layouts of the proposed facility and represents the initial configuration for data collection and design. It is likely that the configuration shown will be modified as the design is developed and the fleet characteristics become better understood. The facility has also been shown in phases to allow development as demand grows. Phase 1 would develop the existing SMIC basin into a calm water harbor and maintenance facility. It is believed that this concept would accommodate 30 vessels or more, depending upon length, with moorage on the unprotected (north) side of the proposed dock for vessels over 300 feet. Phase 2 is shown north of the current SMIC basin and could be built as a protected harbor accommodating approximately 60 vessels, depending upon size. Phase 3 would represent a final phase that could be developed if and when the Phase 2 area became fully utilized. Other potential locations may also serve the needs of Phase 3 and could also be examined, but the location shown is presented for concept level consideration.

In order to progress development of this proposed facility, the first step in the process would involve economic analysis, field data collection and preliminary design. The economic analysis would be performed to identify economic benefits of the proposed project and to identify the optimum project scope based upon the economics. Through the economic analysis, the concept in Figure 1 will be

1506 West 36th Avenue · ANCHORAGE, ALASKA 99503 · Phone 907.561.1011 · Fax 907.563.4220

modified and tailored to best fit the demand and provide optimum benefits. The estimated cost of this economic analysis is $85,000.

Parallel with the economic analysis, a field data collection program will be conducted to advance the engineering design effort. Geotechnical information will be gathered to support cost estimates of project components and to be used throughout project development. Survey information will also be gathered to support the project, consisting of bathymetric and uplands data. For the initial project development, the bathymetric survey is proposed to be performed manually, while uplands data will be gathered using LIDAR. The LIDAR data is believed to be sufficient for initial design and can be supplemented with ground survey where more precision is found to be required as the project advances. LIDAR will provide a more cost effective method of obtaining uplands topographic data over the large area proposed for the project.

PND has researched available data as a portion of this work scope. A good amount of geotechnical data has been developed in the vicinity of SMIC and will greatly reduce the required amount of additional data that would need to be gathered. Survey data, particularly bathymetric data, is limited however and would need to be gathered in whole to support the proposed project. Geotechnical work will be performed primarily to support development of Phase 1 only, while survey data will be gathered over the entire project site to be used throughout development. The estimated cost of the geotechnical program is $135,000, while the survey data gathering is estimated to require $60,000.

Preliminary engineering design will be performed in conjunction with the economic study and in support of project permitting. In order to develop the data necessary for permitting, the design will need to be advanced to a preliminary level. Permitting of the project represents possibly the critical path as related to overall project construction schedule and would need to commence as soon as possible to allow the development. It is recommended that engineering and associated permitting focus only on Phase 1 in order to expedite the initial development. Phase 1 generally lies within the existing SMIC boundary and, as such, should be a much easier and quicker scope to permit. However, it may also be desirable to start the permitting process for Phase 2 soon after receiving the Phase 1 permit in order allow sufficient time for development and receipt of these permits. The estimated cost for preliminary engineering and development of permitting documents is $120,000 for Phase 1 only. The estimated cost for permitting does not include the actual permitting effort and it is anticipated that the permitting documents would be submitted upon full approval of the project.

The total estimated costs for these initial project expenditures are as follows:

Economic Analysis	$85,000
Survey	$60,000
Geotechnical Investigation	$135,000
Phase 1 Preliminary Engineering	$110,000
Phase 1 Permitting	$10.000
TOTAL	**$400,000**

PND has also developed overall Phase 1 project costs in an effort to assist in future planning. The total construction, engineering, permitting and management costs are estimated to be $34 million with detail as provided in the attached estimate. This estimate should be considered relative order of magnitude (ROM) at this time and will be further developed during the initial efforts.

