

HB

9

(FILE 1)

<TARGET><BILL>HB 9</BILL><SUBJECT>HB 9 (FILE
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18.56.08* → 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 - ANCSA
 42.04 - RCA
 42.05 - AK Public Utilities Regulation Act
 42.06 - Pipeline Act
 42.08 - IN-STATE PIPELINE CONTRACT COMPACT
 * 43.56 - OIL & GAS PROPERTY TAXES
 Amended: 3/27/12
 Offered: 3/23/12

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

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

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

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

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

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

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

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

18 (3) it is the policy of the state to make the state's share of royalty natural gas
19 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
20 Development Corporation;

21 (4) to the maximum extent permitted by law, in developing a natural gas
22 pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products,
23 and natural resources from qualified businesses located in the state, including organizations
24 owned by Alaska Natives and municipal organizations directly affected by the project, if
25 those persons are competitive; and

26 (5) the Alaska Gasline Development Corporation shall, to the maximum
27 extent permitted by law,

28 (A) hire qualified residents from throughout the state for management,

1 engineering, construction, operations, maintenance, and other positions for a natural
2 gas pipeline project;

3 (B) establish hiring facilities in the state or use existing hiring facilities
4 in the state; and

5 (C) use, as far as practicable, the job centers and associated services
6 operated by the Department of Labor and Workforce Development and an Internet-
7 based labor exchange system operated by the state.

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

9 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
10 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
11 have all powers granted to it by the corporation. The Alaska Gasline Development
12 Corporation shall, to the fullest extent possible,

13 ~~(1) advance an in-state natural gas pipeline as described in the July 1,
14 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development
15 Corporation and the Joint In-State Gasline Development Team, with modifications
16 determined by the Alaska Gasline Development Corporation to be necessary to
17 construct and operate an in-state natural gas pipeline in a safe and economic manner;~~

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

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

26 (4) endeavor to develop natural gas pipelines to provide shippers
27 access to natural gas produced in the state for transport at commercially reasonable
28 rates.

29 (b) In addition to the powers granted to it by the corporation, the Alaska
30 Gasline Development Corporation may

31 ~~(1) determine the form of ownership and the operating structure of an~~

1 in-state natural gas pipeline developed by the Alaska Gasline Development
2 Corporation and may enter into agreements with other persons for joint ownership or
3 operation or both of the in-state natural gas pipeline;

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

9 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
10 property, an interest in property, a right-of-way, a franchise, an easement, other
11 interest in land, or an interest in or right to capacity in any pipeline system determined
12 to be necessary or convenient for the development, financing, construction, or
13 operation of an in-state natural gas pipeline project or part of an in-state natural gas
14 pipeline project;

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

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

20 (c) Upon commencement of construction of an in-state natural gas pipeline,
21 the Alaska Gasline Development Corporation shall analyze additional natural gas
22 pipelines connecting to industrial, residential, or utility customers in other regions of
23 the state. If the Alaska Gasline Development Corporation finds that a natural gas
24 pipeline analyzed under this subsection is in the best interest of the state and can meet
25 the needs of industrial, residential, or utility customers at commercially reasonable
26 rates, the Alaska Gasline Development Corporation shall finance, construct, or operate
27 the natural gas pipeline as necessary, subject to appropriation. When developing or
28 constructing an additional natural gas pipeline, the Alaska Gasline Development
29 Corporation shall, to the maximum extent feasible, use existing land, structures, real or
30 personal property, rights-of-way, easements, or other interests in land acquired by the
31 Alaska Gasline Development Corporation or the Alaska Natural Gas Development

1 Authority.

2 (d) The Alaska Gasline Development Corporation may issue bonds and notes
3 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
4 The provisions of AS 18.56.110(a) - (f) and 18.56.115 - 18.56.190 apply to the Alaska
5 Gasline Development Corporation in the exercise of its powers under this subsection,
6 except that, in AS 18.56.110 - 18.56.190, as applicable under this subsection, the term
7 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
8 Gasline Development Corporation may issue bonds and notes and otherwise incur
9 indebtedness under this subsection without limit as to principal amount. The bonds,
10 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
11 create an obligation or liability of the corporation except to the extent that the
12 corporation agrees in writing to accept the obligation or liability.

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

30 (f) In the exercise of its powers under (d) and (e) of this section, the Alaska
31 Gasline Development Corporation may not pledge the faith and credit of the state or a

1 political subdivision of the state other than the Alaska Gasline Development
 2 Corporation to the repayment of the principal of or interest on any bonds issued by the
 3 Alaska Gasline Development Corporation.

4 *Any money*
 5 *appropriated*
 6 *to*
 7 *the fund*
 (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"

1 have the meanings given in AS 38.34.099.

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

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

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

6 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
7 GASLINE DEVELOPMENT TEAM] may have access to information of all state
8 agencies that is directly related to the planning, design, construction, or operation of
9 the in-state natural gas pipeline. If a state agency finds that the information to be
10 transferred under this subsection is confidential, the state agency may require the
11 Alaska Gasline Development Corporation to enter into a confidentiality
12 agreement under (e) of this section before the transfer of that information, or, if
13 the state agency determines that a law or provision of a contract to which the
14 state agency is a party requires the state agency to preserve the confidentiality of
15 the information and that delivering the information to the Alaska Gasline
16 Development Corporation would violate the confidentiality provision of that law
17 or contract, the state agency shall identify the applicable law or contract
18 provision to the Alaska Gasline Development Corporation and may require the
19 Alaska Gasline Development Corporation to obtain the consent of the person
20 who has the right to waive the confidentiality of the information under the
21 applicable law or contract provision before the state agency transfers the
22 information to the Alaska Gasline Development Corporation.

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

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

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

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

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

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

9 (3) the corporation that submits the application for the right-of-way
 10 lease agrees to be bound by the right-of-way lease covenants set out in AS 38.35.120,
 11 except for the covenants in AS 38.35.120(a)(1), (2), and (5); notwithstanding AS
 12 38.35.120(b), a right-of-way lease subject to this paragraph is valid and of legal
 13 effect.

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

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

27 (f) Information relating to field studies conducted and other technical
 28 information developed or obtained by the Alaska Gasline Development Corporation
 29 that relates to the development, financing, construction, or operation of an in-state
 30 natural gas pipeline project by the Alaska Gasline Development Corporation is
 31 confidential and not subject to disclosure under AS 40.25.110. The Alaska Gasline

1 Development Corporation may waive the confidentiality of the information described
2 in this subsection, except for information acquired from another person that is subject
3 to a confidentiality agreement, if the waiver is in the best interest of the state and will
4 facilitate the development, financing, or construction of an in-state natural gas
5 pipeline.

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

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

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

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

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

25 (1) "Alaska Gasline Development Corporation" means the corporation
26 created under AS 18.56.086 that is authorized to exercise the powers and take the
27 actions described in AS 18.56.087; ^{pipeline" means a}

28 (2) "in-state natural gas ^{market(?)} pipeline" means a natural gas pipeline for
29 transporting natural gas in the state; ^{To market(?)}

30 (3) "natural gas pipeline" means all the facilities of a total system of
31 pipe for transportation of natural gas for treatment or conditioning, delivery, storage,

1 or further transportation, and including all pipe, pump and compressor stations, station
 2 equipment, and all other facilities used or necessary for an integral line of pipe to carry
 3 out the transportation of the gas.

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

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

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

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

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

1 itself, as against another but will take the crude oil or natural gas, depending on the
2 kind of pipeline involved, delivered or offered, without unreasonable discrimination,
3 that the Regulatory Commission of Alaska shall, after a full hearing with due notice to
4 the interested parties and a proper finding of facts, determine to be reasonable in the
5 performance of its duties as a common carrier; however, a lessee that owns or operates
6 a natural gas pipeline

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

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

30 (2) it will interchange crude oil or natural gas, depending on the kind
31 of pipeline involved, with each like common carrier and provide connections and

1 facilities for the interchange of crude oil or natural gas at every locality reached by
2 both pipelines when the necessity exists, subject to rates and regulations made by the
3 appropriate state or federal regulatory agency;

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

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

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

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

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

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

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

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

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

29 (9) it will not transfer, assign, or dispose of in any manner, directly or
30 indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-
31 way lease, or any rights under the lease or any pipeline subject to the lease to any

1 person other than another owner of the pipeline (including subsidiaries, parents, and
2 affiliates of the owners), except to the extent that the commissioner, after
3 consideration of the protection of the public interest (including whether the proposed
4 transferee is fit, willing, and able to perform the transportation or other acts proposed
5 in a manner that will reasonably protect the lives, property, and general welfare of the
6 people of Alaska), authorizes; the commissioner shall not unreasonably withhold
7 consent to the transfer, assignment, or disposal;

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

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

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

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

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

1 or operation of the pipeline.

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

3 (b) **Except as provided in AS 38.34.050(c), for** [FOR] a right-of-way lease
4 granted under this chapter for an oil or natural gas pipeline valued at \$1,000,000 or
5 more to be valid and of legal effect, it must contain the terms required to be inserted
6 under the provisions of AS 38.35.110 - 38.35.140. **Except as provided in AS**
7 **38.34.050(c), an** [AN] oil or natural gas pipeline right-of-way lease granted under this
8 chapter that does not contain the required terms is null and void and without legal
9 effect and does not vest any interest in state land or any authority in the carrier granted
10 the lease.

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

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

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

16 (c) Except as provided for an applicant under (a) of this section,
17 notwithstanding any contrary provision of law, an action or decision of the
18 commissioner or other state officer or agency concerning the issuance or approval of a
19 necessary right-of-way, permit, lease, certificate, license, or other authorization for the
20 development, construction, or initial operation of a natural gas pipeline by the Alaska
21 Gasline Development Corporation, a subsidiary created by the Alaska Housing
22 Finance Corporation under AS 18.56.086, that uses a right-of-way subject to this
23 chapter may not be subject to judicial review, except that a claim alleging the
24 invalidity of this subsection must be brought within 60 days after the effective date of
25 this Act, and a claim alleging that an action will deny rights under the Constitution of
26 the State of Alaska must be brought within 60 days following the date of that action. A
27 claim that is not filed within the limitations established in this subsection is barred. A
28 complaint under this subsection must be filed in superior court, and the superior court
29 has exclusive jurisdiction. Notwithstanding AS 22.10.020(c), except in conjunction
30 with a final judgment on a claim filed under this subsection, the superior court may
31 not grant injunctive relief, including a temporary restraining order, preliminary

1 injunction, permanent injunction, or stay against the issuance of a necessary right-of-
 2 way, permit, lease, certificate, license, or other authorization for the development,
 3 construction, or initial operation of a natural gas pipeline by the Alaska Gasline
 4 Development Corporation, a subsidiary created by the Alaska Housing Finance
 5 Corporation under AS 18.56.086. In this subsection, "natural gas pipeline" has the
 6 meaning given in AS 38.34.099.

7 (d) An appeal of a permitting decision or authorization by the Department of
 8 Environmental Conservation under AS 46.03 or AS 46.14 that is made under a
 9 program approved or delegated by the United States Environmental Protection Agency
 10 is not

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

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

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

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

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

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

20 (3) medical and related public health records;

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

23 (5) to the extent the records are required to be kept confidential under
 24 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
 25 or retain federal assistance;

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

28 (A) could reasonably be expected to interfere with enforcement
 29 proceedings;

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

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

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

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

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

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

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

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

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

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

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

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

30 (C) could reasonably be expected to endanger the life or
31 physical safety of an individual or to present a real and substantial risk to the

1 public health and welfare;

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

6 (12) records that are

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

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

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

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

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

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

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

22 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
23 SYSTEM;

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

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

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

30 (d) The acquisition of natural gas from the North Slope and other regions of
31 the state, including the Alaska outer continental shelf, and **making that natural gas**

1 available to [ITS DELIVERY TO MARKETS IN THE STATE FOR USE BY]
 2 markets in the state or for export from the state [TO TIDEWATER FOR
 3 SHIPMENT TO MARKET BY THE AUTHORITY] are essential government
 4 functions of the state.

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

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

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

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

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

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

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

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

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

30 (b) If a member of the board or an employee of the authority acquires, owns,
 31 or controls an interest, direct or indirect, in an entity [OR PROJECT] in which assets

1 of the authority are invested, the member shall immediately disclose the interest to the
 2 board. The disclosure is a matter of public record and shall be included in the minutes
 3 of the first board meeting following the disclosure.

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

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

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

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

- 15 (1) sue and be sued;
- 16 (2) adopt a seal;
- 17 (3) adopt, amend, and repeal bylaws and regulations;
- 18 (4) make and execute contracts and other instruments;
- 19 (5) in its own name acquire property, lease, rent, convey, or acquire
 20 real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE
 21 MAY BE ACQUIRED BY EMINENT DOMAIN];
- 22 (6) acquire natural gas supplies;
- 23 (7) issue bonds and otherwise incur indebtedness in accordance with
 24 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;
- 25 (8) accept gifts, grants, or loans from and enter into contracts or other
 26 transactions regarding gifts, grants, or loans with a federal agency or an agency or
 27 instrumentality of the state, a municipality, private organization, or other source;
- 28 (9) enter into contracts or agreements with a federal agency, agency or
 29 instrumentality of the state, municipality, or public or private individual or entity, with
 30 respect to the exercise of its powers;
- 31 (10) charge fees or other forms of remuneration for the use of authority

1 properties and facilities;

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

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

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

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

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

12 (a) Except as provided in AS 42.05.171 or AS 42.06.140, when a matter
13 comes for decision before the commission under AS 42.05, [OR] AS 42.06, or AS
14 42.08, the chair shall appoint a hearing panel composed of three or more members to
15 hear, or if a hearing is not required, to otherwise consider, and decide the case. The
16 panel shall exercise the powers of the commission with respect to the matter.

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

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

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

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

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

1 reasonable. The commission shall either approve the contract as presented or, if the
 2 commission finds that a contract is unjust or unreasonable, disapprove the contract. If
 3 the commission has not acted within 180 days after the contract is submitted, the
 4 contract shall be considered approved and shall take effect immediately. A contract
 5 that is approved or considered approved under this section is not subject to further
 6 review by the commission. The commission may, by order, extend the 180-day review
 7 period by the duration of any delay caused by a failure of the public utility to submit
 8 supplemental information that is available to the public utility.

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

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

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

13 **Sec. 42.06.601. Exemption.** An in-state natural gas pipeline subject to AS
 14 42.08 and an in-state natural gas pipeline carrier subject to AS 42.08 are exempt from
 15 this chapter.

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

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

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

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

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

24 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
 25 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
 26 subsidiary created under AS 18.56.086 and authorized to exercise the powers and take
 27 the actions described in AS 18.56.087, is financially fit, willing, and able to take the
 28 actions, properly to perform the service, and to conform to the requirements of this
 29 chapter.

30 (b) The board of directors and the officers of the Alaska Gasline Development
 31 Corporation are managerially fit, willing, and able to manage the Alaska Gasline

1 Development Corporation and to take the actions, properly to perform the service, and
2 to conform to the requirements of this chapter.

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

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

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

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

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

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

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

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

26 (b) The commission may

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

28
29 (2) investigate, on complaint or its own motion, disputes related to
30 rules, regulations, services, practices, and facilities

31 (A) that are not subject to the dispute resolution provisions in

1 an in-state natural gas pipeline carrier's contracts or tariffs;

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

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

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

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

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

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

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

26 (c) The commission may not

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

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

31 **Sec. 42.08.230. Commission decision-making procedures.** The commission

1 shall comply with AS 42.04.080(a) and expeditiously adjudicate all matters that come
2 before the commission.

3 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**

4 All reports, orders, decisions, and regulations of the commission shall be in writing.
5 The commission shall notify all affected operators of in-state natural gas pipeline
6 facilities and interested parties of reports, orders, decisions, and regulations as they are
7 issued and adopted, and, when appropriate, publish them in a manner that will
8 reasonably inform the public or the affected consumers of the services of an in-state
9 natural gas pipeline facility. The commission may set charges for costs of printing or
10 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
11 publication requirement, as it pertains to regulations, does not supersede the
12 requirements of AS 44.62 (Administrative Procedure Act).

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

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

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

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

27 **Sec. 42.08.300. Review of certain contracts by the commission.** (a) The
28 Alaska Gasline Development Corporation or its successors or assigns shall submit
29 each of its precedent agreements for firm transportation service to the commission. A
30 precedent agreement negotiated with an entity that is not a public utility may be filed
31 under seal. Under AS 42.08.400, the commission shall keep confidential a precedent

1 agreement filed under seal. Submission of precedent agreements to the commission is
2 permissible before construction of an in-state natural gas pipeline and before a request
3 for certification under this chapter.

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

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

10 (2) review and may conduct an investigation and hearing to determine
11 whether a contract submitted under (a) of this section is just and reasonable; the
12 commission shall either approve the contract as presented or, if the commission finds
13 that a contract is unjust or unreasonable, disapprove the contract; if the commission
14 has not acted within 180 days after the submission of a contract, the contract shall be
15 considered approved and shall take effect immediately; a contract that is approved or
16 considered approved under this paragraph is not subject to further review by the
17 commission.

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

22 **Sec. 42.08.310. Contract carriage certificate.** (a) The owner of an in-state
23 natural gas pipeline subject to this chapter may not engage in the transportation of
24 natural gas or undertake the construction of a natural gas pipeline facility for that
25 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
26 certificate of public convenience and necessity by the commission authorizing contract
27 carriage is in force with respect to that owner. A certificate shall describe the nature
28 and extent of the authority granted, including, as appropriate for the services involved,
29 a description of the authorized area and scope of operation for the in-state natural gas
30 pipeline facility.

31 (b) Application for a certificate shall be made in writing to the commission

1 and verified under oath. The commission by regulation shall establish the
2 requirements for the form of the application and the information to be contained in the
3 application. Notice of the application shall be provided to interested parties in the
4 manner provided by regulation.

5 (c) Within 180 days after receiving an application under this chapter, a
6 contract carriage certificate shall be issued to a qualified applicant, authorizing the
7 whole or any part of the operation, service, construction, or acquisition covered by the
8 application, if the commission finds that the applicant is fit, willing, and able properly
9 to do the acts, perform the service proposed, and conform to the provisions of this
10 chapter and the requirements of the commission, and that the proposed service,
11 operation, construction, extension, or acquisition, to the extent authorized by the
12 certificate, is or will be required by the present or future public convenience and
13 necessity. Otherwise, the application shall be denied.

