

**HB**

**132**

<TARGET><BILL>HB 132</BILL><SUBJECT>HB  
132</SUBJECT><COMM>HRES29</COMM></TARGET>

**HOUSE BILL NO. 132**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES CHENAULT, Hawker, Millett, Johnson

Introduced: 3/2/15

Referred:

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the support of the Alaska liquefied natural gas project by the Alaska  
2 Gasline Development Corporation."

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

4 \* **Section 1.** AS 31.25.005 is amended to read:

5 **Sec. 31.25.005. Purpose.** The corporation shall, for the benefit of the state, to  
6 the fullest extent possible,

7 (1) develop and have primary responsibility for developing natural gas  
8 pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms  
9 to deliver natural gas in-state for the maximum benefit of the people of the state;

10 (2) when developing natural gas pipelines, an Alaska liquefied natural  
11 gas project, and other transportation mechanisms to deliver natural gas in-state,  
12 provide economic benefits in the state and revenue to the state;

13 (3) assist the Department of Natural Resources and the Department of  
14 Revenue to maximize the value of the state's royalty natural gas, natural gas delivered

1 to the state as payment of tax, and other natural gas received by the state;

2 (4) subject to (b)(1) of this section, advance an in-state natural gas  
 3 pipeline as described in the July 1, 2011, project plan prepared under former  
 4 AS 38.34.040 by the corporation while a subsidiary of the Alaska Housing Finance  
 5 Corporation, with modifications determined by the corporation to be appropriate to  
 6 develop, finance, construct, and operate an in-state natural gas pipeline in a safe,  
 7 prudent, economical, and efficient manner, for the purpose of making natural gas,  
 8 including propane and other hydrocarbons associated with natural gas other than oil,  
 9 available to Fairbanks, the Southcentral region of the state, and other communities in  
 10 the state at the lowest rates possible;

11 (5) subject to (b)(2) of this section, advance an Alaska liquefied  
 12 natural gas project by developing infrastructure and providing related services,  
 13 including services related to transportation, liquefaction, a marine terminal, marketing,  
 14 and commercial support; if the corporation provides a service under this paragraph to  
 15 the state, a public corporation or instrumentality of the state, a political subdivision of  
 16 the state, or another entity of the state, the corporation may not charge a fee for the  
 17 service in an amount greater than the amount necessary to reimburse the corporation  
 18 for the cost of the service;

19 (6) endeavor to develop natural gas pipelines and other transportation  
 20 mechanisms to deliver natural gas, including propane and other hydrocarbons  
 21 associated with natural gas other than oil, to public utility and industrial customers in  
 22 areas of the state to which the natural gas, including propane and other hydrocarbons  
 23 associated with natural gas other than oil, may be delivered at commercially  
 24 reasonable rates; and

25 (7) endeavor to develop natural gas pipelines and other transportation  
 26 mechanisms that offer commercially reasonable rates for shippers and access for  
 27 shippers who produce natural gas, including propane and other hydrocarbons  
 28 associated with natural gas other than oil, in the state.

29 \* **Sec. 2.** AS 31.25.005 is amended by adding a new subsection to read:

30 (b) The corporation may not plan or take any step to develop

31 (1) an in-state natural gas pipeline through which over 50 percent of

1 gas is intended to be exported as gas or liquefied natural gas and that is described in  
2 (a)(4) of this section before the earliest of

3 (A) the date that the state or another party withdraws from an  
4 Alaska liquefied natural gas project described in (a)(5) of this section to which  
5 the state was a party on February 1, 2015;

6 (B) the date that the state and other parties enter a front-end  
7 engineering and design study for an Alaska liquefied natural gas project  
8 described in (a)(5) of this section to which the state was a party on February 1,  
9 2015; or

10 (C) July 1, 2017; or

11 (2) an Alaska liquefied natural gas project described in (a)(5) of this  
12 section other than a project to which the state was a party on February 1, 2015, before  
13 the earliest of

14 (A) the date that the state or another party withdraws from an  
15 Alaska liquefied natural gas project described in (a)(5) of this section to which  
16 the state was a party on February 1, 2015;

17 (B) the date that the state and other parties enter a front-end  
18 engineering and design study for an Alaska liquefied natural gas project  
19 described in (a)(5) of this section to which the state was a party on February 1,  
20 2015; or

21 (C) July 1, 2017.

22 \* **Sec. 3.** AS 31.25.080 is amended by adding a new subsection to read:

23 (h) The corporation may not market gas owned or controlled by an entity other  
24 than itself without express written consent from that entity.

25 \* **Sec. 4.** AS 31.25.100 is amended to read:

26 **Sec. 31.25.100. In-state natural gas pipeline fund.** The in-state natural gas  
27 pipeline fund is established in the corporation and consists of money appropriated to  
28 it. The corporation shall determine fund management and may contract with the  
29 Department of Revenue for fund management. Unless otherwise provided by law,  
30 money appropriated to the fund lapses into the general fund on the day this section is  
31 repealed. Interest and other income received on money in the fund shall be separately

1 accounted for and may be appropriated to the fund. The corporation may use money  
 2 appropriated to the fund without further appropriation for the cost of managing the  
 3 fund and for the planning, financing, development, acquisition, maintenance,  
 4 construction, and operation of the in-state natural gas pipeline described in  
 5 AS 31.25.005(a)(4) [AS 31.25.005(4)] and for the purposes of AS 31.25.005(a)(4),  
 6 (6), and (7). The corporation may not expend money from the fund to plan or  
 7 take any step to develop an in-state natural gas pipeline through which over 50  
 8 percent of gas is intended to be exported as gas or liquefied natural gas and that  
 9 is described in AS 31.25.005(a)(4) before the earliest of

10 (1) the date that the state or another party withdraws from an  
 11 Alaska liquefied natural gas project described in AS 31.25.005(a)(5) to which the  
 12 state was a party on February 1, 2015;

13 (2) the date that the state and other parties enter a front-end  
 14 engineering and design study for an Alaska liquefied natural gas project  
 15 described in AS 31.25.005(a)(5) to which the state was a party on February 1,  
 16 2015; or

17 (3) July 1, 2017 [IN AS 31.25.005(4), (6), AND (7)].