An anticipated schedule for construction of the Phase 1 scope of work would be similar to the following:

Initial Funding Appropriation and Project Kick-Off	July 15, 2011
Survey Layout	September 15, 2011
Geotechnical Report	October 31, 2011
Draft Economic Report	December 1, 2011
Final Economic Report	February 1, 2012
Permit Documents Prepared and Ready for Submission	September 15, 2011
Obtain Project Funding and Begin Final Design	January 1, 2013
Submit Phase 1 Permit Application	April 1, 2013
Complete Engineering Design	September 15, 2013
Receive Project Bids	October 30, 2013
Award Construction Contract	November 30, 2013
Begin Field Construction	February 15, 2014
Complete Phase 1 Construction	December 15, 2014

PND appreciates the opportunity to assist the City of Seward with this exciting project. If you have any questions regarding the attached information, please contact us.

Sincerely,
PND Engineers, Inc. | Anchorage Office

John W. Pickering, P.E.
Senior Vice President

Attachments: Figure 1 – Existing Conditions
Figure 2 – Conceptual Layout
ROM Cost Estimate
Northern Economics Proposal



CONCEPT
2/9/11

PND Engineers, Inc. (PND) is not responsible for safety programs, methods or procedures of operation, or the construction of the design shown on these drawings. Where specifications are general or not called out, the specifications shall conform to standards of industry. Drawings are for use on this project only and are not intended for reuse without written approval from PND. Drawings are also not to be used in any manner that would constitute a detriment directly or indirectly to PND.

REV	DATE	DESCRIPTION

DATE: _____

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P N D
ENGINEERS, INC.