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

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

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

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

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

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

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

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

10 **Sec. 42.08.320. Tariffs, contracts, filing, and public inspection.** (a) An in-
11 state natural gas pipeline carrier shall file with the commission all rules, regulations,
12 terms, and conditions pertaining to service provided under the certificate, and copies
13 of all contracts with shippers that in any way affect or relate to the carrier's rates,
14 tariffs, charges, classifications, rules, regulations, terms, and conditions to service
15 provided under the certificate. The in-state natural gas pipeline carrier shall maintain
16 copies on file at its principal business office and at places designated by the
17 commission and make the copies available to, and subject to inspection by, the general
18 public on demand. Rules, regulations, terms, and conditions not included in the tariff
19 of an in-state natural gas pipeline carrier shall be included in the contract with each
20 shipper.

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

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

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

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

12 (b) The commission shall by regulation establish a method to determine
13 annually the amount of the regulatory cost charge. If the amount the commission
14 expects to collect under (a) of this section, AS 42.05.254(a), and AS 42.06.286(a)
15 exceeds the authorized budgets of the commission and the Department of Law public
16 advocacy function under AS 42.04.070(c) and AS 44.23.020(e), the commission shall,
17 by order, reduce the percentage determined under (e) of this section so that the total
18 amount of the fees collected approximately equals the authorized budgets of the
19 commission and the Department of Law public advocacy function under AS
20 42.04.070(c) and AS 44.23.020(e) for the fiscal year.

21 (c) The commission shall administer the charge imposed under this section.
22 The Department of Revenue shall collect and enforce the charge imposed under this
23 section. The Department of Administration shall identify the amount of the operating
24 budgets of the commission and the Department of Law public advocacy function
25 under AS 42.04.070(c) and AS 44.23.020(e) that lapse into the general fund each year.
26 The legislature may appropriate an amount equal to the lapsed amount to the
27 commission and to the Department of Law public advocacy function under AS
28 42.04.070(c) and AS 44.23.020(e) for operating costs for the next fiscal year. If the
29 legislature does so, the commission shall reduce the total regulatory cost charge
30 collected for that fiscal year by a comparable amount.

31 (d) The commission may adopt regulations under AS 44.62 (Administrative

1 Procedure Act) necessary to administer this section, including requirements and
 2 procedures for reporting information and making quarterly payments. The Department
 3 of Revenue may adopt regulations under AS 44.62 (Administrative Procedure Act) for
 4 investigating the accuracy of filed information and for collecting required payments.

5 (e) The commission shall by regulation establish a method to determine
 6 annually the maximum percentage of gross revenue that will apply to each regulated
 7 public utility sector, the maximum percentage of gross revenue that will apply to the
 8 regulated pipeline carrier sector under AS 42.06, and the maximum percentage of
 9 gross revenue that will apply to pipelines regulated under this chapter in accordance
 10 with AS 42.05.254(h).

11 **Sec. 42.08.350. Nothing to alter the calculation of taxes and royalty.**

12 Nothing in this chapter shall alter the calculation of production taxes under AS
 13 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under AS
 14 38.05.180.

15 **Article 4. Records; Investigations.**

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

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

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

25 (d) A person may make written objection to the public disclosure of
 26 information contained in a record filed under this chapter or of information obtained
 27 by the commission or by the attorney general under this chapter, stating the grounds
 28 for the objection. When an objection is made, the commission shall order the
 29 information withheld from public disclosure if the information adversely affects the
 30 interest of the person making written objection and disclosure is not required in the
 31 interest of the public.

1 (e) A commissioner may certify as to all official records of the commission
2 under this section and may certify as to all official acts of the commission under this
3 chapter.

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

12 **Article 5. General Provisions.**

13 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
14 carrier shall file with the commission a written appointment of a named permanent
15 resident, which may be a corporation, of this state as its registered agent in this state
16 upon whom service of all notices, regulations, and requests of the commission may be
17 made. The appointment shall specify the address in this state of the appointed agent.
18 The address may be changed from time to time by filing a new address in the state
19 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
20 registered agent, service of notices, regulations, and requests may be made by posting
21 a copy in the main office of the commission and filing a copy in the office of the
22 lieutenant governor.

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

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

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

1 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
 2 from orders of the commission and applications for enforcement of orders of the
 3 commission may be joined. The court may, in the interests of justice, separate the
 4 actions.

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

6 (1) "commission" means the Regulatory Commission of Alaska (AS
 7 42.04.010);

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

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

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

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

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

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

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

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

29 (d) Taxable property of a natural gas pipeline project owned or financed by
 30 the Alaska Gasline Development Corporation established under AS 18.56.086, or a
 31 joint venture, partnership, or other entity that includes the Alaska Gasline

1 Development Corporation, is exempt from state taxes levied or authorized under AS
 2 43.56.010(a) and local taxes levied or authorized under AS 43.56.010(b) before the
 3 commencement of commercial operations of that natural gas pipeline project. In this
 4 subsection, "commencement of commercial operations" means the first flow of natural
 5 gas in the project that generates revenue to the owners of the natural gas pipeline
 6 project. *IN STATE GAS LINE ANGLA*

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

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

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

12 **TRANSITION AND LEGISLATIVE INTENT.** It is the intent of the legislature that a
 13 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 6 of this Act, AS
 14 38.35.100(d), as amended by sec. 9 of this Act, AS 38.35.120(a), as amended by sec. 10 of
 15 this Act, and AS 38.35.120(b), as amended by sec. 11 of this Act, that is entered into between
 16 the commissioner of natural resources and the Alaska Gasline Development Corporation, a
 17 subsidiary of the Alaska Housing Finance Corporation created under AS 18.56.086, before the
 18 effective dates of secs. 6 and 9 - 11 of this Act be amended as soon as practicable after the
 19 effective dates of secs. 6 and 9 - 11 of this Act to conform to the requirements of AS
 20 38.34.050(c), as amended by sec. 6 of this Act, AS 38.35.100(d), as amended by sec. 9 of this
 21 Act, AS 38.35.120(a), as amended by sec. 10 of this Act, and AS 38.35.120(b), as amended
 22 by sec. 11 of this Act.

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

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

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

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

30 * **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.”

Alaska State Legislature

State Capitol, Room 208
Juneau, Alaska 99801-1182
Phone: 907-465-3779
Fax: 907-465-2833
Toll Free: 800-469-3779



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

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.

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

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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.

HB 215
MODIFIED
AFTER TAB

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? *AGDA 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.

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 9(FIN)

BY REPRESENTATIVE GARA

1 Page 4, following line 8:

2 Insert new subsections to read:

3 "(b) Notwithstanding the powers granted to the Alaska Gasline Development
4 Corporation by (a) of this section and granted by the Alaska Housing Finance
5 Corporation, the Alaska Gasline Development Corporation may not spend more than
6 \$200,000,000 after May 31, 2012, without further legislative authorization if the
7 Alaska Gasline Development Corporation determines, after a full and objective study,
8 that one or more of the following options provide a greater benefit to the state than an
9 in-state natural gas pipeline constructed by the Alaska Gasline Development
10 Corporation:

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

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

22 (3) continuing to develop a natural gas pipeline capable of transporting
23 not less than 3,000,000,000 cubic feet of gas a day if the Alaska Gasline Development

1 Corporation finds that the development of the larger capacity pipeline would deliver
2 cheaper natural gas to markets in the state and provide the state with greater revenue
3 when compared to an in-state natural gas pipeline developed and constructed by the
4 Alaska Gasline Development Corporation;

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

10 (c) During development of the in-state natural gas pipeline and before the start
11 of construction of an in-state natural gas pipeline, the Alaska Gasline Development
12 Corporation shall determine whether a natural gas pipeline capable of delivering
13 3,000,000,000 cubic feet of natural gas a day or more from the North Slope to market
14 is a viable project. If the Alaska Gasline Development Corporation determines that a
15 natural gas pipeline capable of delivering 3,000,000,000 cubic feet of natural gas a day
16 or more from the North Slope to market remains a viable project and there is an
17 adequate supply of marketable natural gas in Cook Inlet to meet natural gas demand in
18 the Railbelt, the Alaska Gasline Development Corporation shall research and consider
19 whether a small-diameter natural gas pipeline from Cook Inlet to the Fairbanks area
20 could be built to deliver natural gas at a reasonably economic cost. If the Alaska
21 Gasline Development Corporation finds that a small-diameter natural gas pipeline
22 from Cook Inlet to the Fairbanks area could be built to deliver natural gas at a
23 reasonably economic cost under the circumstances described in this subsection, the
24 Alaska Gasline Development Corporation shall begin development of a small-
25 diameter natural gas pipeline from Cook Inlet to the Fairbanks area and stop further
26 development of a small-diameter natural gas pipeline capable of transporting not more
27 than 500,000 cubic feet of natural gas a day from the North Slope to delivery points
28 south of 68 degrees North latitude."

29
30 Reletter the following subsections accordingly.
31

- 1 Page 5, line 19:
- 2 Delete "(c) and (d)"
- 3 Insert "(e) and (f)"

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 9(FIN)

BY REPRESENTATIVE GARA

1 Page 1, line 1, through page 2, line 8:

2 Delete all material and insert:

3 **""An Act providing a credit against the corporation income tax or the oil and gas**
4 **production tax for losses incurred in the sale of natural gas shipped through a natural**
5 **gas pipeline; and relating to the delivery of natural gas to communities not directly**
6 **served by a natural gas pipeline; and providing for an effective date.""**

7

8 Page 2, line 10, through page 32, line 14:

9 Delete all material and insert:

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

12 **SHORT TITLE.** This Act may be known as the Alaska Low-Cost Natural Gas
13 Incentive Act.

14 *** Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

15 **Sec. 43.20.047. Tax credit for certain losses on the sale of natural gas.** (a) A
16 taxpayer that produces natural gas in the state north of 68 degrees North latitude and
17 delivers that natural gas to a pipeline described in (b) of this section may apply to the
18 department for a credit against the tax due under this chapter for a loss on the sale of
19 natural gas as provided in this section, except that a taxpayer applying for a credit
20 under AS 43.55.026 may not apply for the credit in this section.

21 (b) The natural gas pipeline to which a producer delivers natural gas eligible
22 for the credit in this section must transport natural gas from the North Slope to market
23 and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a

1 day during the year for which the loss is claimed. The natural gas pipeline must
 2 terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska
 3 Gasline Inducement Act) unless the commissioner of natural resources finds that a
 4 natural gas pipeline from the North Slope to the Port of Valdez is not economically
 5 viable, in which case the natural gas pipeline must be the natural gas pipeline project
 6 licensed under AS 43.90 (Alaska Gasline Inducement Act).

7 (c) The loss eligible for the credit under this section is equal to the amount by
 8 which the total production tax value of natural gas produced by the taxpayer during
 9 the calendar year is less than zero.

10 (d) The department may not authorize a total of more than \$400,000,000 in
 11 credits under this section and AS 43.55.026 in a calendar year. If the total amount of
 12 credits for all persons under this section and AS 43.55.026 is more than \$400,000,000
 13 for a calendar year, the department shall prorate the amount of the credit authorized
 14 for each applicant based on the production tax value of the natural gas delivered to the
 15 pipeline.

16 (e) An unused credit received under this section may be used for a later
 17 calendar year.

18 (f) The department shall adopt regulations necessary to implement and
 19 administer the credit authorized by this section.

20 (g) In this section, "production tax value" means the value, as determined
 21 under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this
 22 section.

23 * **Sec. 3.** AS 43.20 is amended by adding a new section to read:

24 **Sec. 43.55.026. Tax credit for certain losses on the sale of natural gas.** (a) A
 25 producer that produces natural gas in the state north of 68 degrees North latitude and
 26 delivers that natural gas to a pipeline described in (b) of this section may apply to the
 27 department for a credit against the tax due under AS 43.55.011(e) for a loss on the sale
 28 of natural gas as provided in this section, except that a taxpayer that applies for a
 29 credit under AS 43.20.047 may not apply for the credit in this section.

30 (b) The natural gas pipeline to which a producer delivers natural gas eligible
 31 for the credit in this section must transport natural gas from the North Slope to market

1 and have an average throughput of 3,000,000,000 cubic feet or more of natural gas a
 2 day during the year for which the loss is claimed. The natural gas pipeline must
 3 terminate at the Port of Valdez consistent with the provisions of AS 43.90 (Alaska
 4 Gasline Inducement Act) unless the commissioner of natural resources finds that a
 5 natural gas pipeline from the North Slope to the Port of Valdez is not economically
 6 viable, in which case the natural gas pipeline must be the natural gas pipeline project
 7 licensed under AS 43.90 (Alaska Gasline Inducement Act).

8 (c) The loss eligible for the credit under this section is equal to the amount by
 9 which the total production tax value of natural gas produced by the taxpayer during
 10 the calendar year is less than zero.

11 (d) The department may not authorize a total of more than \$400,000,000 in
 12 credits under this section and AS 43.20.047 in a calendar year. If the total amount of
 13 credits for all persons under this section and AS 43.20.047 is more than \$400,000,000
 14 for a calendar year, the department shall prorate the amount of the credit authorized
 15 for each applicant based on the production tax value of the natural gas delivered to the
 16 pipeline.

17 (e) An unused credit received under this section may be used for a later
 18 calendar year.

19 (f) The department shall adopt regulations necessary to implement and
 20 administer the credit authorized by this section.

21 (g) In this section, "production tax value" means the value, as determined
 22 under AS 43.55.160, of the natural gas delivered to a pipeline described in (b) of this
 23 section.

24 * **Sec. 4.** AS 44.37.020 is amended by adding a new subsection to read:

25 (c) The Department of Natural Resources shall work with communities not
 26 directly served by a natural gas pipeline to deliver natural gas to those communities to
 27 the extent that delivery of the gas is economically feasible.

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

30 CONTINGENT EFFECT; NOTIFICATION. (a) Sections 1 - 3 of this Act take effect
 31 only if the commissioner of natural resources makes a written finding that

1 (1) a natural gas pipeline described in AS 43.20.047(b), enacted by sec. 2 of
2 this Act, and AS 43.55.026(b), enacted by sec. 3 of this Act, is capable of delivering natural
3 gas to consumers in Fairbanks and Anchorage at a savings of 40 percent or more compared to
4 the cost of natural gas without the construction of the natural gas pipeline; and

5 (2) without the credits authorized by AS 43.20.047, enacted by sec. 2 of this
6 Act, and AS 43.55.026, enacted by sec. 3 of this Act, a natural gas pipeline with a throughput
7 of 3,000,000,000 cubic feet or more will not be built.

8 (b) If the commissioner of natural resources makes the written determination
9 described in (a) of this section, the commissioner of natural resources shall notify the revisor
10 of statutes, the commissioner of revenue, and the lieutenant governor of the date the written
11 determination was issued.

12 * **Sec. 6.** If secs. 1 - 3 of this Act take effect, they take effect the day after the commissioner
13 of natural resources makes the written determination described in sec. 5(a) of this Act."



LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

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 country. 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_PR5_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 3 and 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).



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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

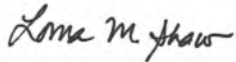
SILVER

ACS
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Alaska Railroad
Alaska USA
AT&T
Dr. Christopher Henry – Henry Orthodontics
Everts Air Cargo, Everts Air AK
Exclusive Paving/Univ. Redi-Mix
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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

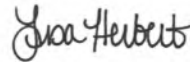
In addition to the above recommendations, the Chamber continues to support forward movement on the Susitna/Watana Dam project and the re-start of the Healy Clean Coal Plant (HCCP). Specifically, the hydroelectric energy project is a valuable investment for the state to ensure stable electric rates for 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

3/22/2011



Alaska Stand Alone Gas Pipeline/*ASAP*

March 23, 2011

Tel. 907-277-4488 | Fax. 907-277-4484 | www.gasline.us.com

House Bill 369: Project Plan

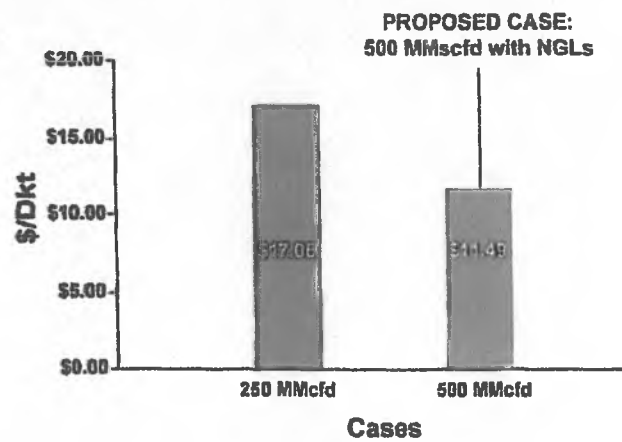
- Establishes AGDC mission
- Requires project plan for in-state natural gas pipeline
- Project plan for:
 - Design
 - Financing
 - Construction
 - Operation by December 31, 2016
- July 1, 2011 deadline

Alaska Gasline Development Corporation | www.gasline.us.com

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 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.

