

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3209



United States Department of the Interior

NATIONAL PARK SERVICE
240 W. 5th Ave., Room 114
Anchorage, Alaska 99501

IN REPLY REFER TO:
H34 (AKRO-RCR)

RECEIVED

APR 10 2007

APR 4 2007

Representative Craig Johnson, Co-Chair
House Resources Committee
State Capitol
Juneau, Alaska 99801

Dear Representative Johnson:

This letter is in support of HIB 176, a bill to designate the Fort Rousseau Causeway a State Historical Park. As you know, the Fort Rousseau Causeway in Sitka is part of the Sitka Naval Operating Base and U.S. Army Coastal Defenses National Historic Landmark (NHL), created in 1984 to commemorate Alaska's role in World War II. Per the Historic Sites Act of 1935 the National Park Service administers the National Historic Landmarks program for the Secretary of the Interior. In this role the National Park Service provides guidance and technical assistance to NHL owners and interested parties.

Since its designation the Causeway portion of the NHL has suffered from neglect and vandalism. Cut off from Japonski Island, the road system and the rest of the NHL by the Rocky Gutierrez Airport, the Causeway has not received the interest that the Sitka Naval Operating Base portion of the NHL has seen. In 2004, Sitka Trail Works (STW) contacted our office regarding their plans to develop a trail system and interpretive plan for the World War II buildings on the Causeway. The National Park Service believes that the best preservation of an historic site occurs when the site is used and appreciated, and we have been working in support of STW since being contacted.

Designating the Fort Rousseau Causeway a State Historical Park would lend further recognition to Alaska's vital role in World War II and encourage preservation efforts currently underway. We support this designation and encourage passage of HB 176.

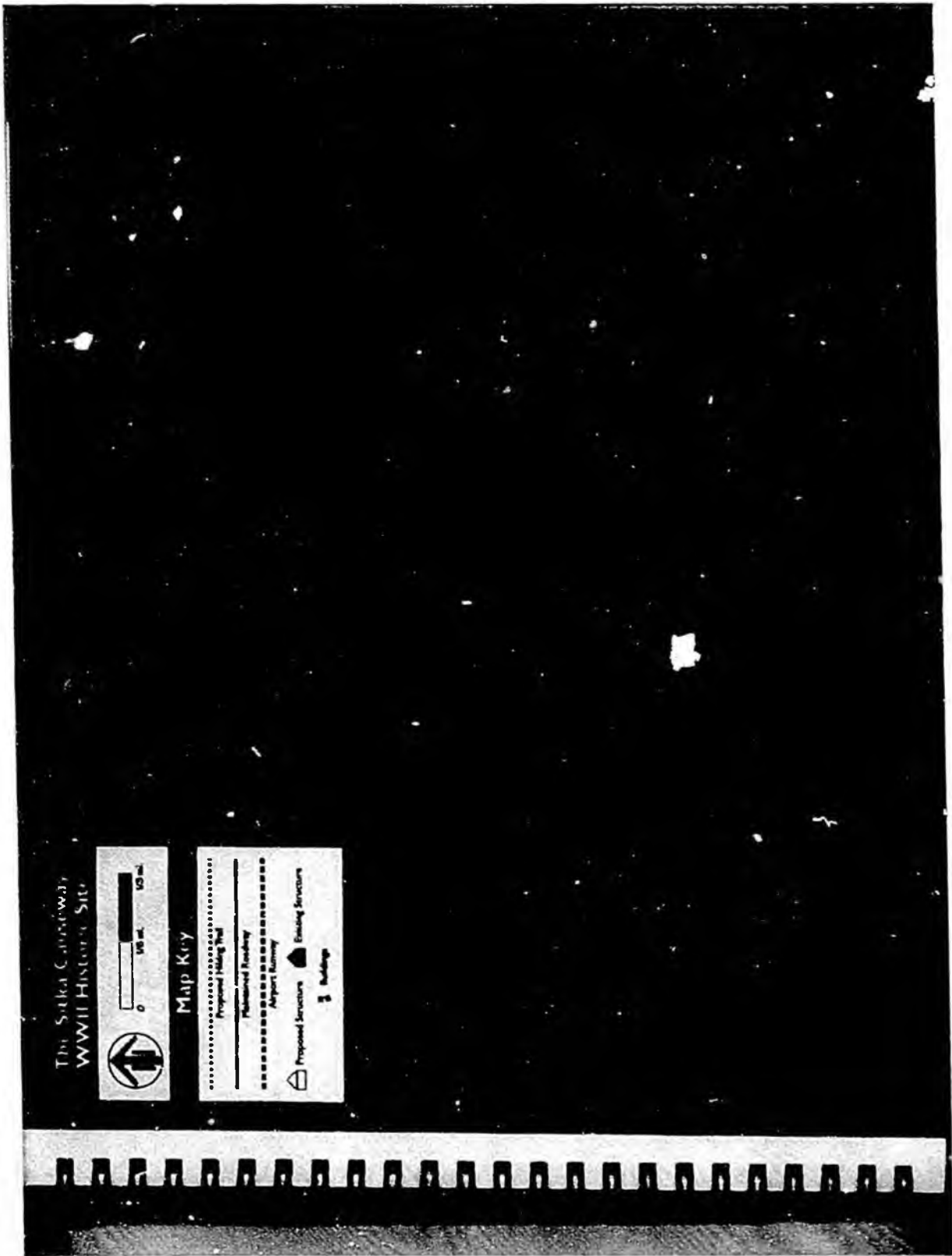
If you have any questions or concerns regarding these comments please contact Darrell Lewis, Historian, at (907) 644-3470.

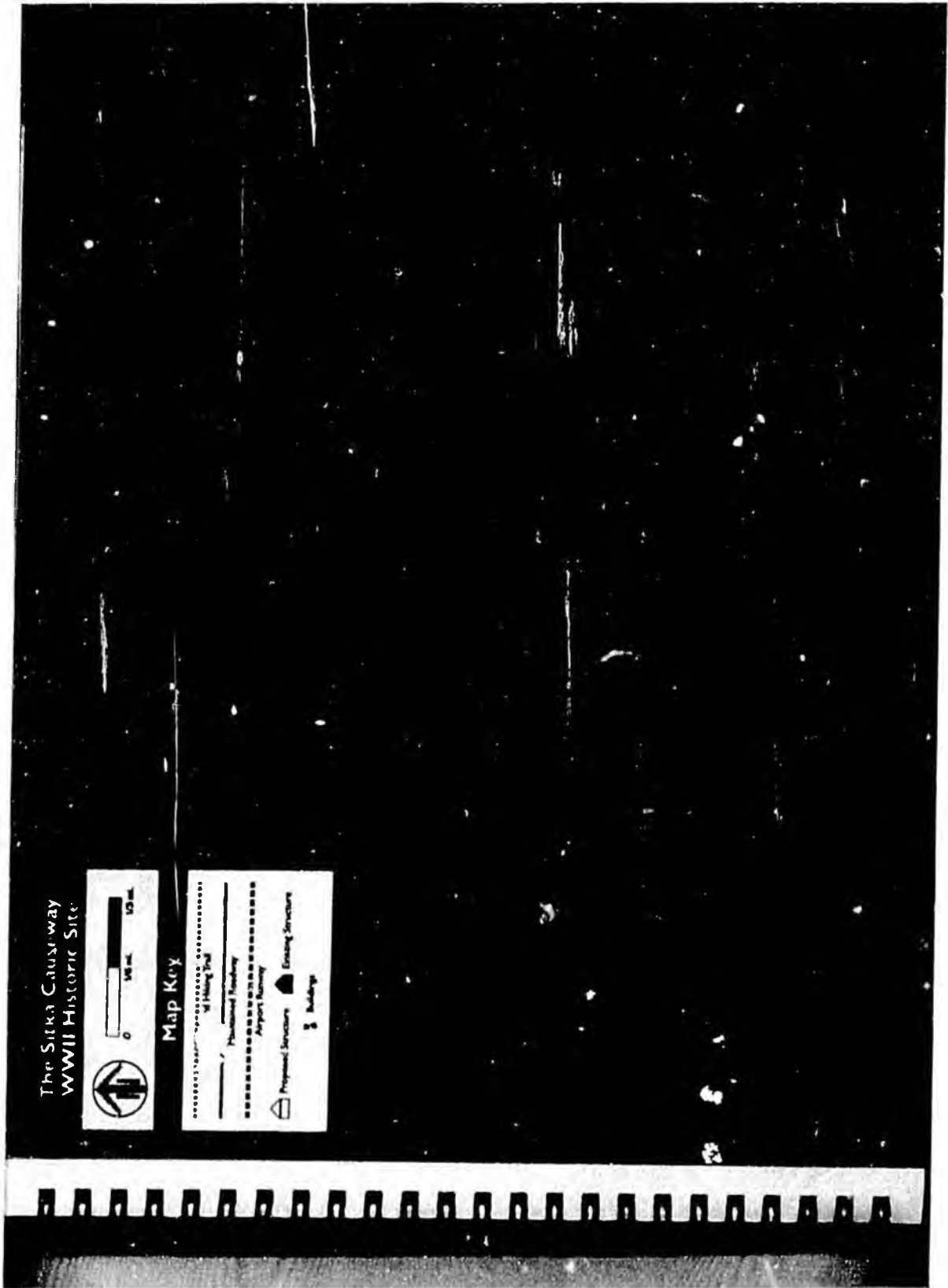
Sincerely,

Marcia Blaszak
Regional Director

cc:

Representative Peggy Wilson, State of Alaska
Judith Bittner, Alaska State Historic Preservation Officer
Deborah Lyons, Executive Director, Sitka Trail Works





Sitka Historic Preservation Commission

*City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835
2 April 2007*

Dear House Resources Committee:

I am writing in support of HB 176, An Act Creating the Fort Rousseau State Historical Park, as Chairman of the Sitka Historic Preservation Commission, an advisory body of the City and Borough of Sitka.