18 \* **Sec. 5.** AS 31.25.390(1) is amended to read:

19 (1) "Alaska liquefied natural gas project" means a natural gas project  
 20 as described in AS 31.25.005(a)(5) [AS 31.25.005(5)] that includes collectively, the  
 21 Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line,  
 22 a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine  
 23 terminal; in this paragraph,

24 (A) "gas pipeline"

25 (i) means the main natural gas pipeline from the outlet  
 26 flange of the gas treatment plant on the North Slope to the inlet flange  
 27 of the liquefied natural gas plant located in the Southcentral region of  
 28 the state, which shall have offtake points along the pipeline for  
 29 deliveries of gas in the state;

30 (ii) does not include any gas lines downstream of any  
 31 offtake point between the gas treatment plant and the liquefied natural

1 gas plant;

2 (B) "gas treatment plant" means those facilities and related  
3 activities required to receive natural gas from the Prudhoe Bay unit gas  
4 transmission line, the Point Thomson unit gas transmission line, and other  
5 facilities, treat the natural gas to pipeline specifications, dispose of or deliver  
6 by-products, deliver liquid products for further transportation, and deliver  
7 treated natural gas for transportation through the gas pipeline;

8 (C) "liquefied natural gas plant" means the facility for  
9 liquefying natural gas and includes structures, equipment, underlying land  
10 rights, other associated systems, storage, and facilities for off-loading liquefied  
11 natural gas;

12 (D) "marine terminal" means the terminal and those facilities  
13 required to receive liquefied natural gas from the boundary of the liquefied  
14 natural gas plant for marine transportation, including auxiliary vessels used in  
15 the operation of the terminal;

16 (E) "Point Thomson unit gas transmission line" means a natural  
17 gas transmission line from the outlet flange of the Point Thomson unit  
18 production facility to the inlet flange of the gas treatment plant; and

19 (F) "Prudhoe Bay unit gas transmission line" means a natural  
20 gas transmission line from the outlet flange of the Prudhoe Bay unit central gas  
21 facility to the inlet flange of the gas treatment plant;

22 \* **Sec. 6.** AS 31.25.390 is amended by adding a new paragraph to read:

23 (8) "front-end engineering and design study" means a study that  
24 includes

25 (A) sufficiently detailed basic engineering packages for the  
26 components of the Alaska liquefied natural gas project and a contracting  
27 strategy to enable contractor bidding for the engineering, procurement, and  
28 construction contracts;

29 (B) a resourcing, commissioning, and start-up plan;

30 (C) the finalization of the key project agreements required to  
31 implement the Alaska liquefied natural gas project;

- 1 (D) a technical and commercial definition of the Alaska
- 2 liquefied natural gas project;
- 3 (E) a detailed update of the Alaska liquefied natural gas project
- 4 economics, financing, and commercial assumptions, including an updated
- 5 estimate of capital costs sufficient for a final investment decision;
- 6 (F) a final assessment of the environmental, social, and health
- 7 effects of the Alaska liquefied natural gas project;
- 8 (G) a description of long-lead procurement activities;
- 9 (H) a description of other activities necessary to enable a final
- 10 investment decision to be taken on the Alaska liquefied natural gas project,
- 11 including financing, permitting, and registration information; and
- 12 (I) the bidding and internal selection of engineering,
- 13 procurement, and construction contractors, if applicable.

# ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol  
Juneau, Alaska 99801-1182

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## Sponsor Statement

### House Bill 132

House Bill 132 affirms the policy direction for the Alaska Gasline Development Corporation (AGDC).

The Legislature set this policy direction in 2013 when creating AGDC, and in 2014 when approving AGDC's involvement in the Alaska LNG Project in conjunction with SB 138.

HB 132 recognizes that AGDC is already engaged as a partner on behalf of the State in the Alaska LNG Project, which is the project most likely to deliver the greatest benefit to Alaskans.

Because the Alaska LNG Project is most likely to deliver the greatest benefits to Alaskans, House Bill 132 ensures that AGDC maintains its commitment to this project and does not embark on a duplicative, competing project, until the future of the Alaska LNG Project is more certain. Per House Bill 132, AGDC would be free to pursue other projects at the earliest of three dates; 1) if a party to the Alaska LNG Project withdraws, 2) if the Alaska LNG Project proceeds into the Front-End Engineering and Design (FEED) phase, and 3), July 1, 2017.

The legislation further recognizes that the State is prudent to maintain its back-up plan, the ASAP project, in case the State's partners in the Alaska LNG Project fail to commit to the next development phase, FEED. Should that occur, AGDC is poised to re-solicit gas buyers and gas sellers, and to upgrade the ASAP proposal as supported by the market.

To avoid a duplicative or competing project, the legislation prohibits use of the Instate Natural Gas Pipeline Fund to pay for work on a project that would export more gas than it would deliver instate. House Bill 132 also requires AGDC to have the written consent of a gas owner/controller before attempting to market that entity's gas to a third party.

Keys to megaproject success include the elimination of competing objectives, and the alignment of stakeholders along a single project. With the unprecedented momentum to date of the aligned Alaska LNG Project, contemplation of competing projects increases risk and uncertainty that threaten success.

This legislation ensures that AGDC retain the course set by the Legislature in creating AGDC and providing a framework for AGDC to advance the state's interests as a full participant in the Alaska LNG Project.

# ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol  
Juneau, Alaska 99801-1182

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## Sectional Analysis for HB 132

- Short Title: AGDC support of natural gas projects
- Section 1 Amends AS 31.25.005, AGDC's purpose, to accommodate changes made by section two.
- Section 2 Adds a new subsection to AS 31.25.005, AGDC's purpose, to place temporary restrictions on AGDC's abilities. Prohibits AGDC from developing a natural gas pipeline project in which more than half the gas transported is intended for export as liquefied natural gas, and prohibits AGDC's involvement in a liquefied natural gas project that competes with the Alaska LNG Project in which AGDC is already contractually involved. These prohibitions terminate at the earliest of three dates: July 1, 2017; the time at which the state and other Alaska LNG Project parties enter the next development stage, Front End Engineering and Design (FEED); or the time at which the state or another party withdraws from the Alaska LNG Project.
- Section 3 Adds a new subsection to AS 31.25.080, AGDC's powers and duties, to require AGDC to obtain written consent from an entity controlling or owning gas, before AGDC is able to market that gas.
- Section 4 Amends AS 31.25.100, In-state natural gas pipeline fund, to restrict AGDC from using the monies for a project that competes with the Alaska LNG Project, or for a natural gas pipeline project through which a majority of gas is intended for export. These restrictions expire at the earliest of three dates: July 1, 2017; the time at which the state and other Alaska LNG Project parties enter the next development stage, Front End Engineering and Design (FEED); or the time at which the state or another party withdraws from the Alaska LNG Project (consistent with section two dates).
- Section 5 Amends AS 31.25.390, AGDC definitions, to conform the statutory reference in the definition of 'Alaska liquefied natural gas project' to reflect the addition of a new subsection in AS 31.25.005.
- Section 6 Adds a new term, 'front-end engineering and design study', to AS 31.25.390, AGDC definitions. The definition replicates the language in the Heads of Agreement document for the Alaska LNG Project, dated Jan. 14, 2014, between AGDC, the State of Alaska, BP, Conoco, TransCanada, and Exxon Mobil.

**CS FOR HOUSE BILL NO. 132( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-NINTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): REPRESENTATIVES CHENAULT, Hawker, Millett, Johnson, Herron, Olson, Nageak, Talerico**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the purpose, powers, and duties of the Alaska Gasline Development**  
2 **Corporation related to the Alaska liquefied natural gas project and an in-state natural**  
3 **gas pipeline; relating to the in-state natural gas pipeline fund; and providing for an**  
4 **effective date."**

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

6 **\* Section 1.** AS 31.25.005 is amended to read:

7 **Sec. 31.25.005. Purpose.** The corporation shall, for the benefit of the state, to  
8 the fullest extent possible,

9 (1) develop and have primary responsibility for developing natural gas  
10 pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms  
11 to deliver natural gas in-state for the maximum benefit of the people of the state;

12 (2) when developing natural gas pipelines, an Alaska liquefied natural  
13 gas project, and other transportation mechanisms to deliver natural gas in-state,  
14 provide economic benefits in the state and revenue to the state;

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(3) assist the Department of Natural Resources and the Department of Revenue to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state;

(4) subject to (b)(1) of this section, advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under former AS 38.34.040 by the corporation while a subsidiary of the Alaska Housing Finance Corporation, with modifications determined by the corporation to be appropriate to develop, finance, construct, and operate an in-state natural gas pipeline in a safe, prudent, economical, and efficient manner, for the purpose of making natural gas, including propane and other hydrocarbons associated with natural gas other than oil, available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rates possible;

(5) subject to (b)(2) of this section, advance an Alaska liquefied natural gas project by developing infrastructure and providing related services, including services related to transportation, liquefaction, a marine terminal, marketing, and commercial support; if the corporation provides a service under this paragraph to the state, a public corporation or instrumentality of the state, a political subdivision of the state, or another entity of the state, the corporation may not charge a fee for the service in an amount greater than the amount necessary to reimburse the corporation for the cost of the service;

(6) endeavor to develop natural gas pipelines and other transportation mechanisms to deliver natural gas, including propane and other hydrocarbons associated with natural gas other than oil, to public utility and industrial customers in areas of the state to which the natural gas, including propane and other hydrocarbons associated with natural gas other than oil, may be delivered at commercially reasonable rates; and

(7) endeavor to develop natural gas pipelines and other transportation mechanisms that offer commercially reasonable rates for shippers and access for shippers who produce natural gas, including propane and other hydrocarbons associated with natural gas other than oil, in the state.

\* **Sec. 2.** AS 31.25.005 is amended by adding a new subsection to read:

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(b) The corporation may not plan or take any step to develop  
(1) an in-state natural gas pipeline through which over 50 percent of gas is intended for export by the corporation or another party as gas or liquefied natural gas and that is described in (a)(4) of this section before the earliest of

(A) the date that the state or another party withdraws from an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015;

(B) the date that the state and other parties enter into contractual agreements to undertake front-end engineering and design for an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015; or

(C) July 1, 2017; or

(2) an Alaska liquefied natural gas project described in (a)(5) of this section other than a project to which the state was a party on February 1, 2015, before the earliest of

(A) the date that the state or another party withdraws from an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015;

(B) the date that the state and other parties enter into contractual agreements to undertake front-end engineering and design for an Alaska liquefied natural gas project described in (a)(5) of this section to which the state was a party on February 1, 2015; or

(C) July 1, 2017.

\* **Sec. 3.** AS 31.25.080 is amended by adding a new subsection to read:

(h) The corporation may not market gas owned or controlled by an entity other than itself without express written consent from that entity.

\* **Sec. 4.** AS 31.25.100 is amended to read:

**Sec. 31.25.100. In-state natural gas pipeline fund.** The in-state natural gas pipeline fund is established in the corporation and consists of money appropriated to it. The corporation shall determine fund management and may contract with the Department of Revenue for fund management. Unless otherwise provided by law,

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money appropriated to the fund lapses into the general fund on the day this section is repealed. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund. The corporation may use money appropriated to the fund without further appropriation for the cost of managing the fund and for the planning, financing, development, acquisition, maintenance, construction, and operation of the in-state natural gas pipeline described in AS 31.25.005(a)(4) [AS 31.25.005(4)] and for the purposes of AS 31.25.005(a)(4), (6), and (7). The corporation may not expend money from the fund to plan or take any step to develop an in-state natural gas pipeline through which over 50 percent of gas is intended for export by the corporation or another party as gas or liquefied natural gas and that is described in AS 31.25.005(a)(4) before the earliest of

(1) the date that the state or another party withdraws from an Alaska liquefied natural gas project described in AS 31.25.005(a)(5) to which the state was a party on February 1, 2015;

(2) the date that the state and other parties enter into contractual agreements to undertake front-end engineering and design for an Alaska liquefied natural gas project described in AS 31.25.005(a)(5) to which the state was a party on February 1, 2015; or

(3) July 1, 2017 [IN AS 31.25.005(4), (6), AND (7)].