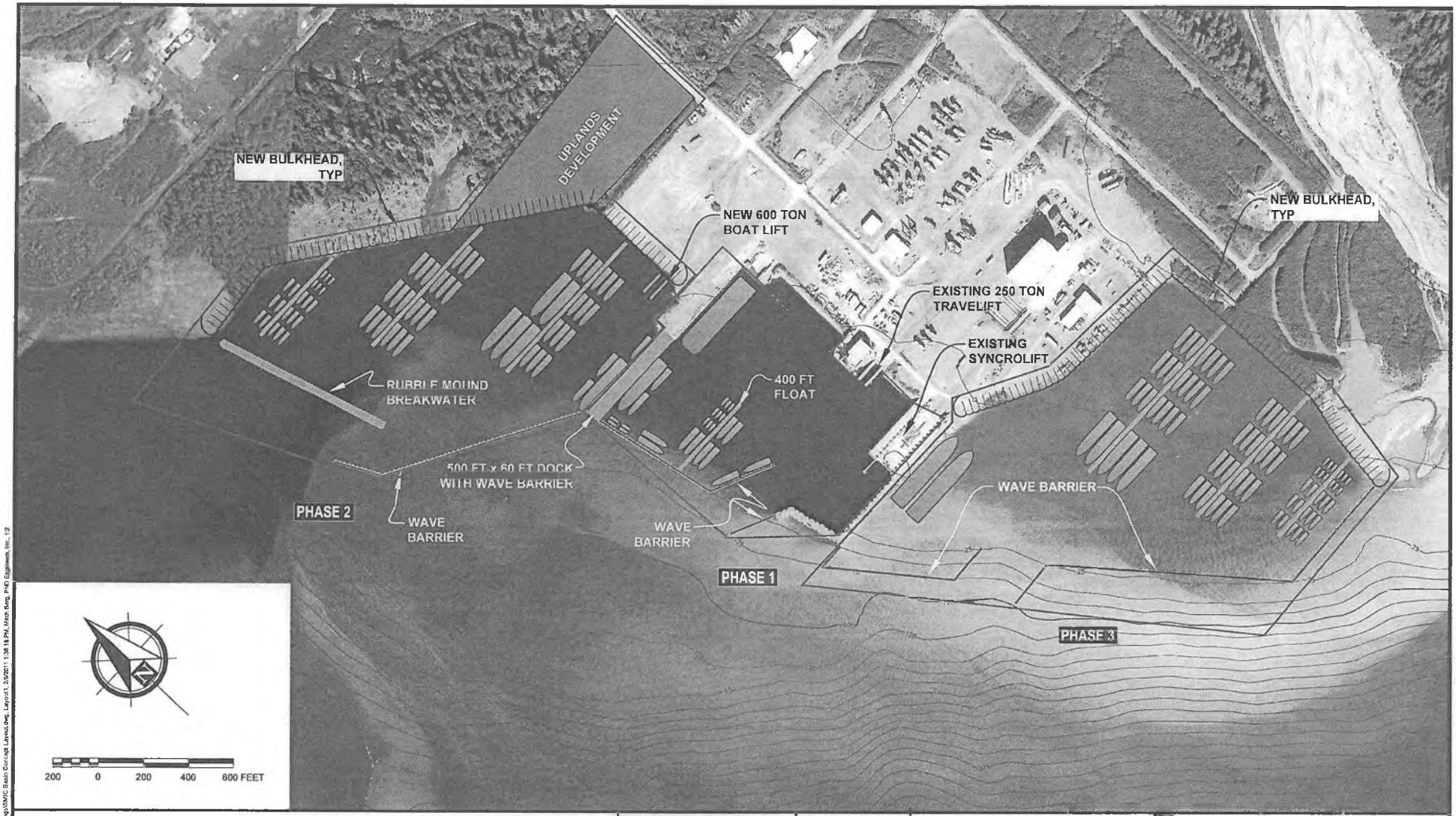
PROJECT: SEWARD SMIC BASIN

TITLE: EXISTING CONDITIONS

DESIGNED BY:	KMB	DATE:	2/9/11
CHECKED BY:	JWP	PROJECT NO:	111015

SHEET NO: Figure 1

J:\2011\111015 Seward SMIC Basin\Drawings\SMIC Basin Existing Conditions.dwg, Layout1, 2/9/2011 1:33:17 PM, Mitch Berg, PND Engineers, Inc., 1:2



CONCEPT
2/9/11

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REV	DATE	DESCRIPTION

DATE: _____

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P N D
ENGINEERS, INC.

PROJECT: SEWARD SMIC BASIN

TITLE: CONCEPTUAL LAYOUT

DESIGNED BY:	KWB	DATE:	2/9/11
CHECKED BY:	JWP	PROJECT NO:	111015

SHEET NO. Figure 2

J:\2011\111015\Seward SMIC Basin\Drawings\SMIC Basin Concept Layout.dwg, Layout1 2/9/2011 1:38:18 PM, Mitch Berg, PND Engineers, Inc., 1:2

City of Seward
SMIC Expansion Scoping
ROM PROJECT COST ESTIMATES
PHASE I

Item	Description	Cost	Assumptions
1	Mobilization	$ 2,800,000	13% of items 2 thru 7
2	Permeable Wave Barrier	$ 9,400,000	
3	Float System	$ 600,000	
4	Repair North Dock & Barge Ramp	$ 600,000	
5	500' x 60' Dock	$ 8,000,000	
6	Electrical Upgrades	$ 2,000,000	
7	Site Improvements	$ 1,000,000	
8	Engineering and Construction Oversight	$ 2,000,000	8% of items 1 thru 7
9	City Project Management	$ 2,400,000	10% of items 1 thru 7
10	Contingency	$ 4,900,000	20% of items 1 thru 7
	Phase I Total	***$ 33,700,000***	

Notes:
1. Vessel sizes range from 340 ft to 30 ft.
2. Costs presented represent Phase I only. Future phases are not estimated at this time.
3. Costs are ROM and have not been validated with field data.

Northern
Economics

Thank you for contacting us about conducting an economics study to look at the feasibility of developing a facility to homeport the CDQ fleet in Alaska. We have developed an approach to quantify the benefits of this movement of vessels from Puget Sound to the state.

Major components of our proposed study include: an evaluation of ports for homeporting the CDQ fleet, economic benefits accruing to the State of Alaska and appropriate local and regional governments, fiscal impacts on the state and local governments, benefits and costs to the CDQ groups, and industries and other infrastructure needed to support a large number of CDQ vessels.

Based on the requirements for a homeport location, we believe Seward is the best candidate for the proposed facility. Seward is an ice free port and has highway and rail system connections. It is relatively close to Anchorage and the Ted Stevens International Airport which has direct connections with major communities in the CDQ region of western Alaska and to Seattle. Three operators provide scheduled barge freight service to Seward. Seward also has sufficient uplands space, skilled maritime maintenance workers, and vocational training (through AVTEC) in the community. AVTEC provides training for all of the licenses that are needed for maritime maintenance and operations.