Our Commission strongly urges approval of HB 176 as an important measure for preserving significant parts of the World War II-era fortifications of Sitka and its approaches. Even though actual combat never came to the Sitka area, the work which started here in 1937 on what became the Sitka Naval Operating Base and U.S. Army Coastal Defenses represented the first major American fortification of its North Pacific territory, Alaska.

Even aside from its military significance, the installation brought profound and lasting change to Sitka, arguably much more than any event since the Transfer of 1867, and may be fairly said to have propelled this old community into the modern world.

Awareness of Sitka's World War II-era history and interest in that period are still widespread among the people of Sitka, and also among visitors. Even though the numbers of World War II veterans among the visitors are fast dwindling, they still come, as do many of their relatives and descendants, eager to glimpse what remains here of the work of "the Greatest Generation".

However, historic structures which are the visible legacy of that era are dwindling too, from the action of the forces of nature, and of the pressure of community and commercial development. Continuing expansion of the Sitka airport, which covers parts of the old fortifications, and of housing development in the area by Shee Atika Inc., the local Native corporation, in particular are affecting some of what remains. Even though access to the Causeway is only by sea, it is not inconceivable that development of one sort or another could eventually block the public from that historically-significant area as well if it is not protected.

In recent years, local volunteers, led by Sitka Trail Works Inc., have done a great deal of work in cleaning up the Causeway and making it accessible by boat. Even though land access to the Causeway is unlikely ever to become possible again, because of the safety and security requirements of the airport, Sitka Trail Works has made plans for a dock to allow Sitkans and visitors to go ashore on the Causeway. Besides the historical significance of the Causeway, it offers unparalleled marine views of Sitka's approaches, the outer islands, and Mt Edgecumbe. Even aside from the opportunity for local people to use the area for recreation, visitor-season tours to the Causeway could become an important part of the local tourist economy.

The State of Alaska has already done a great deal to preserve and use historic structures from the World War II era fortifications, particularly the Japonski Island seaplane apron and the two large hangar buildings, used now by the University of Alaska Southeast and Mt. Edgecumbe High School. A further very significant step for preservation and protection of the remaining historic structures could be taken with the creation of the Fort Rousseau Causeway State Historical Park.

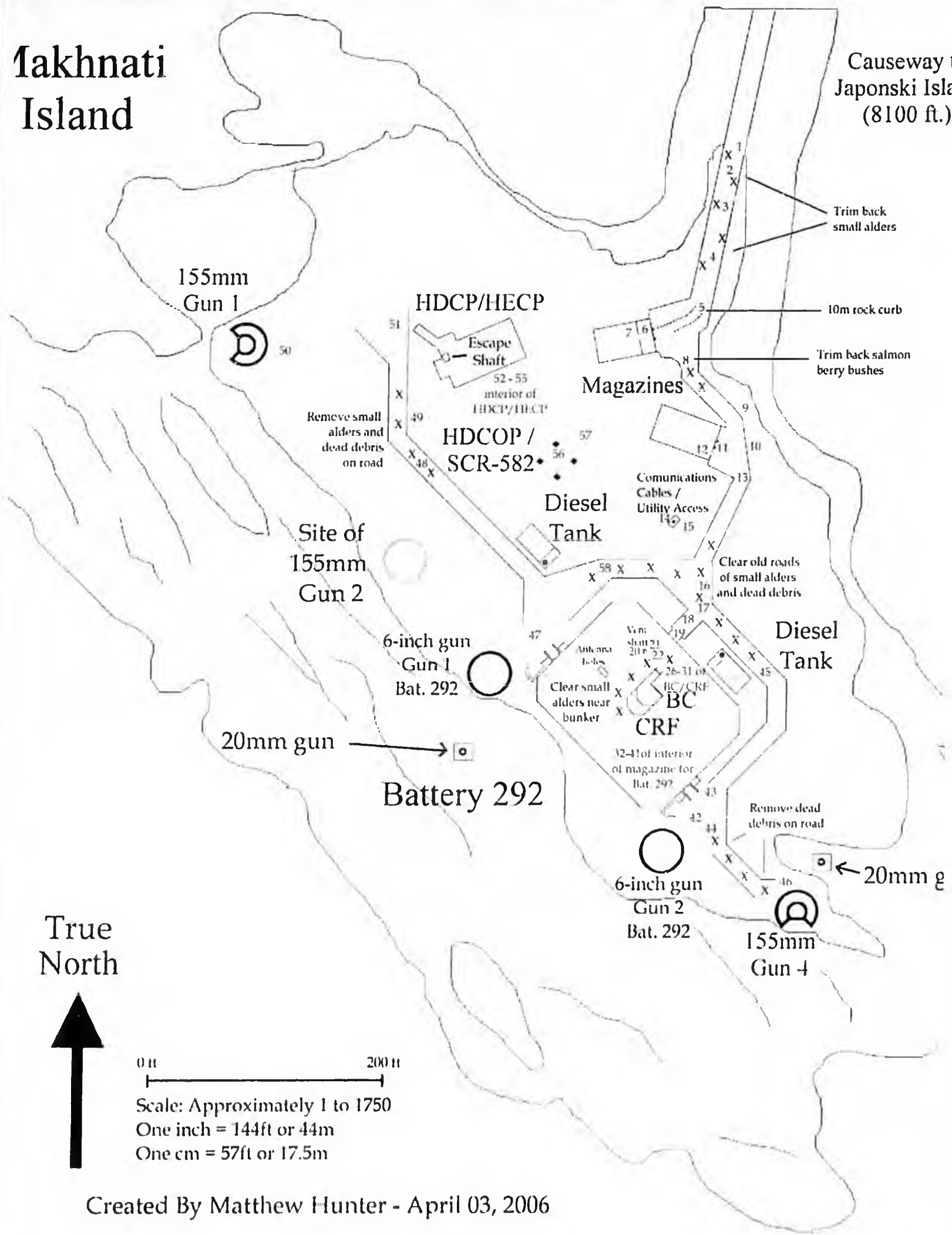
Accordingly, the Sitka Historic Preservation Commission urges the House Resources Committee to approve HB 176.

Sincerely

Peter Gorman, Chairman, Sitka Historic Preservation Commission
2 April 2007

Takhnati Island

Causeway to Japonski Isla (8100 ft.)