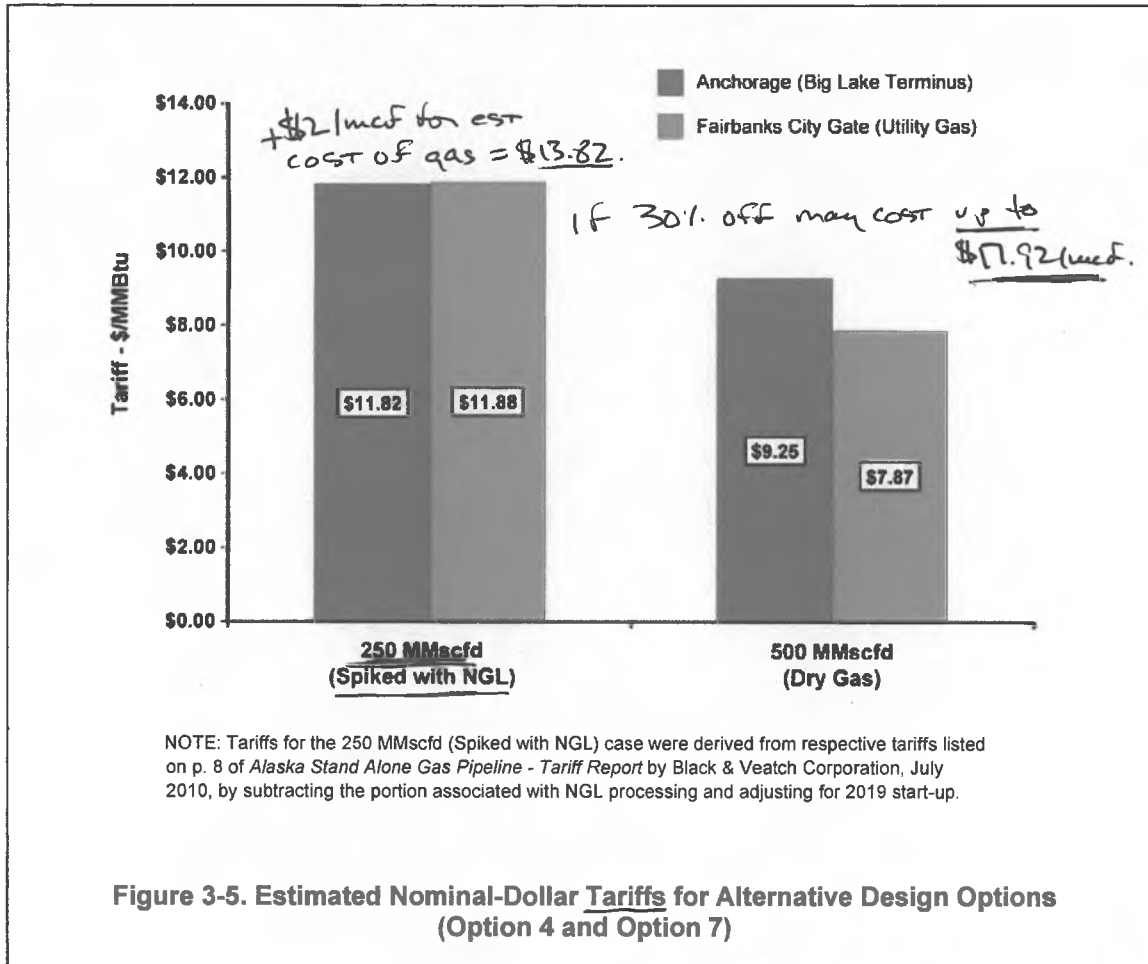
AGDC FINDINGS

- 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



3.1.4 Lowest-Cost Alternative to ASAP Gas

3.1.4.1 Imported LNG Alternative

* Plus possible cost of rebuild/expansion of Nikiska LNG plant

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 AGDC²² 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	<u>\$13.15</u>
- 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

[\[cid:image001.jpg@01CD08F8.C9D36B40\]<http://www.gasline.us.com/>](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

Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

*Prepared for:
Alaska Gasline Port Authority*



Research-Based Consulting

Juneau
Anchorage

January 2012

7

	All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
<p>Approximate Current AK Consumer Costs</p>	<p>Anchorage - \$8.85/MMBtu (natural gas)</p> <p>Fairbanks - \$23.35/MMBtu (natural gas)</p> <p>Source: ASAP Project Plan. July 2011.</p> <p>Bethel - \$40/MMBtu (diesel)</p>		
<p>Predicted Energy Prices (for Alaska consumers unless otherwise noted)</p>	<p>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).</p> <p>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.</p> <p>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.</p> <p>Source: Harris Group study 11/11, ISER, Heinze ANGDA 9/12/11.</p>	<p>Predicted Fairbanks off-take price as low as \$4.19/MMBtu at city gate.</p> <p>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.</p> <p>Roger Marks estimates \$6.75/MMBtu.</p> <p>Source: Heinze ANGDA 9/12/11 (Cook Inlet). Roger Marks (Fairbank).</p>	<p>Un-inflated 2011 consumer cost Anchorage - \$9.63/MMBtu. (Inflated cost to 2021: \$12.21/MMBtu).</p> <p>Un-inflated 2011 consumer cost Fairbanks \$10.45/MMBtu (Inflated cost to 2021: \$13.25/MMBtu).</p> <p>Source: ASAP Project Plan. July 2011, Heinze ANGDA 9/12/11. Inflation rate estimate based on Wood Mackenzie study for AGPA.</p>
<p>According to the Office of the Federal Coordinator, a large volume pipeline is the likely source for the most affordable gas for Alaska consumers.</p>			



MARK MEYERS (CAF)

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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. Gava 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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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 contract 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

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**
2 **Legislature, concerning House Bill No. 9, relating to the Alaska Gasline Development**
3 **Corporation, a subsidiary created by the Alaska Housing Finance Corporation;**
4 **establishing and relating to the in-state natural gas pipeline fund; making certain**
5 **information provided to or by the Alaska Gasline Development Corporation exempt**
6 **from inspection as a public record; relating to the Joint In-State Gasline Development**
7 **Team; relating to the judicial review of a right-of-way lease or an action or decision**
8 **related to the development or construction of an oil or gas pipeline on state land;**
9 **relating to the lease of a right-of-way by the Alaska Gasline Development Corporation**
10 **or a successor in interest for a gas pipeline transportation corridor; relating to the cost**
11 **of natural resources, permits, and leases provided to the Alaska Gasline Development**
12 **Corporation; relating to the review of natural gas transportation contracts by the**
13 **Regulatory Commission of Alaska; relating to the regulation by the Regulatory**

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

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

10 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of
11 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding
12 changes to the title of a bill, are suspended in consideration of House Bill No. 9, relating to
13 the Alaska Gasline Development Corporation, a subsidiary created by the Alaska Housing
14 Finance Corporation; establishing and relating to the in-state natural gas pipeline fund;
15 making certain information provided to or by the Alaska Gasline Development Corporation
16 exempt from inspection as a public record; relating to the Joint In-State Gasline Development
17 Team; relating to the judicial review of a right-of-way lease or an action or decision related to
18 the development or construction of an oil or gas pipeline on state land; relating to the lease of
19 a right-of-way by the Alaska Gasline Development Corporation or a successor in interest for a
20 gas pipeline transportation corridor; relating to the cost of natural resources, permits, and
21 leases provided to the Alaska Gasline Development Corporation; relating to the review of
22 natural gas transportation contracts by the Regulatory Commission of Alaska; relating to the
23 regulation by the Regulatory Commission of Alaska of an in-state gas pipeline project
24 developed by the Alaska Gasline Development Corporation; relating to the regulation by the
25 Regulatory Commission of Alaska of an in-state natural gas pipeline that is expressly
26 authorized to provide transportation as a contract carrier; relating to the Alaska Natural Gas
27 Development Authority; relating to the procurement of certain services by the Alaska Natural
28 Gas Development Authority; and exempting property of a project developed by the Alaska

1 Gasline Development Corporation from property taxes before the commencement of
2 commercial operations.

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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 to 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. Adding 10 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

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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

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

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

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

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

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

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

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

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

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

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

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

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

1 economic feasibility and cost to consumers;

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

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

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

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

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

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

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

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

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



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

1 Relating to an in-state natural gas pipeline, the office of in-state gasline project coordinator,
2 and the Joint In-State Gasline Development Team; requiring the development of an in-state
3 natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a
4 natural gas pipeline that is operational by December 31, 2015; directing the Joint In-State
5 Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009;
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7 natural gas pipeline project; clarifying the purpose of the Alaska Natural Gas Development
8 Authority; relating to definitions of certain terms that relate to a project that may be developed
9 by the Alaska Natural Gas Development Authority; relating to an exemption from application
10 of AS 38.35 for certain natural gas carriers; and providing for an effective date.

11

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

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

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

6 (2) Cook Inlet natural gas reserves are depleting at a rate that could cause
7 significant short-term shortages for residential and commercial gas users in Southcentral
8 Alaska by 2013;

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

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

15 (5) the Alaska Railroad Corporation is a public corporation charged with
16 promoting economic development in the state, enjoys unique authority, and may issue
17 revenue bonds to finance construction of a natural gas pipeline;

18 (6) the Alaska Natural Gas Development Authority is studying a pipeline spur,
19 aggregating in-state demand for natural gas, and facilitating delivery of natural gas and
20 natural gas liquids to Alaskans; and

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

27 (b) It is the purpose of sec. 4 of this Act

28 (1) to give general direction to the Joint In-State Gasline Development Team
29 to plan and develop construction of a high pressure in-state natural gas pipeline sufficient to
30 provide for the distribution of natural gas for residential and commercial purposes at locations
31 along the pipeline route;

1 (2) to give general direction to the Joint In-State Gasline Development Team
2 that, to the maximum extent practicable, the plan for development of an in-state natural gas
3 pipeline required under AS 38.34.040 is compatible but not competitive with the projects
4 described in AS 41.41 and AS 43.90; and

5 (3) to direct the executive director of the Alaska Housing Finance Corporation
6 to oversee all aspects of the project described in sec. 4 of this Act.

7 * **Sec. 2.** AS 18.56.086 is amended to read:

8 **Sec. 18.56.086. Creation of subsidiaries.** The corporation may create
9 subsidiary corporations for the purpose of financing or facilitating the financing of
10 school construction, facilities for the University of Alaska, facilities for ports and
11 harbors, prepayment of all or a portion of a governmental employer's share of
12 unfunded accrued actuarial liability of retirement systems, or other capital projects. **A**
13 **subsidiary corporation may also be created for the purpose of planning,**
14 **constructing, and financing in-state natural gas pipeline projects or for the**
15 **purpose of aiding in the planning, construction, and financing of in-state natural**
16 **gas pipeline projects.** A subsidiary corporation created under this section may be
17 incorporated under AS 10.20.146 - 10.20.166. The corporation may transfer assets of
18 the corporation to a subsidiary created under this section. A subsidiary created under
19 this section may borrow money and issue bonds as evidence of that borrowing, and
20 has all the powers of the corporation that the corporation grants to it. However, a
21 subsidiary created for the purpose of financing or facilitating the financing of
22 prepayment of a governmental employer's share of unfunded accrued actuarial liability
23 of retirement systems may borrow money and issue bonds only if the state bond rating
24 is the equivalent of AA- or better and subject to AS 37.15.903. **A subsidiary**
25 **corporation created for the purpose of planning, constructing, and financing in-**
26 **state natural gas pipeline projects or for the purpose of aiding in the planning,**
27 **construction, or financing of in-state natural gas pipeline projects is exempt from**
28 **AS 36.30, including AS 36.30.015(d) and (f).** Unless otherwise provided by the
29 corporation, the debts, liabilities, and obligations of a subsidiary corporation created
30 under this section are not the debts, liabilities, or obligations of the corporation.

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

1 (48) a subsidiary of the Alaska Housing Finance Corporation created
2 under AS 18.56.086 for the purpose of planning, financing, or constructing in-state
3 natural gas pipeline projects or for the purpose of aiding in the planning, financing, or
4 constructing of in-state natural gas pipeline projects.

5 * **Sec. 4.** AS 38 is amended by adding new sections to read:

6 **Chapter 34. In-State Natural Gas Pipeline.**

7 **Sec. 38.34.010. In-state gasline project coordinator.** (a) The position of in-
8 state gasline project coordinator is created in the Office of the Governor. The Office of
9 the Governor shall provide administrative support for the position. The position shall
10 continue until one year after commencement of commercial operation of the in-state
11 natural gas pipeline.

12 (b) The governor shall appoint an individual to the position of in-state gasline
13 project coordinator. The coordinator is in the exempt service under AS 39.25.110. The
14 person serving as the in-state gasline project coordinator may be removed from the
15 position at the discretion of the governor, who shall appoint another person to the
16 position.

17 (c) The in-state gasline project coordinator shall collaborate with other state
18 agencies or entities to coordinate and facilitate the provisions of AS 38.34.020.

19 **Sec. 38.34.020. Expedited review and action by state agencies or entities.**

20 (a) A state agency or entity conducting a review or taking action relating to the in-state
21 natural gas pipeline project under this chapter shall expedite the review or action in a
22 manner consistent with the timely completion of the project.

23 (b) Notwithstanding any contrary provision of law, a state agency or entity
24 may not include in any project certificate, right-of-way, permit, or other authorization
25 a term or condition that is not required by law if the in-state gasline project
26 coordinator determines that the term or condition would prevent or impair, in any
27 significant respect, the expeditious construction and operation or expansion of the in-
28 state natural gas pipeline project.

29 (c) Unless required by law, a state agency or entity may not add to, amend, or
30 abrogate any certificate, right-of-way, permit, or other authorization if the in-state
31 gasline project coordinator determines that the action would prevent or impair, in any

1 significant respect, the expeditious construction, operation, or expansion of the in-state
2 natural gas pipeline project.

3 **Sec. 38.34.030. Joint In-State Gasline Development Team.** (a) The Joint In-
4 State Gasline Development Team is established in the Alaska Housing Finance
5 Corporation. The development team consists of five members as follows:

6 (1) the commissioner of transportation and public facilities, or the
7 commissioner's designee;

8 (2) the chair of the board of directors of the Alaska Railroad
9 Corporation;

10 (3) the chief executive officer of the Alaska Natural Gas Development
11 Authority;

12 (4) the in-state gasline project coordinator; and

13 (5) the executive director of the Alaska Housing Finance Corporation.

14 (b) The executive director of the Alaska Housing Finance Corporation is the
15 chair of the development team.

16 (c) The development team may hire staff, enter into contracts, and exercise
17 other powers necessary to carry out its functions. The development team shall
18 separately account for expenditures made to carry out its functions and submit to the
19 legislature a quarterly report of those expenditures. The development team shall also
20 submit to each member of the legislature monthly updates on the progress of the in-
21 state natural gas pipeline project.

22 **Sec. 38.34.040. Duties of the development team.** (a) The Joint In-State
23 Gasline Development Team shall produce a project plan for the development of an in-
24 state natural gas pipeline. The development team shall ensure that the project plan is
25 completed and delivered to the legislature by July 1, 2011. The project plan must
26 specify and document how an in-state natural gas pipeline can be designed, financed,
27 constructed, and made operational by December 31, 2015.

28 (b) The Joint In-State Gasline Development Team shall assume executive
29 authority over and managerial responsibility for all activities enumerated under sec.
30 19, ch. 14, SLA 2009, including work previously completed, work in process, and
31 work for which money has been encumbered but that is not completed on the effective

1 date of this subsection.

2 (c) The project plan must include specific plans to coordinate and facilitate
3 construction, ownership, operation, and management of a natural gas pipeline serving
4 Fairbanks, the Southcentral region of the state, and other communities whenever
5 practicable, connecting with or enhancing the existing gas pipeline system, and
6 reaching to tidewater in the Southcentral region of the state.

7 (d) The development team's work product must include an analysis of
8 alternative possible routes and the selection of a route that, consistent with the other
9 requirements of this section,

10 (1) is economically feasible;

11 (2) makes natural gas available to residents at the lowest possible cost;

12 (3) allows for connecting lines to serve industrial, residential, and
13 utility customers along the entire route, and in other regions of the state that can be
14 served at commercially feasible rates;

15 (4) uses state land and existing state highway and railroad rights-of-
16 way to the maximum extent feasible;

17 (5) uses existing highway and railroad bridges, gravel sources,
18 equipment yards, maintenance facilities, and other existing facilities and resources to
19 the maximum extent feasible.

20 (e) With the intent that any project-related assets acquired or developed be
21 available for transfer or sale to the entity best able to complete the project, the
22 development team shall

23 (1) prepare plans and designs necessary for construction of the in-state
24 natural gas pipeline project;

25 (2) coordinate with entities qualified to build, own, and operate the
26 natural gas pipeline;

27 (3) identify, apply for, and obtain rights-of-way and other permits for
28 the project route;

29 (4) work with other entities to promote gas supply and purchase
30 contracts required for the project to be commercially viable;

31 (5) prepare cost estimates for the project design, construction, and

1 operation to determine the project's economic feasibility and the projected cost of
2 natural gas to consumers;

3 (6) coordinate with and, to the fullest extent possible, use existing
4 work by other state agencies and entities before contracting for new reports and
5 research and analysis;

6 (7) determine regulatory authority over the pipeline project and
7 perform any necessary compliance requirements;

8 (8) identify and apply for, or support extension of, existing permits for
9 export of Alaska natural gas if that export improves project economics and will reduce
10 the price of natural gas to in-state consumers.

11 (f) Notwithstanding any other provision of law, any rights to a natural gas
12 pipeline corridor obtained by a state agency under eminent domain may be transferred
13 to a private entity.

14 (g) Notwithstanding any other provision of law, a state agency acquiring an
15 interest in land by eminent domain may grant a permit authorizing a private person to
16 construct, manage, and operate a gas pipeline over, under, along, across, or upon the
17 land.

18 (h) In preparing the project plan required in this section, the development team
19 may consider all aspects of the in-state natural gas pipeline project, including public,
20 private, or joint construction alternatives, marketing of natural gas, financing
21 alternatives for pipeline construction, procurement of natural gas from producers,
22 maximization of local hire, opportunities for promoting value-added industries, gas-to-
23 liquids manufacturing opportunities, production and delivery of liquefied natural gas
24 or propane to Yukon River, Interior, and coastal communities, alternatives for
25 transporting natural gas to other locations in the state, the acquisition of natural gas
26 commitments sufficient to ensure the long-term feasibility of the in-state natural gas
27 pipeline project, the development of a global natural gas trading hub in the state, and
28 facilitating the project developer's commitment, to the maximum extent permitted by
29 law, to

30 (1) hire qualified residents from throughout the state for management,
31 engineering, construction, operations, maintenance, and other positions on the

1 proposed project;

2 (2) contract with businesses located in the state;

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

4 and

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

8 (i) The Joint In-State Gasline Development Team shall take all action
9 necessary to complete its responsibilities under this section.

10 **Sec. 38.34.050. Cooperation and access to information.** (a) The Joint In-
11 State Gasline Development Team may have access to information of all state agencies
12 that is directly related to the planning, design, construction, or operation of the in-state
13 natural gas pipeline.