We anticipate CDQ groups would require a drive-on dock, work areas, warehousing and office space, and living areas. If located in Seward, the CDQ facility could be located adjacent to the existing infrastructure in the Seward Marine Industrial Center (SMIC), resulting in higher utilization of the SMIC facilities and benefiting from existing infrastructure and services located at SMIC. Additional upland space would be needed for companies providing support service to the vessels. The number of vessels is uncertain at present, but is expected to grow over time due to the requirement that CDQ groups invest at least 80 percent of their income into the fishing industry. The potential Alaska ports should have sufficient land and water areas to accommodate more than one hundred vessels in the future.

The economic benefits of homeporting the CDQ fleet in Alaska would primarily be driven by spending on vessel maintenance work and other goods and services in Alaska, rather than in the Puget Sound region, and the large number of jobs available on the vessels and the support industries. It would allow Alaska businesses to compete with providers in Seattle and elsewhere in the Puget Sound region. Annual operations and maintenance expenditures of the larger CDQ vessels can reach hundreds of thousands of dollars and involve a variety of specialty services. We will use 2010 expenditure data from several CDQ groups to evaluate the amount of money spent by these fleets on each type of service. This information will be used to extrapolate the needs of the entire CDQ fleet if it were to homeport in Alaska. Using annual expenditure data, we will evaluate the economic impact on the state and local governments for the port that best fits the homeport criteria identified by the CDQ groups using IMPLAN input-output modeling software.

In addition to the economic benefits to the state and region, the state and local governments could also see increased corporate income taxes, sales taxes, real and personal property taxes, and moorage revenues as a result of the additional economic activity. Some CDQ groups may prefer to lease uplands and dock space for longer periods of time and recommendations for a preferential use agreement will be included as well as potential lease revenues. The cost of providing some public services could also increase, with the biggest cost perhaps being due to an increased presence of port and harbor staff at a facility. Our study will look at the tax systems in place in the local government(s) where the port is located and estimate the fiscal effects of additional revenues and expenses associated with activity at a new facility.

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From the perspective of CDQ groups, homeporting vessels in Alaska could provide substantial cost and time savings from not having to move the vessels to and from their fishing grounds and the Puget Sound region. In addition, CDQ groups could save millions in airfare costs by dramatically reducing travel between Seattle and Alaska for vessel crews and management. Puget Sound's support industry benefits from efficiencies of scale, however, so the cost of goods and services at a new facility in Alaska would likely be higher. The cost premium would shrink as more vessels homeport in Alaska, though some goods and services will likely only be available in Puget Sound. We will conduct a benefit-cost analysis from the perspective of the CDQ groups to evaluate their interest in the facility.

At present, many of the services used by CDQ groups in the Puget Sound region are not available in Alaska or are of insufficient size to serve the number of vessels that could homeport in-state. A fourth major component of our study will be an industry cluster study that looks at the types of services used by the fishing industry. Ballard's waterfront is a good example of the range of services offered in close proximity to haul out and work facilities. An initial challenge in attracting businesses to serve vessels will be the seasonality and operational capacity of a facility, since the work done on the CDQ vessels would occur at limited times during the year, during the off-season. Use of these services by other fishing vessels may help to alleviate the seasonality, since the shipyard does operate year-round. Other types of vessels, such as research, nonprofit, or private vessels, may also have an interest in using or relocating to the facility.

Northern Economics has done a number of studies in Seward that will help to inform its work on this study. Recently, Northern Economics completed a planning study for future investment in SMIC for the City of Seward, and was part of the PND Engineers team in developing a TIGER grant application for SMIC improvements. Northern Economics also conducted some of the original studies for the SMIC and the synchrolift in the 1980s and early 1990s.

The economic analysis for the CDQ Homeporting study will cost $85,000 to complete. Assuming a start date in early July 2011, we can submit a draft report on December 1, 2011.