155mm Gun 1

HDCP/HECP

Trim back small alders

10m rock curb

Trim back salmon berry bushes



Escape Shaft

Magazines

Remove small alders and dead debris on road

HDCOP / SCR-582

Communications Cables / Utility Access

Diesel Tank

Site of 155mm Gun 2

Clear old roads of small alders and dead debris

6-inch gun Gun 1
Bat. 292

Diesel Tank

20mm gun

Battery 292

Diesel Tank

BC CRF

32-41 of interior of magazine for Bat. 292

Remove dead debris on road

6-inch gun Gun 2
Bat. 292

155mm Gun 4

← 20mm g

True North



0 ft 200 ft

Scale: Approximately 1 to 1750
One inch = 144ft or 44m
One cm = 57ft or 17.5m



Ft. Rousseau WWII Era Cannon



Ft. Rousseau WWII Ammo Magazine

Makhnati
Island

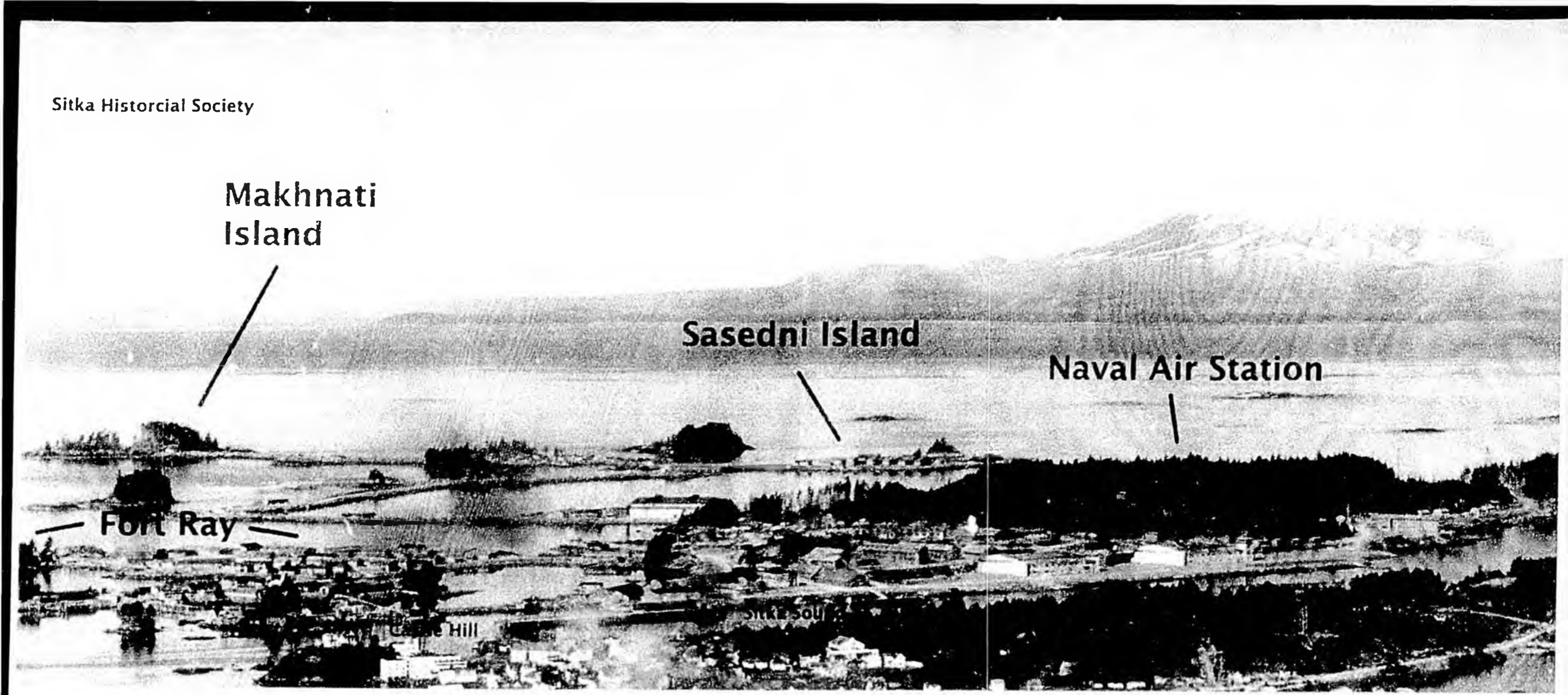
Sasedni Island

Naval Air Station

Fort Ray

Castle Hill

Sitka Sound



HB

176

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 1/23/08

FURTHER:

DATE TURNED
IN TO OFFICE: 3/10/08

Finance Committee considered CS FOR HOUSE BILL NO. 176(RES)

HB 176 CREATE FORT ROUSSEAU CAUSEWAY PARK

"An Act creating the Fort Rousseau Causeway State Historical Park."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

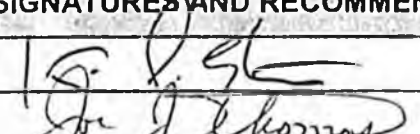
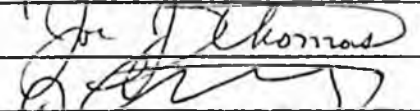
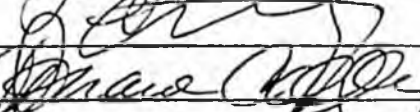
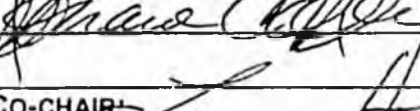
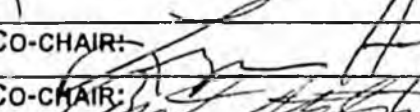
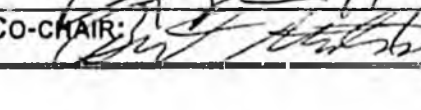
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DNR	1/15	✓			2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	FELIX	✓			
	Thomas	✓			
	Huggins	✓			
	Edson				✓
CO-CHAIR: 					
CO-CHAIR: 	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 176(RES)
(S) Publish Date: 1/23/08

Identifier (file name): HB176CSPES-DNR-Parks-01 3 Dept. Affected: Natural Resources
Title: Creating Fort Rousseau Causeway State Historical Park RDU: Parks and Recreation Management
Component: Parks Management
Sponsor: Representative Wilson
Requester: Senate Resources Component Number: 452

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	14.5	0.0	14.5	14.5	14.5	14.5	14.5	14.5
Travel								
Contractual	2.2	0.0	2.2	2.2	2.2	2.2	2.2	2.2
Supplies	1.1	0.0	1.1	1.1	1.1	1.1	1.1	1.1
Equipment								
Land & Structures	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.3
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	18.1	0.0	18.1	18.1	18.1	18.1	18.1	18.1

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF	18.1	0.0	18.1	18.1	18.1	18.1	18.1
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	18.1	0.0	18.1	18.1	18.1	18.1	18.1

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

Costs associated with managing the Fort Rousseau Causeway State Historical Park in its initial development of trails and picnic sites includes some Park Ranger presence and maintenance crew; supplies for brochures, trail maintenance, equipment maintenance and fuel; and boat charter costs associated with accessing the site.

Discussion is underway to develop a contractual plan for the area with the intention to generate revenue.

Prepared by: James King, Director
Division: Parks and Outdoor Recreation
Approved by: Tom Irwin, Commissioner
Natural Resources

Phone (907) 269-8702
Date/Time January 15, 2008
Date January 15, 2008



Alaska State Legislature

Representative Peggy Wilson

House District 2

Putting Alaska's Families First

SPONSOR STATEMENT

Committee Substitute House Bill 176 (RES)

"An Act creating the Fort Rousseau Causeway State Historical Park."

In the build up for WWII, the Department of the Army constructed fortifications at several locations encircling Sitka Sound. An 8,000 foot rock and gravel road was built connecting several small islands west of the then Navy's Sea Plane and Operating Base in Sitka. This causeway terminated at the Army's command headquarters named Fort Rousseau on Makhnati Island.

The proposed Fort Rousseau Causeway State Historical Park is a small, 58 acre upland area with a sliver of tidelands large enough for the footprint of a dock. It is consistent with the purpose behind the establishment of parks. In part, it promotes growth and development and provides opportunities and enjoyment for our citizens and visitors alike.

Some of the original concrete structures built by the military are still in fair condition. They include a tri-level command post, anti aircraft gun batteries, three ammo magazines and two bunkers. Construction of the Sitka Airport in the late 1960's, eliminated pedestrian and vehicle access. The Causeway lands, most of which belong to the State of Alaska, remain under management by the Alaska Department of Transportation and Public Facilities as part of the Sitka Airport.

To rehabilitate the Causeway, Sitka Trail Works has received federal and state grants, but cannot continue to proceed until the land is transferred to the Department of Natural Resources. State Parks can provide the active management with a very small fiscal note. Without this status, there will be no authorization to move ahead with the environmental and cultural resources assessments, planning, interpretation, and rehabilitation of this historic site, thus jeopardizing the considerable grant funds committed to this effort. Since visitors are very eager to tour this WWII site, a positive revenue stream to the general fund should be realized in just a few years.

History is a bridge to the past. The Causeway has been added to the National Register of Historic Places and designated a historical landmark by the National Parks Service. Preservation of the unique historical features of the Fort Rousseau area will remind all visitors about Alaska's role in WWII and allow for a glimpse into the life of the soldiers who stood ready to defend their country.

April 10, 2007

25-LS0181M



Alaska State Legislature

Representative Peggy Wilson

House District 2

Putting Alaska's Families First

SECTIONAL ANALYSIS

Committee Substitute House Bill 176 (RES)

"An Act creating the Fort Rousseau Causeway State Historical Park."

HB 176 amends Title 41.21 under Parks and Recreational Facilities. This legislation establishes the above named park and corresponding language for management and uses within its boundaries.

Section 1. Amends uncodified law by adding legislative findings citing the general purpose of state parks and establishing that the Fort Rousseau Causeway State Historical Park is in the best interest of the state.

Section 2. Amends AS 41.21 by adding new sections to article 2.

Sec. 41.21.190 establishes the purpose of AS 41.21.190 – AS 41.21.194.

Sec. 41.21.191 establishes the boundaries of the Fort Rousseau Causeway State Historical Park by describing the exact land and water parcels by referring to normal cadastral survey information.

Sec. 41.21.192 assigns the control, maintenance, and development to the Department of Natural Resources (DNR).

Sec. 41.21.193 allows the DNR commissioner to designate incompatible uses within the park.