\* Sec. 5. AS 31.25.390(1) is amended to read:

(1) "Alaska liquefied natural gas project" means a natural gas project as described in AS 31.25.005(a)(5) [AS 31.25.005(5)] that includes collectively, the Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line, a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine terminal; in this paragraph,

(A) "gas pipeline"

(i) means the main natural gas pipeline from the outlet flange of the gas treatment plant on the North Slope to the inlet flange of the liquefied natural gas plant located in the Southcentral region of the state, which shall have offtake points along the pipeline for

1 deliveries of gas in the state;

2 (ii) does not include any gas lines downstream of any  
3 offtake point between the gas treatment plant and the liquefied natural  
4 gas plant;

5 (B) "gas treatment plant" means those facilities and related  
6 activities required to receive natural gas from the Prudhoe Bay unit gas  
7 transmission line, the Point Thomson unit gas transmission line, and other  
8 facilities, treat the natural gas to pipeline specifications, dispose of or deliver  
9 by-products, deliver liquid products for further transportation, and deliver  
10 treated natural gas for transportation through the gas pipeline;

11 (C) "liquefied natural gas plant" means the facility for  
12 liquefying natural gas and includes structures, equipment, underlying land  
13 rights, other associated systems, storage, and facilities for off-loading liquefied  
14 natural gas;

15 (D) "marine terminal" means the terminal and those facilities  
16 required to receive liquefied natural gas from the boundary of the liquefied  
17 natural gas plant for marine transportation, including auxiliary vessels used in  
18 the operation of the terminal;

19 (E) "Point Thomson unit gas transmission line" means a natural  
20 gas transmission line from the outlet flange of the Point Thomson unit  
21 production facility to the inlet flange of the gas treatment plant; and

22 (F) "Prudhoe Bay unit gas transmission line" means a natural  
23 gas transmission line from the outlet flange of the Prudhoe Bay unit central gas  
24 facility to the inlet flange of the gas treatment plant;

25 \* **Sec. 6.** AS 31.25.390 is amended by adding a new paragraph to read:

26 (8) "front-end engineering and design" means a study that includes

27 (A) sufficiently detailed basic engineering packages for the  
28 components of the Alaska liquefied natural gas project and a contracting  
29 strategy to enable contractor bidding for the engineering, procurement, and  
30 construction contracts;

31 (B) a resourcing, commissioning, and start-up plan;

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(C) the finalization of the key project agreements required to implement the Alaska liquefied natural gas project;

(D) a technical and commercial definition of the Alaska liquefied natural gas project;

(E) a detailed update of the Alaska liquefied natural gas project economics, financing, and commercial assumptions, including an updated estimate of capital costs sufficient for a final investment decision;

(F) a final assessment of the environmental, social, and health effects of the Alaska liquefied natural gas project;

(G) a description of long-lead procurement activities;

(H) a description of other activities necessary to enable a final investment decision to be taken on the Alaska liquefied natural gas project, including financing, permitting, and registration information; and

(I) the bidding and internal selection of engineering, procurement, and construction contractors, if applicable.

\* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

## Summary of Changes

From HB 132 \E to CS for HB 132 \P

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### Title

The CS expands on the bill title to more accurately reflect the contents of the bill. Previously, the title related to “the support of the Alaska liquefied natural gas project by the Alaska Gasline Development Corporation.” However, the bill includes sections related to AGDC’s purpose, powers and duties and to the instate natural gas pipeline fund. Also, the title now mentions an effective date, which is added in this CS.

### Page 3, line 3, and Page 4, line 10

The bill temporarily prohibits AGDC from participating in an in-state project in which a majority of the gas is intended to be exported. The CS includes a project in which a majority of the gas is intended for export by AGDC or by another party.

### Page 3, lines 8-9; Page 3, lines 19-20; Page 4, lines 16-17

The bill restricts AGDC’s activities until the earliest of three dates. One of these dates is the time at which the state and other parties enter the next development phase of AK LNG. The CS requires “contractual agreements to undertake FEED”, and deletes the word “study” after “FEED.”

### Page 5, line 26

Changes the term being defined from “front end engineering and design study” to “front end engineering and design.”

### Page 6, line 16

Adds an immediate effective date. Previously, there was no effective date.

# Alaska State Legislature

**Co-Chair Benjamin Nageak**  
State Capitol, Room 126  
Juneau, AK 99801  
Phone: (907) 465-3473  
Fax: (907) 465-2827

**Co-Chair Dave Talerico**  
State Capitol, Room 104  
Juneau, AK 99801  
Phone: (907) 465-4922  
Fax: (907) 465-2197



**Rep. Mike Hawker, Vice Chair**  
Rep. Bob Herron  
Rep. Andy Josephson  
Rep. Craig Johnson  
Rep. Kurt Olson  
Rep. Paul Seaton  
Rep. Geran Tarr

## House Resources Committee

March 9, 2015

Governor Walker  
Office of the Governor  
P.O. Box 110001  
Juneau, AK 99811-0001

Dear Governor Walker,

During testimony on House Bill 132 in the House Resources Committee on March 6, a committee member requested additional information.

Would you please provide the committee with the letter that you submitted to TransCanada in 2012 in response to TransCanada's solicitation of interest held as the licensee to AGIA? We believe you have previously referenced this letter as bringing 200% of the market to Alaska by Asian buyers.

We understand that you may need to obtain permission from the Alaska Gasline Port Authority's clients in the matter before releasing their expression of interest.

We appreciate your consideration of our House Resources Committee request, and look forward to your response.