14 (b) All state agencies or entities shall cooperate with and, except for requests
15 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
16 requests for information from the Joint In-State Gasline Development Team. The
17 development team shall avoid duplicating studies, plans, and designs that have already
18 been produced or otherwise obtained by other state entities.

19 (c) Notwithstanding any contrary provision of law, the Department of Natural
20 Resources shall grant the Alaska Housing Finance Corporation a right-of-way lease
21 under AS 38.35 for the gas pipeline transportation corridor if

22 (1) the corporation submits a complete right-of-way lease application
23 under AS 38.35.050;

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

26 (3) the corporation agrees to be bound by the right-of-way lease
27 covenants set out in AS 38.35.120.

28 (d) Notwithstanding any contrary provision of law, a right-of-way lease
29 granted under (c) of this section is subject to AS 38.05, except that the best interest
30 findings requirements of AS 38.05 and the permit requirements of AS 38.05.850 do
31 not apply to a lease made under this section.

1 **Sec. 38.34.060. Conflicts of interest.** (a) If a member of the Joint In-State
2 Gasline Development Team acquires, owns, or controls an interest, direct or indirect,
3 in property, an organization, or a business that might be affected by the in-state natural
4 gas pipeline project or other matter under consideration by the development team, the
5 member shall immediately disclose the interest to the development team. The
6 disclosure is a matter of public record and shall be included in the minutes of the first
7 meeting of the development team held after the disclosure.

8 (b) The members of the development team are subject to AS 39.50 and
9 AS 39.52.

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

11 (1) "in-state natural gas pipeline" means a pipeline for transporting
12 natural gas that runs from the North Slope to tidewater in the state;

13 (2) "North Slope" means that area of Alaska lying north of 68 degrees
14 North latitude.

15 * **Sec. 5.** AS 38.35.220(a) is amended to read:

16 (a) Natural gas carriers **that operate as public utilities** holding easements,
17 rights-of-way, or permits for pipelines on state public land on May 20, 1972, are
18 unaffected by this chapter within the scope of their existing operations, normal
19 expansions, and extensions thereof so long as their original or present purpose and
20 function remains unchanged. **This exemption does not apply to a natural gas**
21 **pipeline constructed outside of the**

22 **(1) Southcentral region of the state;**

23 **(2) Matanuska-Susitna Borough;**

24 **(3) Kenai Peninsula Borough;**

25 **(4) Municipality of Anchorage;**

26 **(5) Chugach Regional Educational Attendance Area; or**

27 **(6) Copper River Regional Educational Attendance Area.**

28 * **Sec. 6.** AS 39.25.110 is amended by adding a new paragraph to read:

29 (43) the in-state gasline project coordinator appointed under
30 AS 38.34.010.

31 * **Sec. 7.** AS 41.41.010(a) is amended to read:

1 (a) There is established the Alaska Natural Gas Development Authority, the
2 purpose of which is to provide one or more of the following services and functions in
3 order to bring natural gas from the North Slope or other regions of the state to
4 market, including

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

6 (2) the design and construction of the pipeline system;

7 (3) the operation and maintenance of the pipeline system;

8 (4) the design, construction, and operation [,] of other facilities
9 necessary for delivering the gas to market, including markets in the state [AND TO
10 SOUTHCENTRAL ALASKA]; and

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

13 * **Sec. 8.** AS 41.41.010(d) is amended to read:

14 (d) The acquisition of natural gas from the North Slope and other regions of
15 the state, including the Alaska outer continental shelf, and its delivery to markets
16 in the state for use by markets in the state or to tidewater for shipment to market by
17 the authority are [IS AN] essential government functions [FUNCTION] of the state.

18 * **Sec. 9.** AS 41.41.990(3) is amended to read:

19 (3) "project" means the gas transmission pipeline, together with all
20 related property and facilities, to extend from [THE PRUDHOE BAY AREA ON] the
21 North Slope of Alaska or other regions of the state to a market in the state, or be
22 available to a market in the state, and [EITHER] to tidewater at a point on Prince
23 William Sound [AND THE SPUR LINE FROM GLENNALLEN TO THE
24 SOUTHCENTRAL GAS DISTRIBUTION GRID] or [TO TIDEWATER AT A
25 POINT ON] Cook Inlet, and includes planning, design, and construction of the
26 pipeline and facilities as described in AS 41.41.010(a)(1) - (5).

27 * **Sec. 10.** AS 41.41.990 is amended by adding a new paragraph to read:

28 (4) "North Slope" means that part of the state that lies north of 68
29 degrees North latitude and includes the Brooks Range foothills.

30 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to
31 read:

1 TRANSITIONAL PROVISIONS. (a) In discharging its obligations, the Joint In-State
2 Gasline Development Team shall

3 (1) seek letters of intent from buyers and sellers of natural gas to ship gas
4 using the facilities of the project and, from information obtained, define the project
5 parameters that would allow the project to be commercially viable;

6 (2) seek letters of interest from private pipeline construction and operating
7 companies to develop the project;

8 (3) prepare and submit to the governor and the presiding officer of each house
9 of the legislature, by December 15, 2010, any initial legislation necessary to advance the
10 project;

11 (4) prepare and submit a report to the governor, the speaker of the house of
12 representatives, and the president of the senate when each duty set out in (1) - (3) of this
13 subsection is complete.

14 (b) The parties having responsibility for contracts, permit and acquisition
15 applications, and studies in progress on the effective date of this Act initiated or entered into
16 by the Office of the Governor or a state agency or entity that relate to an in-state natural gas
17 pipeline shall transfer those obligations and initiatives to the Alaska Housing Finance
18 Corporation. Transfer of those obligations and initiatives may not be unreasonably delayed. If
19 the corporation forms a subsidiary under AS 18.56.086, as amended by sec. 2 of this Act, for
20 the purpose of planning, constructing, and financing in-state natural gas pipeline projects or
21 for aiding those projects, the corporation shall transfer the obligations and initiatives to its
22 subsidiary.

23 * **Sec. 12.** This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

State Capitol, Room 208
Juneau, Alaska 99801-1182
Phone: 907-465-3779
Fax: 907-465-2833
Toll Free: 800-469-3779



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

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.

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 0.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 in-state 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) HB009HCS(S)CS(FIN)-DOR-AHFC-03-26-12 Dept. Affected _____ Revenue _____
Title In-State Gasline Development Corp. Appropriation Alaska Housing Finance Corp.
Allocation Alaska Gasline Development Corp.
Sponsor _____ Representative Chenault
Requester _____ (S) CRA _____ OMB Component Number 2986

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13					
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

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
Approved by Dan Fauske, President, AGDC
Department of Revenue

Phone 907.330.6303
Date/Time 3/26/12 1:00 PM
Date 3/26/2012

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 Splst	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				
	FY13	FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES							
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					
			FY13	FY13	FY14	FY15	FY16	FY17
OPERATING EXPENDITURES								
Personal Services	473.2		1,782.8	2,051.7	2,051.7	299.6	299.6	
Travel	10.0		200.0	250.0	250.0	25.0	25.0	
Services	4.0		70.0	76.5	76.5	15.0	15.0	
Commodities	2.0		10.0	10.0	10.0	2.0	2.0	
Capital Outlay								
Grants, Benefits								
Miscellaneous	5.0		10.0	10.0	10.0	5.0	5.0	
TOTAL OPERATING	494.2	0.0	2,072.8	2,398.2	2,398.2	346.6	346.6	

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

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

Positions:

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

FY 2013

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

FY 2014

(Eight of the ten NRS III range 18 are new in FY 2014, two are existing positions)

- 10 Natural Resource Specialist (NRS) III (range 18)
- 1 Natural Resource Manager (NRM) III (range 22)
- 1 Engineer IV (range 27)
- 1 Technical Engineer I (range 24)
- 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 (range 24)
- 1 Natural Resource Specialist (NRS) III (range 18)
- 1 Information Officer III(PIO) (range 20)
- 1 Deputy SPC
- 1 SPC - total 6 months
- 1 Administrative Support

SPCO FY 2016

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

FY 2017 and FY 2018

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

OFFICE OF HISTORY & ARCHAEOLOGY

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

Positions: 0 0 0 0 1 1 1

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

Contractual services include costs for training registrations and small contracts.

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

Division of Environmental Health - Food Safety & Sanitation

Component Number 2343

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

OPERATING EXPENDITURES	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
	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 indeterminate HB009 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				
			FY14	FY15	FY16	FY17	FY18
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	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		8	8		8
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		3	3		3
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
direct line 465-4875

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

1 **"An Act relating to the Alaska Gasline Development Corporation, a subsidiary created**
2 **by the Alaska Housing Finance Corporation; requiring legislative approval before**
3 **construction of an in-state natural gas pipeline by the Alaska Gasline Development**
4 **Corporation; establishing and relating to the in-state natural gas pipeline fund; making**
5 **certain information provided to or by the Alaska Gasline Development Corporation**
6 **exempt from inspection as a public record; relating to the Joint In-State Gasline**
7 **Development Team; relating to the Alaska Natural Gas Development Authority; and**
8 **providing for an effective date."**

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

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

11 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
12 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
13 have all powers granted to it by the corporation. The Alaska Gasline Development

1 Corporation shall, to the fullest extent possible,

2 (1) construct, own, operate, manage, or participate in natural gas
3 pipelines and associated facilities and operations for the purpose of making natural gas
4 available to Fairbanks, the Southcentral region of the state, and other communities in
5 the state at the lowest rate possible for a natural gas pipeline that operates in a manner
6 consistent with safe and prudent standards;

7 (2) endeavor to develop natural gas pipelines to deliver natural gas to
8 public utility and industrial customers in areas of the state to which the natural gas
9 may be delivered at commercially reasonable rates; and

10 (3) endeavor to develop natural gas pipelines to provide shippers
11 access to natural gas produced in the state for transport at commercially reasonable
12 rates.

13 (b) The Alaska Gasline Development Corporation may not begin to construct
14 an in-state natural gas pipeline before project sanction and before receiving
15 authorization by law to proceed with the construction. In this subsection,

16 (1) "authorization by law" means a law passed by the legislature and
17 enacted into law or an appropriation for the construction of the pipeline that is not
18 entirely vetoed;

19 (2) "sanction" means having financial commitments that are adequate
20 to proceed with the construction of the in-state natural gas pipeline.

21 (c) In addition to the powers granted to it by the corporation, the Alaska
22 Gasline Development Corporation may acquire, by purchase, lease, or gift, land,
23 structures, real or personal property, an interest in property, a right-of-way, a
24 franchise, an easement, other interest in land, or an interest in or right to capacity in
25 any pipeline system determined to be necessary or convenient for the development,
26 financing, construction, or operation of an in-state natural gas pipeline project or part
27 of an in-state natural gas pipeline project.

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

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

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

19 (f) In this section, "in-state natural gas pipeline" and "natural gas pipeline"
20 have the meanings given in AS 38.34.099.

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

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

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

25 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
26 GASLINE DEVELOPMENT TEAM] may have access to information of all state
27 agencies that is directly related to the planning, design, construction, or operation of
28 the in-state natural gas pipeline. If a state agency finds that the information to be
29 transferred under this subsection is confidential, the state agency may require the
30 Alaska Gasline Development Corporation to enter into a confidentiality
31 agreement before the transfer of that information, or, if the state agency

1 determines that a law or provision of a contract to which the state agency is a
2 party requires the state agency to preserve the confidentiality of the information
3 and that delivering the information to the Alaska Gasline Development
4 Corporation would violate the confidentiality provision of that law or contract,
5 the state agency shall identify the applicable law or contract provision to the
6 Alaska Gasline Development Corporation and may require the Alaska Gasline
7 Development Corporation to obtain the consent of the person who has the right
8 to waive the confidentiality of the information under the applicable law or
9 contract provision before the state agency transfers the information to the Alaska
10 Gasline Development Corporation.

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

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

19 * **Sec. 5.** AS 38.34.050 is amended by adding a new subsection to read:

20 (e) Information in the possession of the Alaska Gasline Development
21 Corporation may be disclosed to the public, except that information that discloses the
22 particulars of the business or affairs of a private enterprise, an investor, or a person
23 entering into a contract with the Alaska Gasline Development Corporation or
24 information subject to a confidentiality agreement with a state agency under (a) of this
25 section is confidential and is not a public record for purposes of AS 40.25.110 -
26 40.25.140. A contract to sell all or a portion of an in-state natural gas pipeline or a
27 contract to operate or manage an in-state natural gas pipeline is public information and
28 may be disclosed to the public.

29 * **Sec. 6.** AS 38.34.099 is amended by adding new paragraphs to read:

30 (3) "Alaska Gasline Development Corporation" means the corporation
31 created under AS 18.56.086 that is authorized to exercise the powers and take the

1 actions described in AS 18.56.087;

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

7 * Sec. 7. AS 40.25.120(a) is amended to read:

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

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

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

14 (3) medical and related public health records;

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

17 (5) to the extent the records are required to be kept confidential under
18 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
19 or retain federal assistance;

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

22 (A) could reasonably be expected to interfere with enforcement
23 proceedings;

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

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

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

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

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(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

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

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

5 (13) information in the possession of the Alaska Gasline
6 Development Corporation that may not be disclosed to the public under
7 AS 38.34.050(e).

8 * **Sec. 8.** AS 41.41.010(a) is amended to read:

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

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

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

16 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
17 SYSTEM;

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

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

23 * **Sec. 9.** AS 41.41.010(d) is amended to read:

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

30 * **Sec. 10.** AS 41.41.020 is repealed and reenacted to read:

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

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

2 * **Sec. 11.** AS 41.41.060 is amended to read:

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

8 * **Sec. 12.** AS 41.41.070(d) is amended to read:

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

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

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

21 * **Sec. 14.** AS 41.41.150(a) is amended to read:

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

29 * **Sec. 15.** AS 41.41.200 is amended to read:

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

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

24 * **Sec. 16.** AS 41.41.990(2) is amended to read:

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

28 * **Sec. 17.** AS 38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, 41.41.050, and
29 41.41.990(4) are repealed.

30 * **Sec. 18.** Section 1, 2002 Ballot Measure No. 3, is repealed.

31 * **Sec. 19.** This Act takes effect immediately under AS 01.10.070(c).

Below the minimum

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

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



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

Senator_Donny_Olson@legis.state.ak.us

HB 9 – IN-STATE GASLINE DEVELOPMENT CORP. 27-LS0075J

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, 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
STATE OF ALASKA

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

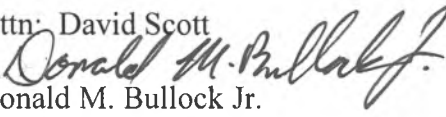
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

April 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 fund¹ 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."

Senator Donald Olson

April 11, 2012

Page 2

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: Denise_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 Denise: 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 proscribed 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 tariff 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 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 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, line 28: 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 in-state 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

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

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

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

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

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

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

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

20 (3) it is the policy of the state to make the state's share of royalty natural gas
 21 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
 22 Development Corporation;

23 (4) to the maximum extent permitted by law, in developing a natural gas
 24 pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products,
 25 and natural resources from qualified businesses located in the state, including organizations
 26 owned by Alaska Natives and municipal organizations directly affected by the project, if
 27 those persons are competitive; and

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(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~~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.

1 (b) In addition to the powers granted to it by the corporation, the Alaska
2 Gasline Development Corporation may

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

7 (2) exercise the power of eminent domain or file a declaration of
8 taking under AS_09.55.240 - 09.55.460 to acquire land or an interest in land that is
9 necessary for an in-state natural gas pipeline; the exercise of powers by the Alaska
10 Gasline Development Corporation under this paragraph may not exceed the
11 permissible exercise of the powers by the state;

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

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

22 (5) provide transportation of natural gas by a contract carriage carrier.

23 ~~(c)~~ The Alaska Gasline Development Corporation may not commit to a
24 project that requires state financial participation unless the commitment to the project
25 is made contingent on sanctioning of the project by the legislature through the
26 appropriation of necessary funds.

27 (d) If there is an adequate supply of marketable natural gas in the Cook Inlet
28 sedimentary basin to meet natural gas demands in the Railbelt, the Alaska Gasline
29 Development Corporation shall, subject to appropriation, plan, finance, and construct
30 a natural gas pipeline to deliver natural gas from Cook Inlet to Fairbanks and to
31 communities between Cook Inlet and Fairbanks that do not have access to a natural

1 gas pipeline. For the purposes of this subsection, there is an adequate supply of
2 marketable natural gas when shippers of natural gas are willing and able to sign firm
3 transportation commitments for contracts of not less than 20 years in duration.

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

17 (df) The Alaska Gasline Development Corporation may issue bonds and notes
18 and otherwise incur indebtedness in order to carry out and accomplish its purposes.
19 The provisions of AS_18.56.110(a) - (f) and 18.56.115 - 18.56.190 apply to the Alaska
20 Gasline Development Corporation in the exercise of its powers under this subsection,
21 except that, in AS_18.56.110 - 18.56.190, as applicable under this subsection, the term
22 "corporation" shall mean the Alaska Gasline Development Corporation. The Alaska
23 Gasline Development Corporation may issue bonds and notes and otherwise incur
24 indebtedness under this subsection without limit as to principal amount. The bonds,
25 notes, and other indebtedness of the Alaska Gasline Development Corporation do not
26 create an obligation or liability of the corporation except to the extent that the
27 corporation agrees in writing to accept the obligation or liability.

28 (eg) No debt, obligation, or liability of the Alaska Gasline Development
29 Corporation shall become a debt, obligation, or liability of the state or any part or
30 subdivision of the state or of the corporation or a subsidiary corporation of the
31 corporation other than the Alaska Gasline Development Corporation, except as

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

14 (fh) In the exercise of its powers under (df) and (eg) of this section, the Alaska
15 Gasline Development Corporation may not pledge the faith and credit of the state or a
16 political subdivision of the state other than the Alaska Gasline Development
17 Corporation to the repayment of the principal of or interest on any bonds issued by the
18 Alaska Gasline Development Corporation.

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

1 (hj) An executed pipeline operating agreement between the Alaska Gasline
2 Development Corporation and the operator of the pipeline developed by the Alaska
3 Gasline Development Corporation shall be disclosed to the public to the extent the
4 disclosure would not divulge trade secrets or other proprietary business information of
5 the Alaska Gasline Development Corporation or the operator.