Sec. 41.21.194 clarifies that any land and water outside of the boundaries as established may only be added by an act of the legislature.

April 10, 2007

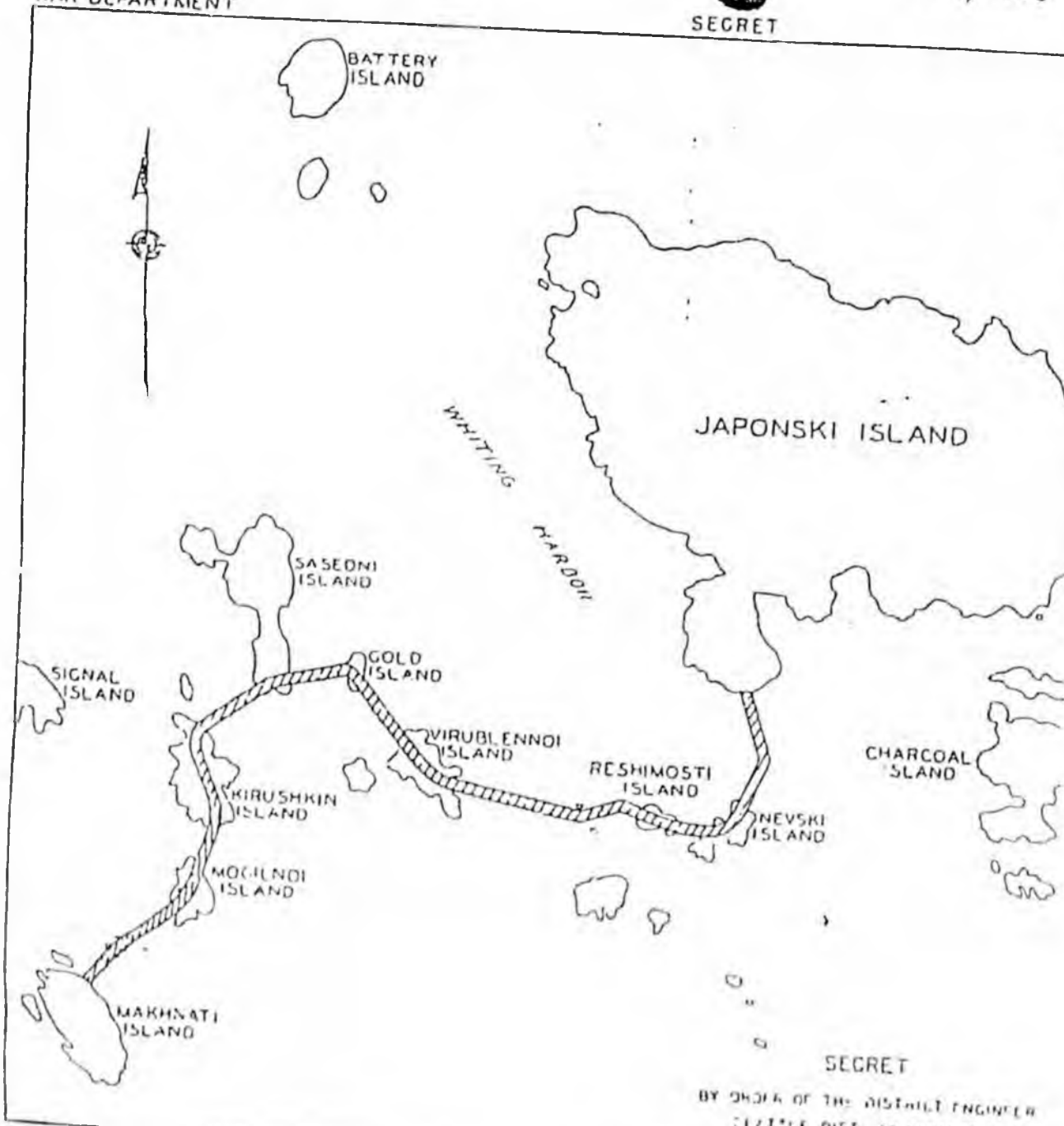
25-LS0181M



Ft. Rousseau WWII Era Cannon



Ft. Rousseau WWII Armo Magazine



LEGEND

PROGRESS	
WORK COMPLETED	
WORK UNDERWAY	
WORK AUTHORIZED	

TYPE OF WORK CAUSEWAY CONSTRUCTION

FT ROY CAUSEWAY
 SITE # BL 542
 FIELD PROGRESS REPORT
 PART C
 PERIOD OCTOBER 1943
 BY _____
 U.S. ENGINEERING DISTRICT NO. 1
 DISTRICT OF ALASKA
 SITKA, ALASKA

SECRET
 BY ORDER OF THE DISTRICT ENGINEER
 CE 774E DIST. 30 SEPTEMBER 1945

77
 62
 51

Sitka Fort Rousseau Historical State Park (World War II Causeway) Development Plan Summary

Provided by Sitka Trail Works, Inc.
Executive Director, Deborah Lyons

Project Development Goals

- I. Restore local recreational opportunities,
- II. Preserve and interpret state and national history
- III. Provide a quality visitor experience, compatible with community values
- IV. Honor and accommodate Sitka Tribe of Alaska concerns:
 - a. Minimal interference with subsistence harvest of kelp and seaweed
 - b. No disturbance of burial sites
 - c. Acknowledge the role of Alaska natives in WW II

Objectives

- I. Make the area clean, safe and accessible so that it can be enjoyed in its present state.
- II. Perform the necessary environmental, cultural and historic surveys and site mapping to document current conditions.
- III. Produce a site plan and an interpretation plan to guide the capital investment and development of the area.
- IV. Secure the capital investments needed to install the dock, install interpretative signage, complete historic building restoration, construct visitor center/administration building, and repair portions of the causeway road.

Project Narrative

Sitka Trail Works, members of the community, and the Sitka State Parks Advisory Board, are collaborating to restore the abandoned Fort Rousseau site for public recreation and cultural interpretation. The site is located on Alaska State lands with a few small in-holdings under the jurisdiction of the BLM. (See the attached project description from the 2003 Trail Plan). Sitka Trail Works has a full time Executive Director, office staff, a nine member, all-volunteer Board of Directors and over 300 active supporting member households. The organization is guided by the 2003 Sitka Trail Plan and the Memorandum of Understanding with the State of Alaska and City and Borough of Sitka. Extensive successful fundraising has already occurred and preliminary clean up and planning for the area is underway.

Once the area is restored and developed locals and visitors would be able to access historic Fort Rousseau by boat, via a dock in Whiting Harbor, and could walk 5,000 ft of the original 8,000 ft Causeway. Guided tours would be offered and visitors would be able to view the ammo magazines, gun emplacements and enter the old command post, while learning about Alaska's role in the Second World War. One single wooden structure, the old fuse house, is a candidate for reconstruction and could become part of the interpreted features. The area is level, vegetated with alders, spruce and wildflowers. It is exceptionally scenic affording fantastic views of the town of Sitka and Sitka Sound. Revenues from the tours would support maintenance of the area.

Sitka Trail Works has received an Alaska Trails Initiative Grant (ATI) of \$140,000 and will be receiving Federal Transportation funds (approximately \$340,000) in FY 09 and FY 10 to be applied to the project. Total cost to develop the area is expected to be over \$1 million dollars and to take four to five years.

Placement of a dock and interpretive signage by FY 09 would allow the area to begin returning revenue from cruise ship tourists being lightered to Whiting Harbor. Ultimately, restrooms, a small interpretation center and an apartment for the on site personnel could be constructed. It would be most economical to combine these functions in a single simple building, most likely on Sasedni Island. Final recommendations for interpretation and site design will be finalized in Phase One planning documents currently being developed by AK DPOR staff. It may be possible to repair the Causeway and allow a vehicle to be driven to the interpretation center, but special arrangements would need to be made with the FAA to allow traffic through the airport. Preliminary discussions suggest this could be allowed if limited to pre-screened official or approved personnel. Even limited access by a vehicle would allow for less expensive maintenance and upkeep.

In FY 07 ATI grant funds were used to clear brush from the old causeway road, to clean up garbage and debris and correct some unsafe conditions around the old structures. All work was accomplished under the supervision of the State Historic Preservation Office, and with the permission of the landowners. This work accomplished a primary objective; making the area clean and safe so that it can be enjoyed in its present state.

The project is now in Phase One survey and assessment. Sitka Trail Works has transferred \$60,000 in grant funds via Reimbursable Services Agreement (RSA) to the AKDNR DPOR and the SHPO for site mapping, site interpretation and cultural resources work. STW also engaged Carson Dorn Engineering to do a Phase I site assessment for hazardous materials (\$14,000). STW has applied for additional Phase One funding of \$130,000 to finish the cultural resources survey and the site and interpretation plans. Further clean up within the buildings is needed and continuing brushing and maintenance. These services will be provided by STW in FY '08 from the ATI grant funds.