Sincerely,

  
Representative Nageak

  
Representative Talerico

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: HB 132  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB132-DCCED-AGDC-03-05-15  
Title: AGDC SUPPORT OF NATURAL GAS PROJECTS  
Sponsor: CHENAULT  
Requester: HRES

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Alaska Gasline Development Corporation  
Allocation: Alaska Gasline Development Corporation  
OMB Component Number: 2986

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? N  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Prepared By:	Miles Baker, VP External Affairs and Government Relations	Phone:	(907)330-6360
Division:	Alaska Gasline Development Corporation	Date:	03/06/2015 11:00 AM
Approved By:	Dan Fauske, President	Date:	03/06/15
Agency:	Alaska Gasline Development Corporation		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. HB 132

### Analysis

The Alaska Gasline Development Corporation (AGDC) is currently advancing two North Slope natural gas pipeline projects - the in-state Alaska Stand Alone Pipeline (ASAP) and the Alaska LNG export project.

The bill would not impact the Corporation's FY16 operating budget as both pipeline initiatives would continue on their current work path. However, to the extent the bill limits the Corporation's ability to make modifications to ASAP's design that could improve the project's economics, as is currently allowed under AS 31.25.005(4), the Corporation's capital spending plan may be impacted going forward. This bill would subject the Corporation to additional limitations under which it can progress the two North Slope natural gas initiatives:

Sec 2 establishes that the Corporation may not plan or develop an in-state natural gas pipeline project in which more than 50% of the transported gas is intended for export as LNG, until the earliest of one of three dates:

1. The date that a current Joint Venture party withdraws from the Alaska LNG project
2. The date the Alaska LNG project moves into the Front-End Engineering and Design (FEED) stage
3. July 1, 2017

Since domestic in-state gas demand is currently estimated at 250 MMscfd, under this temporary restriction, AGDC would be required to maintain the ASAP project's current design basis of 500 MMscfd.

Sec 2 also establishes that the Corporation may not participate in an Alaska liquefied natural gas project other than the Alaska LNG project, until the earliest of one of the above dates. Since the current ASAP design basis is for a lean, utility grade gas, this new limitation would temporarily restrict AGDC from making changes to the ASAP gas composition to accommodate an LNG specification.

Sec 3 adds a new subsection to AGDC's powers and duties, restricting the Corporation from marketing gas it does not own, without written consent of the owner. AGDC does not currently own any gas and to date has not been directly engaged in gas marketing.

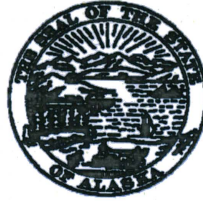
The Corporation has authority over two funds from which it finances corporate operations and work activities associated with these projects. The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) and the *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110). Once money has been appropriated to these funds, AGDC is authorized to spend money out of the funds, within the parameters established, as expenditures occur, without further appropriation. AGDC has instituted internal procedures to separately account for and allocate project and Corporate expenditures to the appropriate fund. The Corporation has contracted with the Department of Revenue to manage both funds.

The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) was established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of the ASAP in-state natural gas pipeline project. Since 2009, approximately \$420 million has been appropriated by the Legislature for the project, either directly, or by capitalizing the In-State Natural Gas Pipeline Fund.

Sec 4 establishes additional restrictions on the use of the In-State Natural Gas Pipeline Fund. The bill would restrict AGDC from using monies from the fund to increase the capacity of the ASAP project or to develop ASAP into a project that competes with the Alaska LNG project.

The *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110) was established in 2014 to fund state expenditures associated with the Alaska LNG project and the state's equity participation in that venture. The fund was capitalized in FY14 with a \$69.8 million appropriation.

# ALASKA STATE HOUSE OF REPRESENTATIVES



State Capitol  
Juneau, Alaska 99801-1182

February 20, 2015

The Honorable Bill Walker  
Governor, State of Alaska  
PO Box 110001  
Juneau, AK 99811-0001

Dear Governor Walker,

We followed with interest your opinion piece in the newspaper and your press comments articulating a new plan forward on North Slope natural gas development and commercialization. Naturally, we have serious, initial concerns about a change in course that may adversely affect the unprecedented alignment now underway in the Alaska LNG Project, and in redirecting a state entity to compete where the Legislature has statutorily directed cooperation. We hope that you and your administration may alleviate some of those concerns by providing answers to the following questions.

To set the stage, the Legislature passed Senate Bill 138 in 2014 by a vote of 52-8. This vote was a clear statement supporting the framework laid out in SB 138, and for the accompanying Memorandum of Understanding (MOU) and Heads of Agreement (HOA), and also for the new direction statutorily provided to the Alaska Gasline Development Corporation (AGDC). Specifically, the Legislature acknowledged the extraordinary value of the State and the Producers aligning on a common project, and working as partners to facilitate that work.

To that end, the Legislature clearly directed AGDC to prioritize its work on Alaska LNG, while maintaining plans for ASAP as a future option should the parties to Alaska LNG fail to proceed into the next phase of work (Front End Engineering and Design) and, ultimately, into a Final Investment Decision on the joint project. AGDC was to cooperate, but not compete; and to create the appropriate firewalls to enable sharing of confidential information from private sector partners, without the ability to then use that information for other advantage. If, in the future, the private sector partners were unable to proceed with Alaska LNG, only then would AGDC have the ability to use that information to advance an AGDC project alternative.

3/6/15  
RECEIVED FROM  
REP. HAWKER & PASSED  
OUT TO COMMITTEE MEMBER:  
IN HOUSE RESOURCES.

The new approach laid out in your opinion article and in your press conference appears to run contrary to the principles underlying Alaska LNG, and the Legislature's intent in passing SB 138. We realize that we lack specific details on many aspects of this new approach. We are hopeful you will guide us to a greater understanding.