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

15 (jl) In this section, "in-state natural gas pipeline" and "natural gas pipeline"
16 have the meanings given in AS_38.34.099.

17 * **Sec. 3.** AS_36.30.850(b) is amended by adding a new paragraph to read:

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

20 * **Sec. 4.** AS_38.05.180(bb)(1) is amended to read:

21 (1) "gas or electric utility" includes an electric cooperative organized
22 under AS 10.25, a municipal utility, and a gas or electric utility regulated under
23 AS 42.05; provided that, if the contract gas is transmitted to consumers through a
24 pipeline and the gas utility either owns the pipeline or is related in ownership to the
25 owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within
26 the meaning of this paragraph only if it is bound or agrees to be bound by the
27 covenants set out in AS 38.35.120 or 38.35.121, as applicable;

28 * **Sec. 5.** AS_38.34.050(a) is amended to read:

29 (a) The Alaska Gasline Development Corporation [JOINT IN-STATE
30 GASLINE DEVELOPMENT TEAM] may have access to information of all state
31 agencies that is directly related to the planning, design, construction, or operation of

1 the in-state natural gas pipeline. If a state agency finds that the information to be
2 transferred under this subsection is confidential, the state agency may require the
3 Alaska Gasline Development Corporation to enter into a confidentiality
4 agreement under (e) of this section before the transfer of that information, or, if
5 the state agency determines that a law or provision of a contract to which the
6 state agency is a party requires the state agency to preserve the confidentiality of
7 the information and that delivering the information to the Alaska Gasline
8 Development Corporation would violate the confidentiality provision of that law
9 or contract, the state agency shall identify the applicable law or contract
10 provision to the Alaska Gasline Development Corporation and may require the
11 Alaska Gasline Development Corporation to obtain the consent of the person
12 who has the right to waive the confidentiality of the information under the
13 applicable law or contract provision before the state agency transfers the
14 information to the Alaska Gasline Development Corporation.

15 * Sec. 56. AS_38.34.050(b) is amended to read:

16 (b) All state agencies or entities shall cooperate with and, except for requests
17 from the Alaska Gasline Inducement Act coordinator (AS_43.90.250), give priority to
18 requests for information from the Alaska Gasline Development Corporation
19 [JOINT IN-STATE GASLINE DEVELOPMENT TEAM]. The Alaska Gasline
20 Development Corporation [DEVELOPMENT TEAM] shall avoid duplicating
21 studies, plans, and designs that have already been produced or otherwise obtained by
22 other state entities.

23 * Sec. 67. AS_38.34.050(c) is amended to read:

24 (c) Notwithstanding any contrary provision of law, the Department of Natural
25 Resources shall grant the Alaska Gasline Development Corporation [ALASKA
26 HOUSING FINANCE CORPORATION] a right-of-way lease under AS_38.35 for the
27 gas pipeline transportation corridor at no appraisal or rental cost if

28 (1) [THE CORPORATION SUBMITS] a complete right-of-way lease
29 application under AS_38.35.050 is submitted;

30 (2) the lease application is made the subject of notice and other
31 reasonable and appropriate publication requirements under AS_38.35.070; and

1 (3) the corporation that submits the application for the right-of-way
 2 lease agrees to be bound by the right-of-way lease covenants set out in AS 38.35.120,
 3 except for the covenants in AS 38.35.120(a)(1), (2), and (5); notwithstanding AS
 4 38.35.120(b), a right of way lease subject to this paragraph is valid and of legal
 5 effect. 38.35.121 [AS 38.35.120].

6 * **Sec. 78.** AS_38.34.050 is amended by adding new subsections to read:

7 (e) The Alaska Gasline Development Corporation may enter into
 8 confidentiality agreements necessary to acquire or provide information to carry out its
 9 functions. Information acquired or provided by the Alaska Gasline Development
 10 Corporation under a confidentiality agreement is not subject to disclosure under AS
 11 _40.25.110. The Alaska Gasline Development Corporation may enter into
 12 confidentiality agreements with a public agency, as defined in AS_40.25.220, to allow
 13 release of confidential information. The portions of the records and files of a public
 14 agency bound by a confidentiality agreement that reflect, incorporate, or analyze
 15 information subject to a confidentiality agreement under this subsection are not public
 16 records. Confidentiality agreements entered into under this subsection are valid and
 17 binding against all parties in accordance with the terms of the confidentiality
 18 agreement.

19 (f) Information relating to field studies conducted and other technical
 20 information developed or obtained by the Alaska Gasline Development Corporation
 21 that relates to the development, financing, construction, or operation of an in-state
 22 natural gas pipeline project by the Alaska Gasline Development Corporation is
 23 confidential and not subject to disclosure under AS_40.25.110. The Alaska Gasline
 24 Development Corporation may waive the confidentiality of the information described
 25 in this subsection, except for information acquired from another person that is subject
 26 to a confidentiality agreement, if the waiver is in the best interest of the state and will
 27 facilitate the development, financing, or construction of an in-state natural gas
 28 pipeline.

29 (g) Upon request by the Alaska Gasline Development Corporation, a
 30 municipality or a state entity shall provide water, sand and gravel, other
 31 nonhydrocarbon natural resources, and a permit or a lease to the Alaska Gasline

1 Development Corporation at the usual and customary rates, except as provided in (c)
2 of this section. In this subsection, "state entity" means a state department, authority, or
3 other administrative unit of the executive branch of state government, a public
4 university, or a state public corporation.

5 (h) That part of the cost of providing, under (g) of this section, water, sand and
6 gravel, or other nonhydrocarbon natural resources, or of entering into a lease or
7 issuing a permit, that is borne by the Alaska Gasline Development Corporation for an
8 in-state natural gas pipeline project that is owned in whole or in part by the Alaska
9 Gasline Development Corporation may not be included in the rate base in a
10 proceeding under AS_42 or before the Federal Energy Regulatory Commission.

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

15 * **Sec. 89.** AS_38.34.099 is repealed and reenacted to read:

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

17 (1) "Alaska Gasline Development Corporation" means the corporation
18 created under AS_18.56.086 that is authorized to exercise the powers and take the
19 actions described in AS_18.56.087;

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

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

27 * **Sec. 910.** AS_38.35.100(d) is amended to read:

28 (d) The commissioner shall include in a conditional lease each requirement
29 and condition of the covenants established under AS_38.35.120, except that, for a
30 lease entered into under AS 38.34.050(e), the covenants in AS 38.35.120(a)(1), (2),
31 and (5) may not be included. 38.35.120 or 38.35.121, as applicable. The

1 commissioner may also require that the lessee agree to additional conditions that the
 2 commissioner finds to be in the public interest. In place of the covenant established
 3 under AS_38.35.120(a)(9), the commissioner shall require the lessee to agree that it
 4 will not transfer, assign, pledge, or dispose of in any manner, directly or indirectly, its
 5 interest in a conditional right-of-way lease or a pipeline subject to the conditional
 6 lease, unless the commissioner, after considering the public interest and issuing
 7 written findings to substantiate a decision to allow the transfer, authorizes the transfer.
 8 The commissioner shall also require the lessee to agree not to allow the transfer of
 9 control of the lessee without the approval of the commissioner; as used in this
 10 subsection, "transfer of control of the lessee" means the transfer of 30 percent or more,
 11 in the aggregate, of ownership interest in the lessee in one or more transactions to one
 12 or more persons by one or more persons.

13 * **Sec. 4011.** AS_38.35.120(a) is amended to read:

14 (a) Except as provided infor a natural gas pipeline subject to AS
 15 38.34.050(e),35.121, a [A] noncompetitive lease of state land for a right-of-way for
 16 an oil or natural gas pipeline valued at \$1,000,000 or more may be granted only upon
 17 the condition that the lessee expressly covenants in the lease, in consideration of the
 18 rights acquired by it under the lease, that

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

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(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;

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(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

1 consent to the transfer, assignment, or disposal;

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

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

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

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

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

27 * ~~Sec. 1112.~~ AS-38.35.120(b) is amended to read:

28 (b) Except as provided in for a natural gas pipeline subject to AS
29 38.34.050(e), 35.121, for [FOR] a right-of-way lease granted under this chapter for an
30 oil or natural gas pipeline valued at \$1,000,000 or more to be valid and of legal effect,
31 it must contain the terms required to be inserted under the provisions of AS-38.35.110

1 - 38.35.140. ~~Except as provided in AS 38.34.050(e), an~~ [AN]An oil or natural gas
 2 pipeline right-of-way lease granted under this chapter and subject to this section that
 3 does not contain the required terms is null and void and without legal effect and does
 4 not vest any interest in state land or any authority in the carrier granted the lease.

5 * Sec. 1213. AS- 38.35 is amended by adding a new section to read:

6 Sec. 38.35.121. Covenants required to be in a lease to a natural gas
 7 pipeline that is a contract carrier. (a) For a lease of state land for a right-of-way for
 8 which an applicant has applied as a contract carrier under AS 42.08, a noncompetitive
 9 lease of state land for a right-of-way for a natural gas pipeline valued at \$1,000,000 or
 10 more may be granted only on the condition that the lessee expressly covenants in the
 11 lease, in consideration of the rights acquired by it under the lease, that

12 (1) except for the covenants in AS 38.35.120(a)(1), (2), and (5), it will
 13 meet the requirements of AS 38.35.120;

14 (2) it will interchange natural gas and provide connections and
 15 facilities for the interchange of natural gas at every locality reached by both pipelines
 16 when the necessity exists, as provided in contracts on file with the Regulatory
 17 Commission of Alaska;

18 (3) it assumes the status of and will perform all of its functions
 19 undertaken under the lease as a contract carrier and, subject to contracts with shippers,
 20 will accept, convey, and transport, without discrimination, natural gas delivered to it
 21 for transportation from fields in the vicinity of the pipeline subject to the lease
 22 throughout its route, both on state land obtained under the lease and on the other land;
 23 subject to its contracts with shippers, it will accept, convey, and transport natural gas
 24 without unjust or unreasonable discrimination in favor of one producer or person,
 25 including itself, as against another but will take the natural gas delivered or offered
 26 without unreasonable discrimination;

27 (4) it will expand the natural gas pipeline on commercially reasonable
 28 terms that, when possible, encourage exploration and development of gas resources in
 29 this state and without an increase in transportation costs for a shipper except as
 30 provided in the contract with the shipper; in this paragraph, "commercially reasonable
 31 terms" means that revenue from transportation contracts covers the cost of the

1 expansion, including increased fuel costs and a reasonable return on capital, and the
2 ability of the pipeline to recover the costs of existing facilities is not impaired;

3 (5) it will not require a shipper to pay a rate in excess of the rates
4 provided for in the contract with that shipper.

5 (b) A contract carrier may offer to a shipper firm transportation service,
6 interruptible transportation service, or both.

7 (c) Expansion under (a) of this section may not cause a pipeline to be a
8 competing natural gas pipeline project. In this subsection, "competing natural gas
9 pipeline project" has the meaning given in AS 43.90.440.

10 (d) In this section, "firm transportation service" means service by a natural gas
11 pipeline carrier that is not subject to a prior claim by another shipper or another class
12 of service and is not subject to reduction unless the overall capacity of the pipeline is
13 diminished; service is "firm transportation service" if the service requires the same
14 priority as any other class of firm transportation service.

15 * **Sec. 14.** AS 38.35.140 is amended by adding a new subsection to read:

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

19 * **Sec. ~~13~~15.** AS-38.35.200 is amended by adding new subsections to read:

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

1 complaint under this subsection must be filed in superior court, and the superior court
2 has exclusive jurisdiction. Notwithstanding AS_22.10.020(c), except in conjunction
3 with a final judgment on a claim filed under this subsection, the superior court may
4 not grant injunctive relief, including a temporary restraining order, preliminary
5 injunction, permanent injunction, or stay against the issuance of a necessary right-of-
6 way, permit, lease, certificate, license, or other authorization for the development,
7 construction, or initial operation of a natural gas pipeline by the Alaska Gasline
8 Development Corporation, a subsidiary created by the Alaska Housing Finance
9 Corporation under AS_18.56.086. In this subsection, "natural gas pipeline" has the
10 meaning given in AS_38.34.099.

11 (d) An appeal of a permitting decision or authorization by the Department of
12 Environmental Conservation under AS_46.03 or AS_46.14 that is made under a
13 program approved or delegated by the United States Environmental Protection Agency
14 is not

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

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

17 * **Sec. 1416.** AS_40.25.120(a) is amended to read:

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

20 (1) records of vital statistics and adoption proceedings, which shall be
21 treated in the manner required by AS_18.50;

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

24 (3) medical and related public health records;

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

27 (5) to the extent the records are required to be kept confidential under
28 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
29 or retain federal assistance;

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

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(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

1 enforcement and the disclosure could reasonably be expected to risk
2 circumvention of the law; or

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

6 (11) the written notification regarding a proposed regulation provided
7 under AS_24.20.105 to the Department of Law and the affected state agency and
8 communications between the Legislative Affairs Agency, the Department of Law, and
9 the affected state agency under AS_24.20.105;

10 (12) records that are

11 (A) proprietary, privileged, or a trade secret in accordance with
12 AS_43.90.150 or 43.90.220(e);

13 (B) applications that are received under AS_43.90 until notice
14 is published under AS_43.90.160;

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

18 * **Sec. 1517.** AS_41.41.010(a) is amended to read:

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

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

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

26 (3) THE OPERATION AND MAINTENANCE OF THE PIPELINE
27 SYSTEM;

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

31 [(5)] the acquisition of natural gas market share sufficient to ensure the

1 long-term feasibility of pipeline system projects.

2 * ~~Sec. 1618~~. AS_41.41.010(d) is amended to read:

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

9 * ~~Sec. 1719~~. AS_41.41.010 is amended by adding a new subsection to read:

10 (f) To honor delivery commitments in a contract entered into by the authority,
11 the authority and the commissioner of natural resources may pledge, as necessary,
12 royalty gas owned by the state and not otherwise committed by contract to other
13 purchasers of royalty gas. The commissioner of natural resources shall determine the
14 amount of gas that may be pledged and the price for that gas. A pledge made under
15 this subsection shall be treated as a disposal of gas other than by sale or exchange for
16 purposes of AS_38.05.183.

17 * ~~Sec. 1820~~. AS_41.41.020 is repealed and reenacted to read:

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

20 * ~~Sec. 1921~~. AS_41.41.060 is amended to read:

21 **Sec. 41.41.060. Compensation of board members; per diem and travel**
22 **expenses.** Members of the board **described in AS- 18.56.030(a)(4)** are entitled to
23 **compensation and reimbursement as provided in AS- 18.56.030(e) when on**
24 **official business of the authority** [PER DIEM AND TRAVEL EXPENSES
25 AUTHORIZED FOR BOARDS AND COMMISSIONS UNDER AS_39.20.180].

26 * ~~Sec. 2022~~. AS_41.41.070(d) is amended to read:

27 (d) In addition to its employees, the authority may contract for and engage the
28 services of [BOND COUNSEL,] consultants, experts, [AND] financial advisors, **and**
29 **legal counsel, including bond counsel,** the authority considers necessary for the
30 purpose of developing information, furnishing advice, or conducting studies,
31 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. 2123~~. 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. 2224~~. 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. 2325~~. 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;

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

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

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

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

11 * **Sec. 2426.** AS_41.41.990(2) is amended to read:

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

15 * **Sec. 2527.** AS_42.04.080(a) is amended to read:

16 (a) Except as provided in AS_42.05.171 or AS_42.06.140, when a matter
17 comes for decision before the commission under AS_42.05, [OR] AS_42.06, or AS
18 42.08, the chair shall appoint a hearing panel composed of three or more members to
19 hear, or if a hearing is not required, to otherwise consider, and decide the case. The
20 panel shall exercise the powers of the commission with respect to the matter.

21 * **Sec. 2628.** AS_42.05 is amended by adding a new section to read:

22 **Sec. 42.05.433. Review of certain contracts by the commission.** (a) A
23 contract entered into by a public utility with the Alaska Gasline Development
24 Corporation (AS_18.56.087) or its successors or assigns may contain a covenant for
25 the public utility to establish, charge, and collect rates sufficient to meet its obligations
26 under the contract. If the contract is approved by the commission under AS_42.08, the
27 rate covenant is valid and enforceable.

28 (b) A public utility negotiating to purchase natural gas to be shipped on an in-
29 state natural gas pipeline regulated under AS_42.08 shall submit the contract to the
30 commission before the contract takes effect.

31 (c) A public utility negotiating to contract for the storage of natural gas related

1 to (b) of this section shall submit the contract to the commission before the contract
2 takes effect.

3 (d) The commission shall review and may conduct an investigation and
4 hearing to determine whether a contract submitted under (b) or (c) of this section is
5 just and reasonable. The commission shall either approve the contract as presented or,
6 if the commission finds that a contract is unjust or unreasonable, disapprove the
7 contract. If the commission has not acted within 180 days after the contract is
8 submitted, the contract shall be considered approved and shall take effect immediately.
9 A contract that is approved or considered approved under this section is not subject to
10 further review by the commission. The commission may, by order, extend the 180-day
11 review period by the duration of any delay caused by a failure of the public utility to
12 submit supplemental information that is available to the public utility.

13 * **Sec. ~~2729~~**. AS_42.05.711 is amended by adding a new subsection to read:

14 (s) An in-state natural gas pipeline subject to AS_42.08 and an in-state natural
15 gas pipeline carrier subject to AS_42.08 are exempt from this chapter.

16 * **Sec. ~~2830~~**. AS_42.06 is amended by adding a new section to article 7 to read:

17 **Sec. 42.06.601. Exemption.** An in-state natural gas pipeline subject to AS
18 _42.08 and an in-state natural gas pipeline carrier subject to AS_42.08 are exempt from
19 this chapter.

20 * **Sec. ~~2931~~**. AS_42 is amended by adding a new chapter to read:

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

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

23 **Sec. 42.08.010. Application of chapter; exemption.** (a) This chapter applies
24 to the regulation of ~~an~~ in-state natural gas ~~pipeline authorized by law to~~ pipelines that
25 provide transportation by contract carriage.