When the State personnel have completed their work, and produced a site plan and an interpretation plan STW will use those documents to raise further funds, possibly from private foundations and Federal Historic grant programs. In the meantime, STW is exploring use of cruise ship head tax dollars for construction of the proposed dock in Whiting Harbor and has submitted a Congressional appropriations request for funds to repair a portion of the Causeway. ATI funds for construction of the dock or other capital improvements have also been applied for, but may not be available until FY 09. An FY '08 \$100,000 State Legislative Capital match has also been applied for.

The goal is to improve the area so that local can picnic and camp there and tours can be offered to visitors. Conservative preliminary projections suggest that \$80,000 in revenue from commercial user tour fees could be paid to the State annually. This source of income would allow the State (and/or a contract vendor) to pay for the cost of operations and maintenance.

Historical Background

In the 1940's the Department of the Army constructed fortifications at several locations encircling Sitka Sound, all designed to protect the Sitka Naval Air Station from attack by the Japanese. An 8,000 ft. rock and gravel road was built connecting seven islands west of the Sitka Naval Operating Base. The causeway road joined historic Fort Ray on Charcoal Island with Army command headquarters named Fort Rousseau, on Makhnati Island. Three concrete ammo magazines, wooden troop support structures and gun emplacements were built out along the island chain. In 1945 the post was de-commissioned but still remained accessible to residents and staff at the BIA hospital on Japonski Island. Access to the Causeway and the historic ruins was severely limited when the Sitka airport was built. Over time, no vehicle traffic was allowed to cross the airport runway, and the only way to access the causeway was to go by skiff to Whiting Harbor. The area deteriorated; unmaintained, subject to vandalism, and illegal camping.

Repeated unsuccessful attempts were made by private citizens, the City and Borough of Sitka, the Historical Society and the National Park Service to place the Causeway under management for recreation and historic preservation. Lack of funding, clear management authority and even a lack of appreciation for the unique historic significance of the area contributed to failure of these attempts. Fortunately, the

Causeway was added to the National Register and designated part of the Sitka Naval Operating Base and US Army Coastal Defenses National Historic Landmark by the National Parks Service.

The land, most of which belongs to the State of Alaska, remained under rather passive management by the FAA as part of the Sitka Airport. Today the FAA is in the process of transferring these lands (unnecessary for airport management) back to the State. Portions of the Causeway constructed over submerged lands were recently discovered to belong to the BLM. BLM is developing Recreation and Public Purpose status for these small lots under their jurisdiction.

The World War II Causeway project was included in the 2003 Sitka Trail Plan. This cooperative planning document was signed by all the local land managers and is coordinated and implemented by the non profit Sitka Trail Works. The plan lists major recreational infrastructure objectives for the community for the next twelve years. The World War II Causeway project, on page 46, envisions development of the entire causeway area for recreation and hiking. Access is to be restored via a dock in Whiting Harbor (or in conjunction with the planned airport runway expansion). Management authority is to be placed with AK DNR DPOR. (See attachment).

When the 2003 Sitka Trail Plan was adopted Sitka Trail Works went to work building needed partnerships and finding the necessary funds to renovate the old Causeway. With the support of the City and Borough Assembly, Sitka State Parks Citizen's Advisory Board, Sitka Historical Society and many others, Sitka Trail Works successfully secured funding for the project from several sources. See the outline of funding raised to date, expenditures to date, future funds and future anticipated expenses. STW plans to continue in their fundraising efforts and their goal is to assist with raising the necessary capital funding to develop the area for recreation and tourism.

Project Development and Capital Funding Plan

Funds committed to date: (In hand)

1. \$144,000 FY 2006 Alaska Trails Initiative (ATI) grant to Sitka Trail Works, Phase I WW II Causeway
2. \$340,000 FY 2009-10 Federal Transportation Bill appropriation for the WWII Causeway

Funds currently applied for: (Probable)

3. \$130,000 FY 2007 Alaska Trails Initiative (ATI) Additional Phase I funding
4. \$100,000 FY 08 AK State Legislative Capital Matching grant

Future funding: (Probable with continued work by Sitka Trail Works)

5. \$152,000 FY 2007 ATI Phase II - Interpretation signage and building restoration
6. \$500,000 FY 2008 Cruise ship tax revenue-Whiting Harbor dock
7. \$250,000 FY 09 AK Legislature Capital Grant Visitor Center and building restoration
8. \$250,000 FY 09-10 Rasmuson Foundation for Visitor Center
9. \$200,000 FY 2010 Federal Transportation Bill for Causeway repair
10. \$300,000 FY 09 FUDS-EPA-Private Foundation- Clean-up/containment of fuel areas

Allocation of funds

1. \$144,000 \$70,000 to Sitka Trail Works - Causeway has been cleared of brush, garbage removed. Safety problems are being resolved. Initial Environmental assessments completed by contract with Carson Dorn World War II consulting services and Sitka Tribe of Alaska consulting fees paid.

- \$10,000 via RSA (Reimbursable Services Agreement) to AK DPOR for site plan and interpretation
 \$50,000 via RSA to the State Historic Preservation Office - \$25,000 for site mapping by DNR DPOR and \$25,000 to begin cultural resources survey and inventory.
3. \$130,000 \$30,000 via RSA to complete site and interpretation plans
 \$50,000 via RSA to SHPO to complete cultural and historic resources inventory and survey.
 \$20,000 Sitka Trail Works FY 07 brushing, clean up and project development
 \$30,000 Hazmat clean up (batteries, fuel contamination, asbestos)
4. \$100,000 Apply \$100,000 State Capital match for SAFE-TEA-LU funds and ant needed capital projects
5. \$152,000 STW- Site Interpretation signage and features
2. \$340,000 Apply SAFE-TEA-LU appropriation to capital costs of site interpretation and building restoration

World War II Causeway – Fort Rousseau Historical State Park Development Timeline				
	FY 06	FY 07	FY 08	FY 09 First year of tours
Expense projections				
Site maintenance – Clean up and brushing. Project development.	STW – ATI grant funded \$70,000	STW- ATI grant funded. \$20,000	STW – ATI grant funded. \$20,000	AK DPOR or Vendor Contract \$54,670 (see projections)
Outside investments to project – Funds raised by Sitka Trail Works				
AKDPOR Site and Interpretation planning	\$10,000 ATI RSA	\$30,000 ATI RSA		
SHPO	\$50,000 ATI RSA	\$50,000 ATI RSA		
Install dock			\$500,00 Cruise ship tax	
Tour Revenues				\$67,200 (See projections)
Install Interpretation signage, etc.			\$152,000 ATI	
Construct visitor Center				Multiple grant sources

Fort Rousseau Historical State Park - World War II Causeway

Tour Income projections

Capacity	Visitors	Ticket	Revenue
100%	4480	\$ 20	<u>\$ 89,600</u>
75%	3360	\$ 20	<u>\$ 67,200</u>
50%	2240	\$ 20	<u>\$ 44,800</u>

If the WWII Causeway tours are advertised on the Cruise ships, sales of tours can be expected to be equal to or greater than a similar tour business, Bike and Hike.

Bike & Hike tours average 3,500 per year. If the cruise ships advertise the tours they will also add a commission charge to the tour.

The visitor may pay \$50-\$70 for the tour with \$20-\$40 going to the cruise line, \$10/head for vessel transportation and \$20 to AKDPOR.

Income projections could increase significantly if AM and PM tours are offered or higher fees were charged.

Sample Vendor Operated Expense Projections.					
Assuming the area is developed and tours can be offered					
FY 2009 at the earliest					
Salaries and wages					
	Supervisor	8400	\$ 8,400.00	14 wk 40 hrs @ 15/H	
	Tour guides (3)	7280	0	14 wk 40 hrs @ 13/H	
			\$21,840.00		
	Interp Center	6160	\$ 6,160.00	14 wk 40 hrs @ 11/H	
			\$36,400.00		
Payroll taxes (15%)			\$ 5,460.00		
Veh Fuel			\$ 980.00		70 wk 1 fill up x 14 wks
Boat Fuel			\$ 1,960.00		140 wk
			0		
Veh. Maintenance			\$ 700.00		\$50/wk
			0		
Interp materials			\$ 7,500.00		
Advertising			\$ 500.00		
Safety equipment			\$ 250.00		
Maintenance supplies			\$ 2,100.00		\$150 wk
Occupancy exponso			\$ 1,000.00		fuel, electricity, water
	Total		\$52,850.00		

Cultural Interest Trails

World War II Causeway	
Total Length	1 mile
Difficulty Level	Easy, ADA accessible
Trail Surface	Varies
Associated facilities	Interpretive signs, Whiting Harbor float & reconstructed WWII emplacements

Project Description

The Sitka World War II causeway has the potential to be the best and most informative World War II historic walk in Southeast Alaska. Users of this trail would be able to explore fascinating underground ammunition bunkers or stand on a gun platform and look out to the open ocean. The Causeway Trail has commercial potential as a destination for independent visitors and cruise ship passengers.