Our immediate questions are:

- If AGDC is to pursue an equivalent project concurrent with the state's involvement in Alaska LNG, how do you intend to maintain alignment with the state's partners in Alaska LNG? How will they be assured that the state will, in fact, follow through on its financial and partnership commitments to Alaska LNG?
- What assurances do you have from the state's Alaska LNG partners that they will continue their investment in Alaska LNG when the state – previously, their 'aligned' equity partner – is now, in essence, also a competitor?
- Have the Producers and TransCanada assured you of their willingness to move Alaska LNG forward under this new scenario of two competing projects?
- How will you protect the firewalls within AGDC that have allowed critical information-sharing with the Alaska LNG Project? How are the state's partners to be assured that their commercially sensitive information will be protected and not used to further the state's competing, independent gasoline interests?
- In the same vein, what is the estimated cost of the state pursuing its own project independently? You indicated a route change and the addition of multiple compressor stations; and, with higher volumes, we understand thicker-walled pipe may be required. The additional data collection and permitting is likely to increase costs substantially. What is the anticipated source of these funds?
- With the producers pursuing their own project, to which they will presumably commit their gas, where will the state obtain gas to offer/ship/sell to other partners in the state's independent project? How will the state market a project without gas?
- When can the Legislature anticipate your administration providing a comparative economic study of the two projects? AGDC has statutory direction to pursue a project that delivers maximum benefit to Alaskans. When will your administration make available the analysis underpinning this shift?
- Additionally, what professional analysis is available to your administration supporting the concept of a demand-pull project? Will that analysis be made available to the Legislature?
- Further, is there analysis that indicates that a state-sponsored project will be able to succeed financially if the Alaska LNG Project, backed by three extremely competent LNG developers with strong marketing contracts globally, is not sanctioned?
- The market wants to pay the lowest possible price for our gas; under Alaska LNG, the producers and the state have a common goal of getting the highest possible price for Alaska's gas. Not only would the new ASAP proceed directly to the market, as opposed to those with gas who share an economic interest with the State, but the new approach seems to essentially give the market multiple supply options, potentially further disadvantaging the State's ultimate price received. Presuming two competing projects are soliciting the market for long-term contracts to purchase LNG, how will your administration protect the state's interests? How will two projects compete for the same market? How will that help us get the highest price for our gas?

- As you are aware, a Department of Energy export license will require an applicant have gas committed to the project and a site secured for a liquefaction facility. Does the State intend to file for an export license? If so, how will the State demonstrate gas is available for the project, when the known gas leased by the Producers has been committed to a different project?

There are few issues as critical to Alaska's future as responsible development of our rich North Slope natural gas resources. We believe you agree, in light of your record on the subject. We sincerely hope that you will give the time and focus required to fully evaluate the consequences inherent in a change in course, and the associated threat that poses to the success of an aligned project.

The Alaska LNG Project holds the keys to unlocking this bounty, for the benefit of all Alaskans, by providing gas to our people, and revenue from LNG sales to overseas markets. The aligned project strikes the proper balance, at this stage, between risk and reward, between costs and benefits.

We are adamant in our continued support for this project, and will be relentless in our work to ensure nothing inhibits the unprecedented alignment and forward momentum we've witnessed over the last year. We must not allow success to be turned into failure by well-intentioned but inappropriate state actions.

Sincerely,




Representative Mike Chenault  
Speaker



Representative Mike Hawker  
Chair, Legislative Budget and Audit



Representative Craig Johnson  
Chair, House Rules Committee



Representative Charisse Millett  
Majority Leader



Representative Dave Talerico  
Co-Chair, House Resources Committee

STATE CAPITOL  
P.O. Box 110001  
Juneau, AK 99811-0001  
907-465-3500  
fax: 907-465-3532



**Governor Bill Walker**  
**STATE OF ALASKA**

550 West Seventh Avenue, Suite 1700  
Anchorage, AK 99501  
907-269-7450  
fax 907-269-7461  
[www.Gov.Alaska.Gov](http://www.Gov.Alaska.Gov)  
[Governor@Alaska.Gov](mailto:Governor@Alaska.Gov)

March 2, 2015

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol Room 208  
Juneau, AK 99801

The Honorable Mike Hawker  
Chair, Legislative Budget and Audit  
Alaska State House of Representatives  
State Capitol Room 502  
Juneau, AK 99801

The Honorable Craig Johnson  
Chair, Rule Committee  
Alaska State House of Representatives  
State Capitol Room 216  
Juneau, AK 99801

The Honorable Charisse Millett  
Majority Leader  
Alaska State House of Representatives  
State Capitol Room 204  
Juneau, AK 99801

The Honorable Dave Talerico  
Co-Chair, Resources Committee  
Alaska State House of Representatives  
State Capitol Room 104  
Juneau, AK 99801

Dear Speaker Chenault and Representatives,

Thank you for your letter of February 20, 2015, responding to my plan to ensure Alaska finally brings a natural gas pipeline project to fruition. I appreciate the work you have done to advance this goal and look forward to building on the efforts you set in motion.

Our shared aim is to sell Alaska's gas to world markets and provide an affordable, reliable natural gas supply to Alaskans. The common ground of any pipeline project is that it be in the best interests of the State. By moving forward with both the AK LNG and the ASAP projects, we are better assured of getting the right project for Alaska.

Around the world, the producers are developing their own projects that directly compete with AK LNG. There is nothing inappropriate about that; it is how business is done. By the same token, it is not inappropriate for the State of Alaska to consider another option, one that ensures we have an economically viable gas project that is not dependent on the potentially changing priorities of the producers over the next few years.

There are multiple advantages to concurrently pursuing a market-driven project. These advantages include more State control than in a producer-driven project, strengthening the State's hand in fiscal

3/6/15  
RECEIVED FROM REP.  
HAWKER & PASSED OUT TO  
COMMITTEE MEMBERS IN  
UNITS DESCRIBED

The Honorable Mike Chenault et al.  
Alaska Gas Pipeline  
March 2, 2015  
Page 2

and commercial negotiations with the producers, and providing market-based financing opportunities the State can offer for possible merger with the producer-driven AK LNG project.

I have spoken with each of the producers and TransCanada at a high level, and each indicated that they would not discontinue with the AK LNG project because Alaska is also advancing our own option. I have met with one of the AK LNG participants and their only concern is the firewall arrangement between the two projects, an issue we are currently addressing. While the producers and TransCanada do not have any firewall between their own competing projects and the AK LNG project, we will respect their desire for us to have a firewall between our ASAP project and the AK LNG project.

In the coming weeks and months, we will continue to address the issues you raise in your letter as we further delineate details of the project. I anticipate there will be adjustments to information sharing between projects and other matters. This will be done on a case-by-case basis as needed. I do not anticipate anything being a show-stopper. We will continue to work with the producers throughout this process.