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

28 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
29 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
30 subsidiary created under AS_18.56.086 and authorized to exercise the powers and take
31 the actions described in AS_18.56.087, is financially fit, willing, and able to take the

1 actions, properly to perform the service, and to conform to the requirements of this
2 chapter.

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

7 (c) The proposed service, construction, and operation of an in-state natural gas
8 pipeline for which the Alaska Gasline Development Corporation applies for a
9 certificate under this chapter is required by present and future public convenience and
10 necessity.

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

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

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

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

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

23 (2) require permits for the construction, enlargement in size or
24 operating capacity, extension, connection and interconnection, operation, or
25 abandonment of an in-state natural gas pipeline facility, under the provisions of this
26 chapter and subject to the same standards as certification in AS ~~42.08.310330~~;

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

1 (b) The commission may

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

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

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

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

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

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

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

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

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

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

31 (c) The commission may not

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

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

5 **Sec. 42.08.230. Commission decision-making procedures.** The commission
6 shall comply with AS_42.04.080(a) and expeditiously adjudicate all matters that come
7 before the commission.

8 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**
9 All reports, orders, decisions, and regulations of the commission shall be in writing.
10 The commission shall notify all affected operators of in-state natural gas pipeline
11 facilities and interested parties of reports, orders, decisions, and regulations as they are
12 issued and adopted, and, when appropriate, publish them in a manner that will
13 reasonably inform the public or the affected consumers of the services of an in-state
14 natural gas pipeline facility. The commission may set charges for costs of printing or
15 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
16 publication requirement, as it pertains to regulations, does not supersede the
17 requirements of AS_44.62 (Administrative Procedure Act).

18 **Sec. 42.08.250. Application of ~~Administrative Procedure~~**
19 **~~Act.~~administrative procedure act.** (a) The administrative adjudication procedures of
20 AS_44.62 (Administrative Procedure Act) do not apply to adjudicatory proceedings of
21 the commission under this chapter, except that final administrative determinations by
22 the commission are subject to judicial review under AS_44.62 (Administrative
23 Procedure Act) as provided in AS_42.08.530.

24 (b) AS_44.62 (Administrative Procedure Act) applies to regulations adopted
25 by the commission.

26 **Sec. 42.08.260. Annual report.** The commission shall include in its annual
27 report under AS_42.05.211 and AS_42.06.220 a review of its activities under this
28 chapter during the previous fiscal year and notify the legislature that the report is
29 available. The report must address the regulation of in-state natural gas pipeline
30 facilities in the state as of June_30 of each year and must contain details about the
31 commission's compliance with the performance measures in this chapter.

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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.

1 (b) The pipeline carrier shall offer a recourse tariff for firm transportation
2 service. The rates included in the recourse tariff shall be determined on a cost of
3 service basis. The recourse tariff may not preclude the pipeline carrier from collecting
4 rolled-in rates so long as the resulting rate for prior shippers does not exceed the initial
5 maximum rate allowable under agreements for capacity.

6 (c) An in-state natural gas pipeline carrier may contract to provide firm
7 transportation service on terms and for rates different than those in the recourse tariff.

8 (d) An in-state natural gas pipeline carrier shall provide interruptible
9 transportation service through capacity not used for firm transportation service. An in-
10 state natural gas pipeline carrier shall establish means for routinely advising potential
11 shippers of the availability of interruptible transportation service.

12 Sec. 42.08.320. Review of certain contracts by the commission. (a) An in-
13 state natural gas pipeline carrier shall submit each of its precedent agreements for firm
14 transportation service to the commission. A precedent agreement negotiated with an
15 entity that is not a public utility regulated by the commission may be filed under seal.
16 Under AS_42.08.400, the commission shall keep confidential a precedent agreement
17 filed under seal. Submission of precedent agreements to the commission is permissible
18 before construction of an in-state natural gas pipeline and before a request for
19 certification under this chapter.

20 (b) In the review of a precedent agreement submitted under (a) of this section
21 ~~and/or~~ a related contract submitted under AS_42.05.433-(b) or (c), the commission
22 shall

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

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

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

4 (c) For ~~the~~ purposes of (b)(1) of this section, a transaction is arm's length

5 (1) if it incorporates the recourse tariff; or

6 (2) if it does not incorporate the recourse tariff.

7 (A) the transaction is between two state-owned parties;

8 (B) the parties are unaffiliated parties; or,

9 (C) if the parties are affiliated, the parties have
 10 followed transaction is substantially similar to a transaction between
 11 unaffiliated parties.

12 (d) If a transaction is not arm's length, the commission shall determine
 13 whether the transaction is just and reasonable using the standards normally applied
 14 under AS 42.06.140. The natural gas pipeline carrier shall provide a cost of
 15 conduct service study to the commission that shall be used solely for transmission
 16 providers adopted by the Federal Energy Regulatory Commission the purpose of this
 17 subsection. When considering whether the approval of a contract is just and reasonable
 18 under this subsection, the commission shall consider the consequences of failing to
 19 approve the contract.

20 **Sec. 42.08.310330. Contract carriage certificate.** (a) The owner of an in-state
 21 natural gas pipeline subject to this chapter may not engage in the transportation of
 22 natural gas or undertake the construction of a natural gas pipeline facility for that
 23 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
 24 certificate of public convenience and necessity by the commission authorizing contract
 25 carriage is in force with respect to that owner. A certificate shall describe the nature
 26 and extent of the authority granted, including, as appropriate for the services involved,
 27 a description of the authorized area and scope of operation for the in-state natural gas
 28 pipeline facility.

29 (b) Application for a certificate shall be made in writing to the commission
 30 and verified under oath. The commission by regulation shall establish the
 31 requirements for the form of the application and the information to be contained in the

1 application. Notice of the application shall be provided to interested parties in the
2 manner provided by regulation.

3 (c) Within 180 days after receiving an application under this chapter, a
4 contract carriage certificate shall be issued to a qualified applicant, authorizing the
5 whole or any part of the operation, service, construction, or acquisition covered by the
6 application, if the commission finds that the applicant is fit, willing, and able properly
7 to do the acts, perform the service proposed, and conform to the provisions of this
8 chapter and the requirements of the commission, and that the proposed service,
9 operation, construction, extension, or acquisition, to the extent authorized by the
10 certificate, is or will be required by the present or future public convenience and
11 necessity. Otherwise, the application shall be denied.

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

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

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

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

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

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

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

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

8 **Sec. 42.08.~~320~~340. Tariffs, contracts, filing, and public inspection.** (a) An
9 in-state natural gas pipeline carrier shall file with the commission all recourse tariffs,
10 rules, regulations, terms, and conditions pertaining to service provided under the
11 certificate, and copies of all contracts with shippers that in any way affect or relate to
12 the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and
13 conditions to service provided under the certificate. The in-state natural gas pipeline
14 carrier shall maintain copies on file at its principal business office and at places
15 designated by the commission and make the copies available to, and subject to
16 inspection by, the general public on demand. Rules, regulations, terms, and conditions
17 not included in the tariff of an in-state natural gas pipeline carrier shall be included in
18 the contract with each shipper.

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

26 **Sec. 42.08.~~330~~350. Uniform system of accounts.** An in-state natural gas
27 pipeline carrier operating under this chapter shall maintain its records and accounts in
28 accordance with the uniform system of accounts for class A natural gas pipelines in 18
29 C.F.R. 201 (Federal Energy Regulatory Commission regulations, as amended).

30 **Sec. 42.08.360. Expansion; dispute resolution.** (a) A contract entered into by
31 an in-state natural gas pipeline carrier may provide for expansion unless the expansion

1 would cause the pipeline to be a competing natural gas pipeline or project as defined
2 in AS_43.90.440.

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

5 **Sec. 42.08.340370. Regulatory cost charge.** (a) An in-state natural gas
6 pipeline operating under this chapter shall pay to the commission an annual regulatory
7 cost charge in an amount not to exceed the sum of the following percentages of gross
8 revenue derived from operations in the state: (1) not more than 0.7 percent to fund the
9 operations of the commission, and (2) not more than 0.17 percent to fund operations of
10 the public advocacy function under AS_42.04.070(c) and AS_44.23.020(e) within the
11 Department of Law. A regulatory cost charge may not be assessed on a pipeline under
12 this chapter unless the pipeline is subject to this chapter and has used the commission's
13 services under this chapter in the prior fiscal year.

14 (b) The commission shall by regulation establish a method to determine
15 annually the amount of the regulatory cost charge. If the amount the commission
16 expects to collect under (a) of this section, AS_42.05.254(a), and AS_42.06.286(a)
17 exceeds the authorized budgets of the commission and the Department of Law public
18 advocacy function under AS_42.04.070(c) and AS_44.23.020(e), the commission
19 shall, by order, reduce the percentage determined under (e) of this section so that the
20 total amount of the fees collected approximately equals the authorized budgets of the
21 commission and the Department of Law public advocacy function under AS
22 _42.04.070(c) and AS_44.23.020(e) for the fiscal year.

23 (c) The commission shall administer the charge imposed under this section.
24 The Department of Revenue shall collect and enforce the charge imposed under this
25 section. The Department of Administration shall identify the amount of the operating
26 budgets of the commission and the Department of Law public advocacy function
27 under AS_42.04.070(c) and AS_44.23.020(e) that lapse into the general fund each
28 year. The legislature may appropriate an amount equal to the lapsed amount to the
29 commission and to the Department of Law public advocacy function under AS
30 _42.04.070(c) and AS_44.23.020(e) for operating costs for the next fiscal year. If the
31 legislature does so, the commission shall reduce the total regulatory cost charge

1 collected for that fiscal year by a comparable amount.

2 (d) The commission may adopt regulations under AS-44.62 (Administrative
3 Procedure Act) necessary to administer this section, including requirements and
4 procedures for reporting information and making quarterly payments. The Department
5 of Revenue may adopt regulations under AS-44.62 (Administrative Procedure Act)
6 for investigating the accuracy of filed information and for collecting required
7 payments.

8 (e) The commission shall by regulation establish a method to determine
9 annually the maximum percentage of gross revenue that will apply to each regulated
10 public utility sector, the maximum percentage of gross revenue that will apply to the
11 regulated pipeline carrier sector under AS-42.06, and the maximum percentage of
12 gross revenue that will apply to pipelines regulated under this chapter in accordance
13 with AS-42.05.254(h).

14 **Sec. 42.08.350380. Nothing to alter the calculation of taxes and royalty.**
15 Nothing in this chapter shall alter the calculation of production taxes under AS
16 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under AS
17 38.05.180.

18 **Article 4. Records; Investigations.**

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

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

25 (c) A record filed with the commission that is ~~or relates to a precedent~~
26 ~~agreement or other contract~~ between an in-state natural gas pipeline carrier and an
27 unregulated entity is a privileged record that is not open to the public for inspection.
28 For a record that is or relates to a precedent agreement, or is or relates to a contract
29 other than a precedent agreement between an in-state natural gas pipeline carrier and
30 an unregulated entity, an in-state natural gas pipeline carrier shall identify the
31 provisions of the record that contain information that, if disclosed, could adversely

1 affect the competitive position of the shipper, and the information shall be treated by
2 the commission as confidential.

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

10 (e) A commissioner may certify as to all official records of the commission
11 under this section and may certify as to all official acts of the commission under this
12 chapter.

13 **Sec. 42.08.410. Investigations.** The commission may investigate any matter
14 set out in AS_42.08.220(b)(2). An investigation may be public, nonpublic, or both. In
15 conducting an investigation, the commission may compel the attendance and
16 testimony of witnesses and the production of records and testimony before the
17 commission or its designee. In the course of an investigation, the commission may,
18 subject to AS 44.23.020(e), exclude from attendance at the taking of investigative
19 testimony all persons except a person compelled to attend, that person's attorney,
20 members of the commission or the commission's staff, and a person authorized to
21 transcribe the proceedings.

22 **Article 5. General Provisions.**

23 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
24 carrier shall file with the commission a written appointment of a named permanent
25 resident, which may be a corporation, of this state as its registered agent in this state
26 upon whom service of all notices, regulations, and requests of the commission may be
27 made. The appointment shall specify the address in this state of the appointed agent.
28 The address may be changed from time to time by filing a new address in the state
29 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
30 registered agent, service of notices, regulations, and requests may be made by posting
31 a copy in the main office of the commission and filing a copy in the office of the

1 lieutenant governor.

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

4 **Sec. 42.08.530. Judicial review and enforcement.** (a) Except as provided in
5 AS_38.35.200(c), a final order of the commission under this chapter is subject to
6 judicial review under AS_44.62.560 and 44.62.570.

7 (b) If an appeal is not taken from a final order of the commission within 10
8 calendar days after an investigation under AS_42.08.220(b)(2), the commission may
9 apply to the superior court for enforcement of the order of the commission. The court
10 shall enforce the order by injunction or other process.

11 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
12 from orders of the commission and applications for enforcement of orders of the
13 commission may be joined. The court may, in the interests of justice, separate the
14 actions.

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

16 (1) "commission" means the Regulatory Commission of Alaska (AS
17 _42.04.010);

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

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

23 (4) "in-state natural gas pipeline" or "in-state natural gas pipeline
24 facility" means a natural gas pipeline that ~~has been authorized by the legislature to~~
25 ~~transport~~transports natural gas in the state by way of contract carriage;

26 (5) "in-state natural gas pipeline carrier" means the owner, including a
27 corporation, company, or other entity organized under the laws of the United States or
28 of any state, of an in-state natural gas pipeline or an interest in it, or any person,
29 including a corporation, company, or other entity organized under the laws of the
30 United States or of any state, that ~~has been granted the right to transport~~transports
31 natural gas as a contract carrier ~~by the legislature;~~

1 (6) "natural gas pipeline" has the meaning given in AS_38.34.099;

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

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

7 * ~~Sec. 3032~~. AS_43.56.020 is amended by adding a new subsection to read:

8 (d) Taxable property of a natural gas pipeline project owned or financed by
9 the Alaska Gasline Development Corporation established under AS_18.56.086, or a
10 joint venture, partnership, or other entity that includes the Alaska Gasline
11 Development Corporation, is exempt from state taxes levied or authorized under AS
12 _43.56.010(a) and local taxes levied or authorized under AS_43.56.010(b) before the
13 commencement of commercial operations of that natural gas pipeline project. In this
14 subsection, "commencement of commercial operations" means the first flow of natural
15 gas in the project that generates revenue to the owners of the natural gas pipeline
16 project.

17 * ~~Sec. 3133~~. AS_38.34.030, 38.34.040, 38.34.060; AS_41.41.030, 41.41.040, AS
18 _41.41.050, and 41.41.080 are repealed.

19 * ~~Sec. 3234~~. Section 1, 2002 Ballot Measure No. 3, is repealed.

20 * ~~Sec. 3335~~. The uncodified law of the State of Alaska is amended by adding a new section
21 to read:

22 TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a
23 right-of-way lease subject to AS_38.34.050(c), as amended by sec. ~~67~~ of this Act, AS
24 _38.35.100(d), as amended by sec. ~~910~~ of this Act, AS_38.35.120(a), as amended by sec. ~~1011~~
25 of this Act, ~~and AS_38.35.120(b)~~, as amended by sec. ~~1112~~ of this Act, and AS 38.35.121, as
26 enacted by sec. 13 of this Act, that is entered into between the commissioner of natural
27 resources and the Alaska Gasline Development Corporation, a subsidiary of the Alaska
28 Housing Finance Corporation created under AS_18.56.086, before the effective dates of secs.
29 ~~67~~ and ~~9-1110 - 12~~ of this Act be amended as soon as practicable after the effective dates of
30 secs. ~~67~~ and ~~9-1110 - 12~~ of this Act to conform to the requirements of AS_38.34.050(c), as
31 amended by sec. ~~67~~ of this Act, AS_38.35.100(d), as amended by sec. ~~910~~ of this Act, AS

1 38.35.120(a), as amended by sec. ~~1011~~ of this Act, ~~and AS_38.35.120(b)~~, as amended by sec.
2 ~~1112~~ of this Act, and AS 38.35.121, as enacted by sec. 13 of this Act.

3 * ~~Sec. 3436~~. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

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

6 (1) AS_38.34.050 from "Cooperation and access to information" to
7 "Cooperation; information sharing; permits, use of state resources, and leases"; ~~and~~

8 ~~(2) AS (2) AS 38.35.120~~ from "Covenants required to be included in lease" to
9 "Covenants required to be included in lease to a pipeline that is not a natural gas pipeline
10 contract carrier"; and

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

13 * ~~Sec. 3537~~. 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, line 28: 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 in-state 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-LS0075VP
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

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

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

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

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

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

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

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

16 (3) it is the policy of the state to make the state's share of royalty natural gas
 17 available for shipment in an in-state natural gas pipeline developed by the Alaska Gasline
 18 Development Corporation;

19 (4) to the maximum extent permitted by law, in developing a natural gas
 20 pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products,
 21 and natural resources from qualified businesses located in the state, including organizations
 22 owned by Alaska Natives and municipal organizations directly affected by the project, if
 23 those persons are competitive; and

24 (5) the Alaska Gasline Development Corporation shall, to the maximum
 25 extent permitted by law,

26 (A) hire qualified residents from throughout the state for management,
 27 engineering, construction, operations, maintenance, and other positions for a natural
 28 gas pipeline project;

1 (B) establish hiring facilities in the state or use existing hiring facilities
2 in the state; and

3 (C) use, as far as practicable, the job centers and associated services
4 operated by the Department of Labor and Workforce Development and an Internet-
5 based labor exchange system operated by the state.

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

7 **Sec. 18.56.087. Alaska Gasline Development Corporation.** (a) The Alaska
8 Gasline Development Corporation, a subsidiary created under AS 18.56.086, shall
9 have all powers granted to it by the corporation. The Alaska Gasline Development
10 Corporation shall, to the fullest extent possible,

11 (1) advance an in-state natural gas pipeline as described in the July 1,
12 2011, project plan prepared under AS 38.34.040 by the Alaska Gasline Development
13 Corporation and the Joint In-State Gasline Development Team, with modifications
14 determined by the Alaska Gasline Development Corporation to be necessary to
15 construct and operate an in-state natural gas pipeline in a safe and economic manner;

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

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

24 (4) endeavor to develop natural gas pipelines to provide shippers
25 access to natural gas produced in the state for transport at commercially reasonable
26 rates.