A floating dock facility at Whiting Harbor is proposed and the causeway would be developed to wheelchair accessible standards. The causeway riprap would be repaired where needed. A survey of World War II artifacts would be prepared to guide the development of the trail and its interpretation. Tours could be offered during the summer.

Public Needs Met

This trail would be a monument to one of the significant periods in Sitka's history. It would

World War II Causeway

be available year-round to residents and would provide an historical excursion for visitors. The Sitka Americans with Disabilities Act Committee has placed a high priority on completing this project.

Planning and Design

Planning would include the completion of a cultural resource survey and completion of the necessary permits. Negotiations with the landowner, the Alaska Dept. of Natural Resources, would also be needed. A topographic survey, design of the float, trails, and interpretive materials would follow.

Lead Agency and Project Participants

Lead agency: Sitka Trail Works, Inc.

Project participants: Alaska Department of Transportation & Public Facilities, City & Borough of Sitka, Sitka Historic Preservation Society, commercial users, State Historic Preservation Officer.

World War II Causeway			
Items	Quantity	Cost/Unit	Total (x 1,000)
Trail Construction	1 mile		\$135.0
Signs, Information & literature			\$40.0
Whiting Harbor Float			\$300.0
Causeway Riprap Repair			\$200.0
Historical Restoration & Improvements			\$150.0
Vault Toilet			\$75.0
Contingency			\$100.0
Planning, Design & Administration			\$150.0
Total Projected Cost			\$1,150.0

Cultural Interest Trails

Cultural Interest Trails

World War II Causeway	1 mile
Total Length	Easy, ADA accessible
Difficulty Level	Varies
Trail Surface	Interpretive signs, Whiting Harbor float & reconstructed WWII emplacements
Associated facilities	

World War II Causeway

be available year-round to residents and would provide an historical excursion for visitors. The Sitka Americans with Disabilities Act Committee has placed a high priority on completing this project.

Planning and Design

Planning would include the completion of a cultural resource survey and completion of the necessary permits. Negotiations with the landowner, the Alaska Dept. of Natural Resources, would also be needed. A topographic survey, design of the float, trails, and interpretive materials would follow.

Lead Agency and Project Participants

Lead agency: Sitka Trail Works, Inc.

Project participants: Alaska Department of Transportation & Public Facilities, City & Borough of Sitka, Sitka Historic Preservation Society, commercial users, State Historic Preservation Officer.

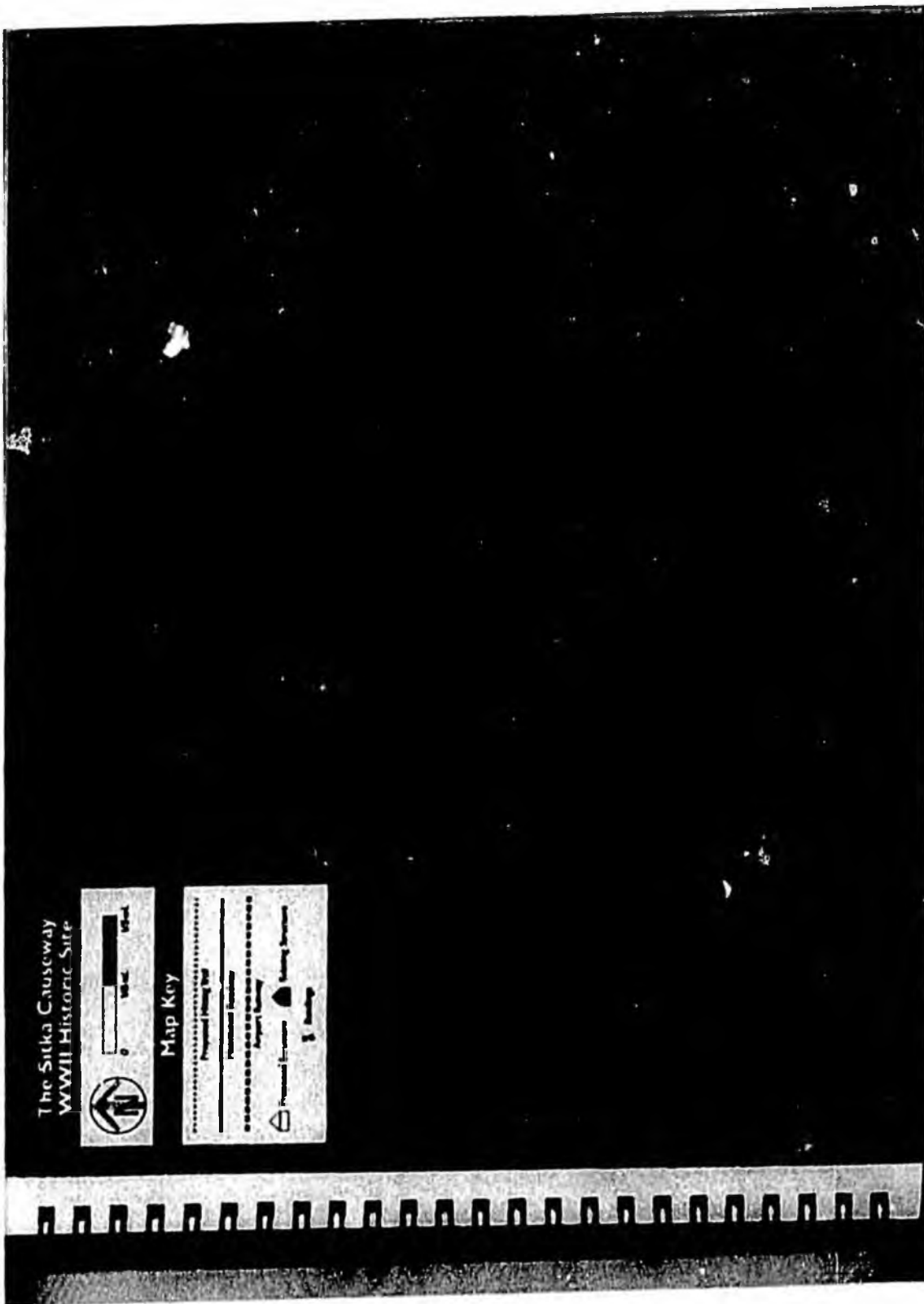
Project Description
The Sitka World War II causeway has the potential to be the best and most informative World War II historic walk in Southeast Alaska. Users of this trail would be able to explore fascinating underground ammunition bunkers or stand on a gun platform and look out to the open ocean. The Causeway Trail has commercial potential as a destination for independent visitors and cruise ship passengers.

A floating dock facility at Whiting Harbor is proposed and the causeway would be developed to wheelchair accessible standards. The causeway riprap would be repaired where needed. A survey of World War II artifacts would be prepared to guide the development of the trail and its interpretation. Tours could be offered during the summer.

Public Needs Met

This trail would be a monument to one of the significant periods in Sitka's history. It would

World War II Causeway			
Items	Quantity	Cost/Unit	Total (x 1,000)
Trail Construction	1 mile		\$135.0
Signs, Information & Interpretation			\$40.0
Whiting Harbor Float			\$300.0
Causeway Riprap Repair			\$200.0
Historical Restoration & Improvements			\$150.0
Vault Toller			\$75.0
Contingency			\$100.0
Planning, Design & Administration			\$150.0
Total Projected Cost			\$1,150.0