Transporting and giving value to our natural gas is critical to the future of this state. Let's do it together, with respect for ourselves as the owner of the resource, and with an understanding of and respect for the differing interests of the market and the producers. I look forward to working with you and with all parties to advance the best project for Alaska.

Sincerely,



Bill Walker  
Governor

Testimony of Harold Heinze on HB 132  
House Resources on March 14, 2015

Mr. Chairman and members of the House Resources Committee, my name is Harold Heinze. I am a 40 plus year resident of Anchorage.

I have 50 years of experience in pipelines and oil production. I have worked on North Slope gas issues in both the private sector (as Engineering Manager for ARCo at Prudhoe Bay field startup, and CEO of both ARCo Alaska & ARCo Transportation Co) and in the public sector (as Commissioner of the Department of Natural Resources and as Senior Resource Development Advisor to the Governor during the Hickel administration, and as CEO of the Alaska Natural Gas Development Authority during three administrations from 2003 to 2012).

Thank you for the opportunity to address some important points in the legislature's direction of AGDC in regards to your major decision this fall during special session on proceeding with a transportation system for North Slope gas.

In October of 2013 I offered public comment at the first board meeting of the newly formed AGDC. I encouraged them to:

1. Assure that the public is well informed of all aspects of utilizing Alaska natural gas
2. Conduct business open enough on a continuing basis that the public is brought along
3. Assure that all alternatives are considered and evaluated as to their public good and impacts.

In following the progress of work and reviewing available reports I am concerned that alternative paths and alternative projects for utilizing North Slope gas have NOT been evaluated.

I believe that this fall during the special session that an informed public is vital for your major incredibly-important decision on proceeding to the States multi-billion-dollar commitment to the AK LNG project. You are picking the horse and you should work hard to assure that Alaskans share you wisdom and commitment.

I would suggest to you that HB 132 could be amended to include direction for full evaluation and publication of Alaska's alternative projects and choices. In particular the decision on royalty in-kind vs royalty in-value should be fully vetted and disseminated through the Royalty Board public process.

Additionally, I would observe that HB 132 will probably be the only AK LNG project related legislation during this regular session and this is the best opportunity for the Legislature to direct preparations for the fall special session on State involvement with the North Slope producers.

This fall you will be sitting as "Alaska's Board of Directors" making as big a State fiscal decision as I remember since 1969. Importantly, it also will be the riskiest decision that State has ever made. Each of the 60 members will be acting individually as a "fiduciary". Each of you is entirely responsible for your decision. The body must assure that each member has and understands the information he or she needs to make a responsible decision.

You have a 6 month window to develop and vet alternative projects, alternative deals, risks, and rewards. I ask that you consider this bill as a positive vehicle to instruct and focus the additional information requirements for you and the public at large.

Lynn Willis, Eagle River, March 6, 2015, Testimony regarding HB132

I remember when, with much fanfare, the AGDC/ASAP pipeline was described as our "ace in the hole" or "backup" to the AKLNG project. That strategy absolutely made the AGDC/ASAP a competing project to some degree as it was intended to motivate the producers into action. Now AGDC/ASAP has become the Cheshire cat of Alaska - morphing into whatever you want it to be and all you often see is the smile. With the removal of the AGIA restriction of 500 million cubic feet per day why shouldn't the AGDC/ASAP project explore being a more economically viable project benefiting from increased volumes for sale?

The Alaskan Government cannot decide the fate of any gas line project. With all due respect, the point of decision "boardroom" for these projects will be the boardroom(s) of those who hold the leases for the gas and the boardroom(s) of those who might purchase the gas in the volumes necessary to make it viable. This has been reality since day one. Please stop deluding us and, more importantly, yourself.

And how many "bites" of the gas pipeline apple do think Alaska can afford. We already have spent over \$300 million on AGIA with not an inch of pipe purchased nor a molecule of gas sold. Now we face, according to your own consultants, in the next few years \$50-125 million of investment in AKLNG Pre-feed and perhaps another \$250-\$500 million equity investment in Feed costs alone (ref page 4 of analytica presentation "AKLNG 101" dated February 16, 2015). How could we possibly afford another "do over" with an AGDC/ASAP project?

In my opinion, a sovereign has no business being in business as an equity partner. Our political system does not rely on "nationalized" industry and this AKLNG equity partnership is a poor compromise. The role of the sovereign is to tax, regulate and provide maximum benefit to the governed and equal opportunity for all - not to blatantly pick sides. Isn't this "partnership" in AKLNG intended, at least to some degree, intended to compensate for the malfeasance of those who created the fiscal mess we find ourselves in by not acting as responsible stewards of our revenues and cash reserves?



# THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

March 23, 2015

House Speaker Mike Chenault  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

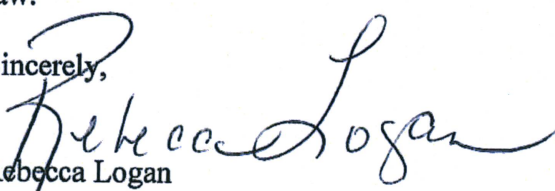
The Alaska Support Industry Alliance is writing in support of H.B. 132 – legislation affirming Alaska Gasline Development Corporation's policy direction.

As you know, the Alliance is comprised of private sector companies operating in the oil, gas and mining industry here in Alaska. As such, we don't believe private sector companies should "compete" against a sovereign that has unilateral authority in permits and right of ways and the power to tax. The word "alignment" has been used repeatedly over the last few years with regard to the AK LNG project. It is a foundational principal that must be a part of a project this large. We are concerned this project won't go forward without it.

By creating "competition, we believe somebody loses. Alignment is meant to ensure everyone wins. By staying the course set by the legislature with regard to AKLNG, we believe Alaskans stand to benefit the most.

The state of Alaska is closer than we have ever been to an LNG project. As business owners and contractors we know that means continued work, jobs and a strong economic future for our state. We support the parameters that H.B. 132 would set and look forward to this legislation becoming law.

Sincerely,

  
Rebecca Logan

General Manager, Alaska Support Industry Alliance

Cc: Representatives Hawker, Millett, Johnson, Herron, Olson, Nageak, Talerico, Tilton

Mike Prax, 1015 Meadow Rue, North Pole, 99705

(907) 378-5667

Dear Resource Committee Members;

I urge the Resources Committee to pass HB 132 on to the full house for a vote.