27 (b) In addition to the powers granted to it by the corporation, the Alaska
28 Gasline Development Corporation may

29 (1) determine the form of ownership and the operating structure of an
30 in-state natural gas pipeline developed by the Alaska Gasline Development
31 Corporation and may enter into agreements with other persons for joint ownership or

1 operation or both of the in-state natural gas pipeline;

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

7 (3) acquire, by purchase, lease, or gift, land, structures, real or personal
8 property, an interest in property, a right-of-way, a franchise, an easement, other
9 interest in land, or an interest in or right to capacity in any pipeline system determined
10 to be necessary or convenient for the development, financing, construction, or
11 operation of an in-state natural gas pipeline project or part of an in-state natural gas
12 pipeline project;

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

17 (5) provide transportation of natural gas as a contract carrier.

18 (c) The Alaska Gasline Development Corporation may not commit to a project
19 that requires state financial participation unless the commitment to the project is made
20 contingent on sanctioning of the project by the legislature through the appropriation of
21 necessary funds.

22 (d) If there is an adequate supply of marketable natural gas in the Cook Inlet
23 sedimentary basin to meet natural gas demands in the Railbelt, the Alaska Gasline
24 Development Corporation shall, subject to appropriation, plan, finance, and construct
25 a natural gas pipeline to deliver natural gas from Cook Inlet to Fairbanks and to
26 communities between Cook Inlet and Fairbanks that do not have access to a natural
27 gas pipeline. For the purposes of this subsection, there is an adequate supply of
28 marketable natural gas when shippers of natural gas are willing and able to sign firm
29 transportation commitments for contracts of not less than 20 years in duration.

30 (e) Upon commencement of construction of an in-state natural gas pipeline,
31 the Alaska Gasline Development Corporation shall analyze additional natural gas

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

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

23 (g) No debt, obligation, or liability of the Alaska Gasline Development
24 Corporation shall become a debt, obligation, or liability of the state or any part or
25 subdivision of the state or of the corporation or a subsidiary corporation of the
26 corporation other than the Alaska Gasline Development Corporation, except as
27 provided in this subsection. This subsection applies to all debt, obligations, and
28 liabilities of the Alaska Gasline Development Corporation regardless of how the debt,
29 obligations, or liabilities are created, including by contract, tort, or bond or note
30 issuance. Except as provided in this subsection, a person may not bring suit against the
31 state or any part or subdivision of the state or against the corporation or a subsidiary

1 corporation of the corporation other than the Alaska Gasline Development
2 Corporation in the courts of the state to enforce or seek a remedy with respect to a
3 debt, obligation, or liability of the Alaska Gasline Development Corporation. The
4 corporation may waive, in whole or in part, the application of the provisions of this
5 subsection to the corporation with respect to a debt, obligation, or liability of the
6 Alaska Gasline Development Corporation. To be effective, a waiver by the
7 corporation must be in writing and shall only have effect to the extent provided in the
8 writing.

9 (h) In the exercise of its powers under (f) and (g) of this section, the Alaska
10 Gasline Development Corporation may not pledge the faith and credit of the state or a
11 political subdivision of the state other than the Alaska Gasline Development
12 Corporation to the repayment of the principal of or interest on any bonds issued by the
13 Alaska Gasline Development Corporation.

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

27 (j) An executed pipeline operating agreement between the Alaska Gasline
28 Development Corporation and the operator of the pipeline developed by the Alaska
29 Gasline Development Corporation shall be disclosed to the public to the extent the
30 disclosure would not divulge trade secrets or other proprietary business information of
31 the Alaska Gasline Development Corporation or the operator.

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

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

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

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

15 * **Sec. 4.** AS 38.05.180(bb)(1) is amended to read:

16 (1) "gas or electric utility" includes an electric cooperative organized
 17 under AS 10.25, a municipal utility, and a gas or electric utility regulated under
 18 AS 42.05; provided that, if the contract gas is transmitted to consumers through a
 19 pipeline and the gas utility either owns the pipeline or is related in ownership to the
 20 owner of the pipeline, then the gas utility qualifies as a "gas or electric utility" within
 21 the meaning of this paragraph only if it is bound or agrees to be bound by the
 22 covenants set out in AS 38.35.120 or 38.35.121, as applicable;

23 * **Sec. 5.** AS 38.34.050(a) is amended to read:

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

1 state agency is a party requires the state agency to preserve the confidentiality of
2 the information and that delivering the information to the Alaska Gasline
3 Development Corporation would violate the confidentiality provision of that law
4 or contract, the state agency shall identify the applicable law or contract
5 provision to the Alaska Gasline Development Corporation and may require the
6 Alaska Gasline Development Corporation to obtain the consent of the person
7 who has the right to waive the confidentiality of the information under the
8 applicable law or contract provision before the state agency transfers the
9 information to the Alaska Gasline Development Corporation.

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

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

18 * Sec. 7. AS 38.34.050(c) is amended to read:

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

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

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

27 (3) the corporation that submits the application for the right-of-way
28 lease agrees to be bound by the right-of-way lease covenants set out in AS 38.35.121
29 [AS 38.35.120].

30 * Sec. 8. AS 38.34.050 is amended by adding new subsections to read:

31 (e) The Alaska Gasline Development Corporation may enter into

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

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

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

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

1 in-state natural gas pipeline project that is owned in whole or in part by the Alaska
2 Gasline Development Corporation may not be included in the rate base in a
3 proceeding under AS 42 or before the Federal Energy Regulatory Commission.

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

8 * **Sec. 9.** AS 38.34.099 is repealed and reenacted to read:

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

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

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

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

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

21 (d) The commissioner shall include in a conditional lease each requirement
22 and condition of the covenants established under AS 38.35.120 or 38.35.121, as
23 applicable. The commissioner may also require that the lessee agree to additional
24 conditions that the commissioner finds to be in the public interest. In place of the
25 covenant established under AS 38.35.120(a)(9), the commissioner shall require the
26 lessee to agree that it will not transfer, assign, pledge, or dispose of in any manner,
27 directly or indirectly, its interest in a conditional right-of-way lease or a pipeline
28 subject to the conditional lease, unless the commissioner, after considering the public
29 interest and issuing written findings to substantiate a decision to allow the transfer,
30 authorizes the transfer. The commissioner shall also require the lessee to agree not to
31 allow the transfer of control of the lessee without the approval of the commissioner; as

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

4 * **Sec. 11. AS 38.35.120(a)** is amended to read:

5 (a) **Except as provided for a natural gas pipeline subject to AS 38.35.121,**
6 **a** [A] noncompetitive lease of state land for a right-of-way for an oil or natural gas
7 pipeline valued at \$1,000,000 or more may be granted only upon the condition that the
8 lessee expressly covenants in the lease, in consideration of the rights acquired by it
9 under the lease, that

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

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

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

1 a marine terminal facility associated with the pipeline, and is not otherwise
2 required to perform its functions under the lease as a common carrier; for
3 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
4 facilities of a total system of pipe, whether owned or operated under a contract,
5 agreement, or lease, used by a carrier for transportation of North Slope natural
6 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
7 transportation, and including all pipe, pump, or compressor stations, station
8 equipment, tanks, valves, access roads, bridges, airfields, terminals and
9 terminal facilities, including docks and tanker loading facilities, operations
10 control centers for both the upstream part of the pipeline and the terminal,
11 tanker ballast treatment facilities, fire protection system, communication
12 system, and all other facilities used or necessary for an integral line of pipe,
13 taken as a whole, to carry out transportation, including an extension or
14 enlargement of the line;

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

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

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

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

1 interest;

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

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

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

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

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

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

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

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

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

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

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

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

18 * Sec. 12. AS 38.35.120(b) is amended to read:

19 (b) Except as provided for a natural gas pipeline subject to AS 38.35.121,
20 for [FOR] a right-of-way lease granted under this chapter for an oil or natural gas
21 pipeline valued at \$1,000,000 or more to be valid and of legal effect, it must contain
22 the terms required to be inserted under the provisions of AS 38.35.110 - 38.35.140. An
23 oil or natural gas pipeline right-of-way lease granted under this chapter and subject to
24 this section that does not contain the required terms is null and void and without legal
25 effect and does not vest any interest in state land or any authority in the carrier granted
26 the lease.

27 * Sec. 13. AS 38.35 is amended by adding a new section to read:

28 **Sec. 38.35.121. Covenants required to be in a lease to a natural gas**
29 **pipeline that is a contract carrier.** (a) For a lease of state land for a right-of-way for
30 which an applicant has applied as a contract carrier under AS 42.08, a noncompetitive
31 lease of state land for a right-of-way for a natural gas pipeline valued at \$1,000,000 or

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

3 (1) except for the covenants in AS 38.35.120(a)(1), (2), and (5), it will
4 meet the requirements of AS 38.35.120;

5 (2) it will interchange natural gas and provide connections and
6 facilities for the interchange of natural gas at every locality reached by both pipelines
7 when the necessity exists, as provided in contracts on file with the Regulatory
8 Commission of Alaska;

9 (3) it assumes the status of and will perform all of its functions
10 undertaken under the lease as a contract carrier and, subject to contracts with shippers,
11 will accept, convey, and transport, without discrimination, natural gas delivered to it
12 for transportation from fields in the vicinity of the pipeline subject to the lease
13 throughout its route, both on state land obtained under the lease and on the other land;
14 subject to its contracts with shippers, it will accept, convey, and transport natural gas
15 without unjust or unreasonable discrimination in favor of one producer or person,
16 including itself, as against another but will take the natural gas delivered or offered
17 without unreasonable discrimination;

18 (4) it will expand the natural gas pipeline on commercially reasonable
19 terms that, when possible, encourage exploration and development of gas resources in
20 this state and without an increase in transportation costs for a shipper except as
21 provided in the contract with the shipper; in this paragraph, "commercially reasonable
22 terms" means that revenue from transportation contracts covers the cost of the
23 expansion, including increased fuel costs and a reasonable return on capital, and the
24 ability of the pipeline to recover the costs of existing facilities is not impaired;

25 (5) it will not require a shipper to pay a rate in excess of the rates
26 provided for in the contract with that shipper.

27 (b) A contract carrier may offer to a shipper firm transportation service,
28 interruptible transportation service, or both.

29 (c) Expansion under (a) of this section may not cause a pipeline to be a
30 competing natural gas pipeline project. In this subsection, "competing natural gas
31 pipeline project" has the meaning given in AS 43.90.440.

1 (d) In this section, "firm transportation service" means service by a natural gas
2 pipeline carrier that is not subject to a prior claim by another shipper or another class
3 of service and is not subject to reduction unless the overall capacity of the pipeline is
4 diminished; service is "firm transportation service" if ~~the service~~ requires the same
5 priority as any other class of firm transportation service.

6 * **Sec. 14.** AS 38.35.140 is amended by adding a new subsection to read:

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

10 * **Sec. 15.** AS 38.35.200 is amended by adding new subsections to read:

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

1 meaning given in AS 38.34.099.

2 (d) An appeal of a permitting decision or authorization by the Department of
3 Environmental Conservation under AS 46.03 or AS 46.14 that is made under a
4 program approved or delegated by the United States Environmental Protection Agency
5 is not

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

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

8 * **Sec. 16.** AS 40.25.120(a) is amended to read:

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

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

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

15 (3) medical and related public health records;

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

18 (5) to the extent the records are required to be kept confidential under
19 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
20 or retain federal assistance;

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

23 (A) could reasonably be expected to interfere with enforcement
24 proceedings;

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

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

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

31 (E) would disclose confidential techniques and procedures for

1 law enforcement investigations or prosecutions;

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

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

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

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

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

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

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

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

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

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

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- (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:

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

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

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

11 * **Sec. 21.** AS 41.41.060 is amended to read:

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

17 * **Sec. 22.** AS 41.41.070(d) is amended to read:

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

24 * **Sec. 23.** AS 41.41.090(b) is amended to read:

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

30 * **Sec. 24.** AS 41.41.150(a) is amended to read:

31 (a) Information in the possession of the authority is a public record, except

1 that information that is contained in or subject to a confidentiality agreement
2 between the authority and the Alaska Gasline Development Corporation or that

3 discloses the particulars of the business or affairs of a private enterprise or investor is
4 confidential and is not a public record for purposes of AS 40.25.110 - 40.25.140.

5 Confidential information may be disclosed only for the purposes of an official law
6 enforcement investigation or when its production is required in a court proceeding.

7 * **Sec. 25.** AS 41.41.200 is amended to read:

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

10 (1) sue and be sued;

11 (2) adopt a seal;

12 (3) adopt, amend, and repeal bylaws and regulations;

13 (4) make and execute contracts and other instruments;

14 (5) in its own name acquire property, lease, rent, convey, or acquire
15 real and personal property [; A PROJECT SITE OR PART OF A PROJECT SITE
16 MAY BE ACQUIRED BY EMINENT DOMAIN];

17 (6) acquire natural gas supplies;

18 (7) issue bonds and otherwise incur indebtedness in accordance with
19 AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

20 (8) accept gifts, grants, or loans from and enter into contracts or other
21 transactions regarding gifts, grants, or loans with a federal agency or an agency or
22 instrumentality of the state, a municipality, private organization, or other source;

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

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

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

31 (12) purchase insurance to protect its assets, services, and employees

1 against liabilities that may arise from authority operations and activities.

2 * **Sec. 26.** AS 41.41.990(2) is amended to read:

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

6 * **Sec. 27.** AS 42.04.080(a) is amended to read:

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

12 * **Sec. 28.** AS 42.05 is amended by adding a new section to read:

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

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

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

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

1 further review by the commission. The commission may, by order, extend the 180-day
 2 review period by the duration of any delay caused by a failure of the public utility to
 3 submit supplemental information that is available to the public utility.

4 ***Sec. 29.** AS 42.05.711 is amended by adding a new subsection to read:

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

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

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

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

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

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

14 **Sec. 42.08.010. Application of chapter; exemption.** (a) This chapter applies
 15 to the regulation of in-state natural gas pipelines that provide transportation by
 16 contract carriage.

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

19 **Sec. 42.08.020. Qualification of the Alaska Gasline Development**
 20 **Corporation; findings.** (a) The Alaska Gasline Development Corporation, a
 21 subsidiary created under AS 18.56.086 and authorized to exercise the powers and take
 22 the actions described in AS 18.56.087, is financially fit, willing, and able to take the
 23 actions, properly to perform the service, and to conform to the requirements of this
 24 chapter.

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

29 (c) The proposed service, construction, and operation of an in-state natural gas
 30 pipeline for which the Alaska Gasline Development Corporation applies for a
 31 certificate under this chapter is required by present and future public convenience and

1 necessity.

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

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

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

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

11 (1) regulate, under the provisions of this chapter, an in-state natural gas
12 pipeline that provides transportation by way of contract carriage;

13 (2) require permits for the construction, enlargement in size or
14 operating capacity, extension, connection and interconnection, operation, or
15 abandonment of an in-state natural gas pipeline facility, under the provisions of this
16 chapter and subject to the same standards as certification in AS 42.08.330;

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

22 (b) The commission may

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

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

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

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

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

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

3 (E) in which it clearly appears from specific facts shown by
4 affidavit or by verified complaint that immediate injury, loss, or damage will
5 result to the peace, health, safety, or general welfare of the public from a
6 violation;

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

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

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

21 (c) The commission may not

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

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

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

29 **Sec. 42.08.240. Publication of reports, orders, decisions, and regulations.**
30 All reports, orders, decisions, and regulations of the commission shall be in writing.
31 The commission shall notify all affected operators of in-state natural gas pipeline

1 facilities and interested parties of reports, orders, decisions, and regulations as they are
2 issued and adopted, and, when appropriate, publish them in a manner that will
3 reasonably inform the public or the affected consumers of the services of an in-state
4 natural gas pipeline facility. The commission may set charges for costs of printing or
5 reproducing and furnishing copies of reports, orders, decisions, and regulations. The
6 publication requirement, as it pertains to regulations, does not supersede the
7 requirements of AS 44.62 (Administrative Procedure Act).

8 **Sec. 42.08.250. Application of administrative procedure act.** (a) The
9 administrative adjudication procedures of AS 44.62 (Administrative Procedure Act)
10 do not apply to adjudicatory proceedings of the commission under this chapter, except
11 that final administrative determinations by the commission are subject to judicial
12 review under AS 44.62 (Administrative Procedure Act) as provided in AS 42.08.530.

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

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

21 **Article 3. Contract Review; Contract Carriage Certificate; Open Seasons.**

22 **Sec. 42.08.300. Open seasons.** (a) An in-state natural gas pipeline carrier shall
23 publish reasonable public notice in advance of an open season. The notice shall
24 contain the proposed recourse tariff, precedent agreement, firm transportation service
25 agreement, and other information sufficient to show the proposed route, capacity,
26 operating pressures, in-service date, quality specifications, and other operating
27 conditions that the pipeline carrier determines are relevant to an evaluation of the
28 proposed service. The notice shall also state the methods for awarding capacity and
29 whether presubscription agreements have been executed. An in-state natural gas
30 pipeline carrier shall provide a mechanism for providing additional relevant
31 information requested by potential shippers.

1 (b) An open season shall be conducted and firm transportation service shall be
2 awarded without undue discrimination or preference.

3 (c) An in-state natural gas pipeline carrier shall conduct an open season for
4 firm transportation service when it has existing uncommitted firm transportation
5 capacity and has received a request for firm transportation capacity from one or more
6 potential shippers that meet the pipeline's creditworthiness requirements.

7 (d) An in-state natural gas pipeline carrier shall conduct an open season for an
8 expansion of its pipeline system when it has received one or more requests for firm
9 transportation service from potential shippers that meet the pipeline's creditworthiness
10 requirements and that, in the aggregate, would enable the expansion of the pipeline's
11 system on a commercially reasonable basis. An expansion of the pipeline system is not
12 commercially reasonable if the expansion would cause the pipeline to be a competing
13 natural gas pipeline or project as defined in AS 43.90.440.

14 (e) A natural gas pipeline carrier may enter into presubscription agreements
15 before the start of an open season.

16 **Section 42.08.310. Transportation service.** (a) Firm transportation service
17 shall be made available only through a presubscription agreement or an open season
18 conducted in accordance with section AS 42.08.300.