The Sitka Causeway
WWII Historic Site

Map Key

0 100 200 Feet

Proposed Parking Lot

Proposed Trail

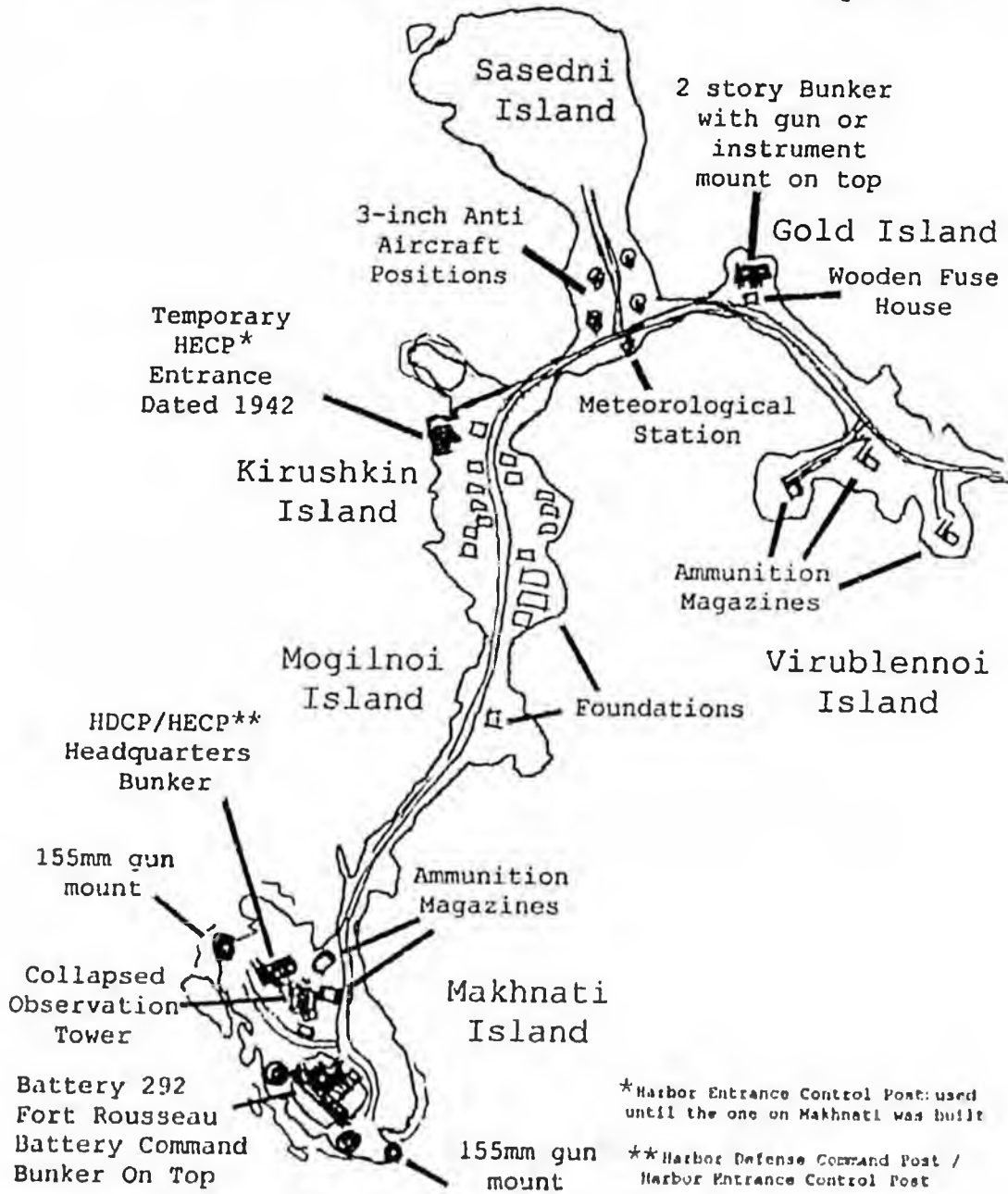
Proposed Boundary

Proposed Access

Proposed Building

Sitka Causeway WWII Remains Today

Map By
Matthew Hunter
May 2000





Sitka Historical Society

Isabel Miller Museum

330 Harbor Drive Sitka, Alaska 99835
Voice: 907 747 6455 Fax: 907 747 6588

Karen L. Melzner
Administrator

Sharyn Ferrick
Marketing Manager

Sitka's history lives on at one of the nation's premier small museums

27 April 2004

Representative Don Young
2111 Rayburn HOB
Washington, DC 20515

Dear Representative Don Young,

Re: Letter in Support of Sitka Trail Works

Sitka Trail Works addresses a community need that spreads across the spectrum of Sitka's residents. Sitka's trails are an essential part of Sitka's community and have historical significance.

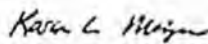
References can be found in early writings after the Alaska purchase, to the Indian River Trail, trails up Mt. Verstovia, Gavin Hill and Harbor Mountain.

Just prior to WWI, when the U.S. government was realizing that war in the Pacific was a possibility, preparations for a possible war with Japan came to Sitka: In 1937, a Navy seaplane base was established on Sitka's Japonski Island, and by 1939, it was a Naval Air Station; Fort Ray was established on nearby Charcoal and Alice Islands in 1941, and a top secret radar installation was built on Harbor Mountain. The trails across Gavin Hill and up Harbor Mountain became an important part of the harbor defense system established here.

As part of the enormous military preparations in Alaska, the trails established behind Sitka and on Japonski Island serve as a visual reminder of a historic time when the United States prepared for a foreign invasion.

The Sitka Historical Society and the Isabel Miller Museum heartily endorse the efforts of Sitka Trail Works in preserving, maintaining and promoting our natural history and historic past.

Sincerely,


Karen Melzner
Administrator

cc: Senator Ted Stevens, Senator Lisa Murkowski and Sitka Trail Works

RESOLUTION No. 2005-28

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA SUPPORTING DESIGNATION OF THE WORLD WAR II CAUSEWAY MARINE PARK BY THE ALASKA LEGISLATURE

WHEREAS, the community of Sitka deeply values the preservation and interpretation of historical sites within the City and Borough in order to further the education and understanding of citizens and visitors of the events that have shaped our local, state and national heritage; and

WHEREAS, the WW II Causeway project involves the design and construction of an ADA accessible walkway that will link refurbished and interpreted features of the military ruins, including gun emplacements, bunkers and an infirmary along a one mile roadbed built by the Army in the 1940's; and

WHEREAS, the Causeway is a contributing property of the Sitka Naval Operating Base and US Army Coastal Defenses National Historic Landmark and Darrell Lewis, the USDI NPS National Historic Landmark historian stated in a letter dated July 19, 2005 that, "Rehabilitation and interpretation of this property would compliment and enhance other preservation efforts... in the landmark."; and

WHEREAS, the World War II Causeway project is listed on page 46 of the 2003 Sitka Trail Plan and the City and Borough of Sitka are partners to the plan and have contributed time and resources to the development of the beneficial projects found there in; and

WHEREAS, the Sitka State Parks Citizens Advisory Board has recommended creation of the World War II Causeway Marine Park in order to clarify management authority and to allow for Federal Transportation funds to be utilized for the project; and

WHEREAS, Sitka Trail Works has applied for and will be receiving an Alaska Trails Initiative Program grant of \$133,000 for Phase I development of the site and a clear and proper designation of the Marine Park property will facilitate the orderly development of the project among the State agencies involved; and

WHEREAS, the project is designed to generate revenues through user fees and will complement and support the other historic State Parks in Sitka at Castle Hill and Old Sitka; and

WHEREAS, amendment of AS 41.21 will describe the property and formally include this valuable project within the Alaska State Park system providing for management of the site for the public benefit in perpetuity;

THEREFORE, BE IT RESOLVED, that the Assembly of the City and Borough of Sitka, Alaska by this resolution affirms and supports the designation of the World War II Causeway property as a State Marine Park by an act of the legislature of the Great State of Alaska.

PASSED, APPROVED, AND ADOPTED by the assembly of the City and Borough of Sitka, Alaska on this 25th day of October 2005.


Marko Dapcevic, Mayor

ATTEST:


Colleen Pellet, CMC, Municipal Clerk



Sitka Trail Works, Inc

801 Halibut Point Road, Sitka AK 99835

Phone: 747- 7244 email: trail@gci.net

Deborah A. Lyons, Executive Director

Wednesday, April 18, 2007

Re: HB 176

Dear Co-Chairs Chenault and Meyer and Members of the Alaska State Legislature House Finance Committee,

My name is Deborah Lyons, I am the Executive Director of Sitka Trail Works, a 501(c)(3) in good standing with the State of Alaska. Thank you for the opportunity to testify in favor of HB 176, an Act creating the Fort Rousseau Causeway Historical State Park. Sitka Trail Works has over 300 member- households and we have a partnership Memorandum of Agreement with the City and Borough of Sitka, the USDA Forest Service, Alaska State Parks, the National Parks Service and the Sitka Tribe of A'aska in support of the projects in the Sitka Trail Plan.

My job description with Sitka Trail Works charges me with the responsibility to work as hard as possible, with very modest resources, but all the good will and support of our partner organizations to make all the trail projects in the Sitka Trail Plan come to life. After hearing today's testimony I hope you will agree that through our organization and partners, the community of Sitka is stepping up to the plate and taking the initiative to find funds to help restore historic Fort Rousseau for the public benefit. We are not coming to you asking for the State to do it all alone with general fund dollars. We do need your help in assure that the capital investment that being made into historic Fort Rousseau is protected and conserved through permanent management of the area which State Park status would provide.

There are fourteen new trail projects in the Trail plan which guides Sitka Trail Works activities, of which the World War II Causeway project is one. I have attached the project map and description from the plan. The general idea of the project is to renovate the 8,000 foot Causeway road as a hiking trail that takes folks to view the historic World War II structures. Visitors to the park will learn about Alaska's role in the Second World War and also enjoy an absolutely spectacular scenic setting. The park would also provide the opportunity to picnic and camp in the area.

It is not our typical hiking trail project but it is certainly one of my favorites. My Father served in the Navy at Okinawa in the Second World War and I think of the pictures in our family album when I view historic photos of Sitka's Navy and Army bases. Establishing a State Park to interpret and share Alaska's role in the World War II is more than just a

Sitka Trail Works Mission Statement: To contribute to the overall health of the community through the development, maintenance and promotion of a comprehensive trail system in the Sitka area.

job to me, it has a lot of personal meaning and is my own way to acknowledge and thank our service men and women.