Alaskans might be closer than we have ever been to seeing North Slope gas brought to market but we still do not know whether a commercially viable project can be put together. So this is not the time to embark on a competing pipeline project to improve our negotiating position with the North Slope producers – which is the direction the Governor seems to want to take.

Therefore, the legislature needs to pass this bill (and override the Governor's veto if necessary) to provide explicit instructions to the administration and the AGDC to stick to the current development plan.

Governor Walker repeatedly demonstrated that he does not understand how to put a major gas pipeline project together while he was involved with the Alaska Gas line Port Authority. In fact, he used funds that were contributed to the port authority to develop a gas line project to thwart the effort of the Murkowski administration to work with the producers. He also criticized the AGIA effort after the port authority failed to submit a 'responsive' proposal – even though they were given a second chance to improve their proposal. He also recklessly claimed that the state could simply walk away from the agreements it had made and fight it out in court. This was even before he had a clear idea that any gas line project was commercially viable.

Mr. Walker was also involved in the port authority's failed attempt to establish an LNG trucking project to bring gas to the interior a few years ago. That project failed when the Fairbanks North Star Borough residents realized the port authority was exposing them to unnecessary financial exposure because they were attempting to make financial commitments to purchase Fairbanks Natural Gas before they had confirmed that they had the legal authority to engage in the project and performed the due diligence to make sure the entire project worked.

(The port authority backed away from the project when the assembly made the appropriation the port authority was seeking contingent on a positive vote of the people. The recent debacle with the Interior Gas Utility and the North Slope liquefaction plant proved that the people's hunch was correct.)

The Governor's recent action to replace AGDC board members who were well versed in the industry with political hacks who have no industry experience and glibly stating that simply being an Alaskan and purchasing 300 gallons of heating fuel is sufficient experience demonstrates that he doesn't even appreciate the fiduciary responsibility of a board to the people of Alaska.

The Governor also told those board members to refuse to sign confidentiality agreements, which is surprising considering that the failed effort to setup the port authority LNG trucking project – including purchasing FNG and hiring the president of FNG before publicly announcing the port authority's intention - was conducted entirely in executive sessions.

The Governor's contention that all is needed for the project are customers and a supply of gas further demonstrates his lack of understanding of how to complete in the natural gas market. The 'expressions of interest' he touts are of no value until we have an understanding of how much it will cost to bring the gas to market and therefore can talk seriously about a price.

Alaskan gas cannot be honestly marketed until we have a firm idea of whether the transportation cost will enable us to sell the gas for a price that makes it worth producing. That cannot be determined until the work that the state is performing in conjunction with the North Slope lease holders and Trans-Canada is completed.

If it turns out that the state thinks the gas is worth producing, but the leaseholders do not, then we can talk about finding other partners and developing an alternative project. But we certainly do not need to look for new partners until we determine that the current partnership will not work out.

In conclusion, the legislature must assert its policy setting authority, because the Governor has clearly demonstrated that he does not understand the complexities involved with the project or the ramifications of his reckless actions.

The governor has threatened to veto this bill, therefore the committee should move the bill forward as soon as possible to give the full body time to pass it and then override the governor's veto.

Thank you for your consideration.

Mike Prax

PS. A full legislative investigation of the Alaska Gas line Port Authority is in long overdue.

March 14, 2015  
Testimony ~ HB 132

Chairman Nageak, Co-Chair Talerico and members of the Resource Committee, thank you for allowing us to finally speak to HB 132.

My name is Alan LeMaster. I am President of Gakona Junction Village, Inc. located in the Copper Valley on the Richardson Highway about 15 miles north of Glennallen. Unfortunately I was unable to get to our LIO to testify today so I am submitting my testimony posthumously.

I must say that after listening to three sessions on this bill and not being able to testify, it has been an arduous task for those of us that, by necessity, are donating their time and treasure to speak to this important issue.

In the first session, all the time was taken by the members of the committee asking a myriad of questions for over the two hours, leaving no time for public testimony. Probably because no one was allowed to testify on day one, some of us were discouraged and only one came prepared to testify on day two.

The third day we never did hear the report from AGDC, again because even before the presenters were allowed to speak, Representative Hawker interrupted and asked for a quick moment to ask a question. That question obfuscated the issue with an abundance of questions levied by Representative Hawker and others on the committee, again leaving your constituents floating in the wind as time ran out.

Please understand that many of us, across the state, are limited by time and distance to be able to come to our LIO's to speak to the issues, for which we all have concerns, and it would be prudent on the part of the committee chairs to make ample time for us to testify if you are calling a session for that purpose.

Now, having taken this moment to vent a bit, I would like to quickly speak in opposition to HB 132.

As I read the bill, it seems that its prime purpose is to deny any work that would allow the state to consider an alternative plan to AK-LNG. If, as you all seem to agree, AK-LNG is the definitive and only proper line to give Alaskans the best and lowest cost in natural gas, there is little about which you should be concerned. But if something happens in ongoing of negotiation and studies over the next two years, that would preclude AK-LNG from

progressing, is it not wise to have a plan to which you can defer, so as to not lose time and money by gearing up from the beginning, once again?

We know there is ample natural gas to power the Anchorage Bowl and its neighbors for decades at their current levels. So the question is which plan will best serve the people of Alaska and allow us to market our gas to end users in the Pacific Rim. Of course, there is an economy in size so the larger the pipe the more product can be sold. That is pretty simple but seems to be lost by some in the legislature.

With a 3.5 billion dollar short fall of funds available to run the state for the foreseeable future, is it not a sensible plan to back up our work in designing a pipe with as many alternatives as possible to insure that we Alaskans see the benefits of gas over diesel and wood to heat and power our homes and businesses should AK-LNG fail to meet the level of economics need to proceed?

I ask that, given these issues and the fact that the Governor has publicly stated to Veto the bill should it reach his desk, are there not a host of more important issues to which you can turn your attention that will benefit the state far greater than playing with these seemingly politically motivated, delaying tactics?