19 (b) The pipeline carrier shall offer a recourse tariff for firm transportation
20 service. The rates included in the recourse tariff shall be determined on a cost of
21 service basis. The recourse tariff may not preclude the pipeline carrier from collecting
22 rolled-in rates so long as the resulting rate for prior shippers does not exceed the initial
23 maximum rate allowable under agreements for capacity.

24 (c) An in-state natural gas pipeline carrier may contract to provide firm
25 transportation service on terms and for rates different than those in the recourse tariff.

26 (d) An in-state natural gas pipeline carrier shall provide interruptible
27 transportation service through capacity not used for firm transportation service. An in-
28 state natural gas pipeline carrier shall establish means for routinely advising potential
29 shippers of the availability of interruptible transportation service.

30 **Sec. 42.08.320. Review of certain contracts by the commission.** (a) An in-
31 state natural gas pipeline carrier shall submit each of its precedent agreements for firm

1 transportation service to the commission. A precedent agreement negotiated with an
2 entity that is not a public utility regulated by the commission may be filed under seal.
3 Under AS 42.08.400, the commission shall keep confidential a precedent agreement
4 filed under seal. Submission of precedent agreements to the commission is permissible
5 before construction of an in-state natural gas pipeline and before a request for
6 certification under this chapter.

7 (b) In the review of a precedent agreement submitted under (a) of this section
8 or a related contract submitted under AS 42.05.433(b) or (c), the commission shall

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

13 (2) review and may conduct an investigation and hearing to determine
14 whether a contract submitted under (a) of this section is just and reasonable; the
15 commission shall either approve the contract as presented or, if the commission finds
16 that a contract is unjust or unreasonable, disapprove the contract; if the commission
17 has not acted within 180 days after the submission of a contract, the contract shall be
18 considered approved and shall take effect immediately; a contract that is approved or
19 considered approved under this paragraph is not subject to further review by the
20 commission.

21 (c) For purposes of (b)(1) of this section, a transaction is arm's length

22 (1) if it incorporates the recourse tariff; or

23 (2) if it does not incorporate the recourse tariff,

24 (A) the transaction is between two state-owned parties;

25 (B) the parties are unaffiliated; or

26 (C) if the parties are affiliated, the transaction is substantially
27 similar to a transaction between unaffiliated parties.

28 (d) If a transaction is not arm's length, the commission shall determine
29 whether the transaction is just and reasonable using the standards normally applied
30 under AS 42.06.140. The natural gas pipeline carrier shall provide a cost of service
31 study to the commission that shall be used solely for the purpose of this subsection.

1 When considering whether the approval of a contract is just and reasonable under this
2 subsection, the commission shall consider the consequences of failing to approve the
3 contract.

4 **Sec. 42.08.330. Contract carriage certificate.** (a) The owner of an in-state
5 natural gas pipeline subject to this chapter may not engage in the transportation of
6 natural gas or undertake the construction of a natural gas pipeline facility for that
7 purpose, or acquire or operate an in-state natural gas pipeline facility, unless a
8 certificate of public convenience and necessity by the commission authorizing contract
9 carriage is in force with respect to that owner. A certificate shall describe the nature
10 and extent of the authority granted, including, as appropriate for the services involved,
11 a description of the authorized area and scope of operation for the in-state natural gas
12 pipeline facility.

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

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

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

30 (e) Operating authority may not be transferred by sale or lease of the contract
31 carriage certificate or by the sale of substantially all of the stock or assets of a pipeline

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

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

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

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

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

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

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

23 **Sec. 42.08.340. Tariffs, contracts, filing, and public inspection.** (a) An in-
24 state natural gas pipeline carrier shall file with the commission all recourse tariffs,
25 rules, regulations, terms, and conditions pertaining to service provided under the
26 certificate, and copies of all contracts with shippers that in any way affect or relate to
27 the carrier's rates, tariffs, charges, classifications, rules, regulations, terms, and
28 conditions to service provided under the certificate. The in-state natural gas pipeline
29 carrier shall maintain copies on file at its principal business office and at places
30 designated by the commission and make the copies available to, and subject to
31 inspection by, the general public on demand. Rules, regulations, terms, and conditions

1 not included in the tariff of an in-state natural gas pipeline carrier shall be included in
2 the contract with each shipper.

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

10 **Sec. 42.08.350. Uniform system of accounts.** An in-state natural gas pipeline
11 carrier operating under this chapter shall maintain its records and accounts in
12 accordance with the uniform system of accounts for class A natural gas pipelines in 18
13 C.F.R. 201 (Federal Energy Regulatory Commission regulations, as amended).

14 **Sec. 42.08.360. Expansion; dispute resolution.** (a) A contract entered into by
15 an in-state natural gas pipeline carrier may provide for expansion unless the expansion
16 would cause the pipeline to be a competing natural gas pipeline or project as defined
17 in AS 43.90.440.

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

20 **Sec. 42.08.370. Regulatory cost charge.** (a) An in-state natural gas pipeline
21 operating under this chapter shall pay to the commission an annual regulatory cost
22 charge in an amount not to exceed the sum of the following percentages of gross
23 revenue derived from operations in the state: (1) not more than 0.7 percent to fund the
24 operations of the commission, and (2) not more than 0.17 percent to fund operations of
25 the public advocacy function under AS 42.04.070(c) and AS 44.23.020(e) within the
26 Department of Law. A regulatory cost charge may not be assessed on a pipeline under
27 this chapter unless the pipeline is subject to this chapter and has used the commission's
28 services under this chapter in the prior fiscal year.

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

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

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

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

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

28 **Sec. 42.08.380. Nothing to alter the calculation of taxes and royalty.**
29 Nothing in this chapter shall alter the calculation of production taxes under
30 AS 43.55.011 – 43.55.180 or the calculation of royalty due for leases issued under
31 AS 38.05.180.

Article 4. Records; Investigations.

1
2 **Sec. 42.08.400. Public records.** (a) Except as provided in (b) and (c) of this
3 section or prohibited from disclosure under state or federal law, records in the
4 possession of the commission are open to public inspection at reasonable times.

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

8 (c) A record filed with the commission that is a precedent agreement between
9 an in-state natural gas pipeline carrier and an unregulated entity is a privileged record
10 that is not open to the public for inspection. For a record that is or relates to a
11 precedent agreement, or is or relates to a contract other than a precedent agreement
12 between an in-state natural gas pipeline carrier and an unregulated entity, an in-state
13 natural gas pipeline carrier shall identify the provisions of the record that contain
14 information that, if disclosed, could adversely affect the competitive position of the
15 shipper, and the information shall be treated by the commission as confidential.

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

23 (e) A commissioner may certify as to all official records of the commission
24 under this section and may certify as to all official acts of the commission under this
25 chapter.

26 **Sec. 42.08.410. Investigations.** The commission may investigate any matter
27 set out in AS 42.08.220(b)(2). An investigation may be public, nonpublic, or both. In
28 conducting an investigation, the commission may compel the attendance and
29 testimony of witnesses and the production of records and testimony before the
30 commission or its designee. In the course of an investigation, the commission may,
31 subject to AS 44.23.020(e), exclude from attendance at the taking of investigative

1 testimony all persons except a person compelled to attend, that person's attorney,
 2 members of the commission or the commission's staff, and a person authorized to
 3 transcribe the proceedings.

4 **Article 5. General Provisions.**

5 **Sec. 42.08.510. Designation of service agents.** An in-state natural gas pipeline
 6 carrier shall file with the commission a written appointment of a named permanent
 7 resident, which may be a corporation, of this state as its registered agent in this state
 8 upon whom service of all notices, regulations, and requests of the commission may be
 9 made. The appointment shall specify the address in this state of the appointed agent.
 10 The address may be changed from time to time by filing a new address in the state
 11 with the commission. If an in-state natural gas pipeline carrier fails to appoint a
 12 registered agent, service of notices, regulations, and requests may be made by posting
 13 a copy in the main office of the commission and filing a copy in the office of the
 14 lieutenant governor.

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

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

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

24 **Sec. 42.08.540. Joinder of actions.** Under the applicable court rules, appeals
 25 from orders of the commission and applications for enforcement of orders of the
 26 commission may be joined. The court may, in the interests of justice, separate the
 27 actions.

28 **Sec. 42.08.900. Definitions.** In this chapter,
 29 (1) "commission" means the Regulatory Commission of Alaska
 30 (AS 42.04.010);
 31 (2) "commissioner" means a member of the commission;

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

5 (4) "in-state natural gas pipeline" or "in-state natural gas pipeline
6 facility" means a natural gas pipeline that transports natural gas in the state by way of
7 contract carriage;

8 (5) "in-state natural gas pipeline carrier" means the owner, including a
9 corporation, company, or other entity organized under the laws of the United States or
10 of any state, of an in-state natural gas pipeline or an interest in it, or any person,
11 including a corporation, company, or other entity organized under the laws of the
12 United States or of any state, that transports natural gas as a contract carrier;

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

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

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

19 * **Sec. 32.** AS 43.56.020 is amended by adding a new subsection to read:

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

29 * **Sec. 33.** AS ~~38.34.030, 38.34.040, 38.34.060; AS 41.41.030, 41.41.040, AS 41.41.050,~~
30 and 41.41.080 are repealed.

31 * **Sec. 34.** Section 1, 2002 Ballot Measure No. 3, is repealed.

1 * **Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 TRANSITION AND LEGISLATIVE INTENT. It is the intent of the legislature that a
4 right-of-way lease subject to AS 38.34.050(c), as amended by sec. 7 of this Act,
5 AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11
6 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted
7 by sec. 13 of this Act, that is entered into between the commissioner of natural resources and
8 the Alaska Gasline Development Corporation, a subsidiary of the Alaska Housing Finance
9 Corporation created under AS 18.56.086, before the effective dates of secs. 7 and 10 - 12 of
10 this Act be amended as soon as practicable after the effective dates of secs. 7 and 10 - 12 of
11 this Act to conform to the requirements of AS 38.34.050(c), as amended by sec. 7 of this Act,
12 AS 38.35.100(d), as amended by sec. 10 of this Act, AS 38.35.120(a), as amended by sec. 11
13 of this Act, AS 38.35.120(b), as amended by sec. 12 of this Act, and AS 38.35.121, as enacted
14 by sec. 13 of this Act.

15 * **Sec. 36.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

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

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

20 (2) AS 38.35.120 from "Covenants required to be included in lease" to
21 "Covenants required to be included in lease to a pipeline that is not a natural gas pipeline
22 contract carrier"; and

23 (3) AS 38.35.200 from "Judicial review of decisions of commissioner on
24 application" to "Judicial review."

25 * **Sec. 37.** This Act takes effect immediately under AS 01.10.070(c).

26th Legislature(2009-2010)

Journal Text for HB369 in the 26th LegislatureFull Journal

04-18-2010

Senate Journal

2519

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

04-18-2010

Senate Journal

2520

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

04-18-2010

Senate Journal

2521

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
(907) 465-4766
direct line 465-4875

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 Confidentially

Public Contract

*Tom Williams (1981) Revenue Neutral
Separate accounting vs Combined Accounting*

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 *HB 369: AGDC*
- Authority to determine the form of ownership of the pipeline: *selling project*
- Eminent domain power: *state project*
private "
- Authority to issue debt via bonds and notes, "without limit as to principal amount" *(state) risk/profit*
rate payers
- Priority in state permitting decisions *AGDA*
- 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 mmmcf/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?

adn.com

Anchorage Daily News

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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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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.

ALASKA STAND ALONE GAS PIPELINE/ASAP

*Cost to
Consumers*

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

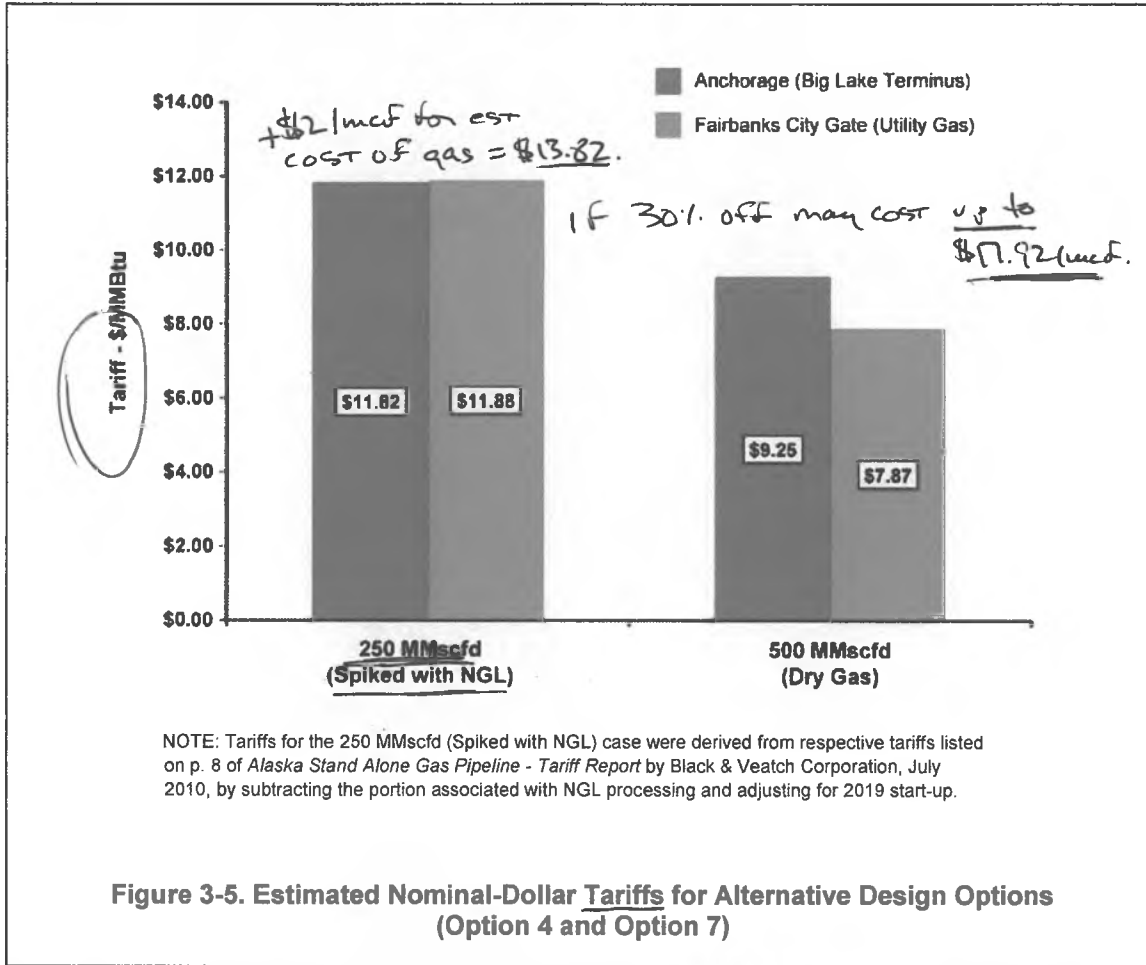
- Using a reasonable set of economic assumptions, the project is likely to be commercially feasible with an un-inflated consumer cost in Anchorage of about \$9.63 per million Btu (MMBtu)¹. This cost is less than the next most practical alternative, imported liquefied natural gas (LNG), which would cost 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



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 AGDC²² 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

Privileged and Confidential Communication: This electronic mail communication and any documents attached hereto may contain confidential and privileged material for the sole use of the intended recipient(s) named above. If you are not the intended recipient of this message (or if you are not authorized to receive information for the recipient) any review, use, distribution, copying or disclosure by you or others is strictly prohibited. Please notify sender by reply email or telephone and delete and/or destroy this message and all attachments.

ASAP LNG Pricing Detail
For Brownfield LNG Plant of 240 MMSCFD of LNG (500 MMSCFD Pipeline thruput) (\$\$/MMBTU in 2011\$\$)

Sales Price	<u>\$13.15</u>	<i>(report assumes estimates possibly 30% off - As high as \$17.05/MMBTU)</i>
- Shipping	\$0.73	
- Liquefaction	\$2.28	
- ASAP tariff	\$5.78	
North Slope Netback	\$4.36	

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

Comparison of Current Alaska Gas Pipeline Proposals

WHITE PAPER

Prepared for:
Alaska Gasline Port Authority

Bill Walker



Research-Based Consulting

**Juneau
Anchorage**

January 2012

lower - 48

7

All Alaska Gas Pipeline	Alaska Pipeline Project (APP)	Alaska Stand Alone Gas Pipeline (ASAP) "bullet line"
<p>Approximate Current AK Consumer Costs</p>	<p><i>Bill Walker</i> <i>Valdez</i></p>	<p>Anchorage - \$8.85/MMBtu (natural gas)</p> <p>Fairbanks - \$23.35/MMBtu (natural gas)</p> <p>Source: ASAP Project Plan. July 2011.</p> <p>Bethel - \$40/MMBtu (diesel)</p> <p><i>4-6/11 ref</i></p>
<p>Predicted Energy Prices (for Alaska consumers unless otherwise noted)</p>	<p>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).</p> <p>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.</p> <p>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.</p> <p>Source: Harris Group study 11/11, ISER, Heinze ANGDA 9/12/11.</p> <p>According to the Office of the Federal Coordinator, a large volume pipeline is the likely source for the most affordable gas for Alaska consumers.</p>	<p>Predicted Fairbanks off-take price as low as \$4.19/MMBtu at city gate.</p> <p>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.</p> <p>Roger Marks estimates \$6.75/MMBtu.</p> <p><i>(Shipping + Liquefaction) → 49</i></p> <p>Source: Heinze ANGDA 9/12/11 (Cook Inlet). Roger Marks (Fairbank).</p> <p>Un-inflated 2011 consumer cost Anchorage - \$9.63/MMBtu. (Inflated cost to 2021: \$12.21/MMBtu).</p> <p>Un-inflated 2011 consumer cost Fairbanks \$10.45/MMBtu (Inflated cost to 2021: \$13.25/MMBtu).</p> <p>Source: ASAP Project Plan. July 2011, Heinze ANGDA 9/12/11. Inflation rate estimate based on Wood Mackenzie study for AGPA.</p>

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."

Mark Myers

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.

HB 9

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

*Cook Inlet
Gas Storage*

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.