When we, (myself and the Sitka Trail Works Board of Directors), started on this project we knew that funding for Alaska State Parks was tight and we thought that restoring the area and charging for tours would be a way to create enough revenue to pay for maintenance of the park. Through grant writing, Congressional funding and other funding (possibly the Cruise Ship tax funds) we thought we could raise enough dollars to do the capital improvements necessary to make the area clean, safe and enjoyable once again. Our funding picture is summarized below.

Grant funds secured by Sitka Trail Works for the World War II Causeway Project:

- \$140,700 Alaska Trails Initiative FY 2006
- \$124,500 Alaska Trails Initiative FY 08 (applied for)
- FY 08 SAFETEA-LU \$212,000
- FY 09 SAFETEA-LU \$172,260

As you can see we've made a good start.

Others here today will speak to the cultural, historic and recreational value of this future State Park. Because your interest is primarily financial I will focus on providing that sort of information and stand ready for any further questions you may have.

For the record I would like to reiterate our goals and objectives. They are also included in the Fort Rousseau Development plan. The plan lays out the development objectives and goes on to estimate the approximate revenues that could be earned from tours on the site. This revenue will pay for future maintenance and hopefully generate enough revenue to support other State Parks in the system.

Project Development Goals

- I. Restore local recreational opportunities.
- II. Preserve and interpret state and national history
- III. Provide a quality visitor experience, compatible with community values
- IV. Honor and accommodate Sitka Tribe of Alaska concerns:
 - a. Minimal interference with subsistence harvest of kelp and seaweed
 - b. No disturbance of burial sites
 - c. Acknowledge the role of Alaska natives in WW II

Objectives

- I. Make the area clean, safe and accessible so that it can be enjoyed in its present state.
- II. Perform the necessary environmental, cultural and historic surveys and site mapping to document current conditions.

Sitka Trail Works Mission Statement: To contribute to the overall health of the community through the development, maintenance and promotion of a comprehensive trail system in the Sitka area.

- III. Produce a site plan and an interpretation plan to guide the capital investment and development of the area.
- IV. Secure the capital investments needed to install the dock, install interpretative signage, complete historic building restoration, construct visitor center/administration building, and repair portions of the causeway road.

In 2004 Sitka Trail Works began corresponding with members of the Alaska's Federal Congressional Delegation to see if there was any Federal funding available for the projects in the Sitka Trail Plan. We wrote and met with all the members of the delegation, carrying 35 letters and resolutions of support for the projects from the Sitka City and Borough Assembly, community organizations and individuals. Our efforts were well received and in response to our requests and requests from other trail organizations in the State Senator Stevens created the Alaska Trails Initiative program, allocating over 4 million dollars FY 2005 and over 2 million in FY 2006 to the State of Alaska for a competitive grants trail program. Senator Stevens specifically named the World War II Causeway project as eligible to apply for funding. In 2005 STW was awarded a grant of \$140,700 to begin work renovating the Causeway. \$60,000 of those grant funds have been given to the State of Alaska DNR and State Historic Preservation office to pay for the necessary site mapping and cultural resources survey and inventory, which will take place this spring. Another \$14,000 was used for a Phase I Environmental Assessment to determine current levels of hazardous materials. That work was done last summer. I don't know how often private parties come before you with the good news that they took it upon themselves to find funds to give to the State to assist with project costs...but today is one of those days! The remainder of the Alaska Trail Initiative grant funds has paid for a clean up of the Causeway which included quite a bit of brush and garbage removal, all done under the supervision of the SHPO's office. STW has also applied for an FY 08 Alaska Trails Initiative grant of \$124,000 which will complete the historical survey and site planning. These funds will also, finally, allow us to build the gravel trail linking all the historical features. We will find out whether or not we have been awarded those additional funds in early June of 2007.

Once the interpretation plan is completed we will be able to spend the SAFE-TEA LU funds on the interpretive signage, building restoration etc. The interpretation plan will guide the capital expenditures. The SAFE-TEA LU funds were made available through close coordination between Congressman Don Young's office and Senator Lisa Murkowski. As part of Sitka's 4th of July celebration last year, General Sharrow and Congressman Young visited Sitka and we had a special Causeway tour for them and Armed services personnel and their families with Transportation provided free of charge by Allen Marine. It was a great event and it is wonderful to have the support of the delegation for this project. I hope I have given you enough information to understand the level of financial commitment that is being made by our community and I hope you will approve of legislatively designating the Fort Rousseau Causeway Historical State Park.

Thank you once again for hearing this bill.

Sitka Trail Works Mission Statement: To contribute to the overall health of the community through the development, maintenance and promotion of a comprehensive trail system in the Sitka area



United States Department of the Interior

NATIONAL PARK SERVICE
240 W. 5th Ave., Room 114
Anchorage, Alaska 99501

IN REPLY REFER TO:
H34 (AKRO-RCR)

RECEIVED

APR 10 2007

APR 4 2007

Representative Craig Johnson, Co-Chair
House Resources Committee
State Capitol
Juneau, Alaska 99801

Dear Representative Johnson:

This letter is in support of HB 176, a bill to designate the Fort Rousseau Causeway a State Historical Park. As you know, the Fort Rousseau Causeway in Sitka is part of the Sitka Naval Operating Base and U.S. Army Coastal Defenses National Historic Landmark (NHL), created in 1984 to commemorate Alaska's role in World War II. Per the Historic Sites Act of 1935 the National Park Service administers the National Historic Landmarks program for the Secretary of the Interior. In this role the National Park Service provides guidance and technical assistance to NHL owners and interested parties.

Since its designation the Causeway portion of the NHL has suffered from neglect and vandalism. Cut off from Japonski Island, the road system and the rest of the NHL by the Rocky Gutierrez Airport, the Causeway has not received the interest that the Sitka Naval Operating Base portion of the NHL has seen. In 2004, Sitka Trail Works (STW) contacted our office regarding their plans to develop a trail system and interpretive plan for the World War II buildings on the Causeway. The National Park Service believes that the best preservation of an historic site occurs when the site is used and appreciated, and we have been working in support of STW since being contacted.

Designating the Fort Rousseau Causeway a State Historical Park would lend further recognition to Alaska's vital role in World War II and encourage preservation efforts currently underway. We support this designation and encourage passage of HB 176.

If you have any questions or concerns regarding these comments please contact Darrell Lewis, Historian, at (907) 644-3470.

Sincerely,

Marcia Blaszak
Regional Director

cc:
Representative Peggy Wilson, State of Alaska
Judith Butner, Alaska State Historic Preservation Officer
Deborah Lyons, Executive Director, Sitka Trail Works

**SITKA STATE PARKS CITIZEN'S ADVISORY BOARD**3803 Halibut Point Rd
Sitka, AK 99835 907.747.6249

December 26, 2007

The Honorable Peggy Wilson
Alaska State House of Representatives
by FAX 907-465-3175

Dear Representative Wilson:

At the December meeting, the Sitka State Parks Citizens Advisory Board unanimously supported contacting you to pledge our strong support for CS for House Bill No. 176, "An Act creating the Fort Rousseau Causeway State Historical Park". You will recall this bill was not passed out of Senate Finance Committee at the eleventh hour last session. We are all hoping it can be passed out of Senate Finance as soon as possible in the upcoming Session and get through the rest of the process to be approved.

Sitka State Parks Advisory Board and Sitka Trail Works are looking forward to completing the transfer to State Parks jurisdiction, so that the remaining Fort Rousseau World War II facilities can be stabilized and made safe for public access and interpretation while protecting the facilities and any archaeological remains as well.

We will be pleased to testify on the bill if there are opportunities to do so. Primary contact is Marlene Campbell, the City and Borough of Sitka's representative on State Parks Advisory Board, at 907-747-1855 (campbell@cityofsitka.com). If you need any information or assistance to facilitate the passage of HB 176, please let us know. Best wishes for a productive and speedy 2008 Legislative Session!

Sincerely,



Marlys Tedin, Chair

cc: Mike Ueberhardt, Superintendent, SE State Parks

Sitka Historic Preservation Commission

*City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99833
2 April 2007*

Dear House Resources Committee:

I am writing in support of HB 176, An Act Creating the Fort Rousseau State Historical Park, as Chairman of the Sitka Historic Preservation Commission, an advisory body of the City and Borough of Sitka.

Our Commission strongly urges approval of HB 176 as an important measure for preserving significant parts of the World War II-era fortifications of Sitka and its approaches. Even though actual combat never came to the Sitka area, the work which started here in 1937 on what became the Sitka Naval Operating Base and U.S. Army Coastal Defenses represented the first major American fortification of its North Pacific territory, Alaska.

Even aside from its military significance, the installation brought profound and lasting change to Sitka, arguably much more than any event since the Transfer of 1867, and may be fairly said to have propelled this old community into the modern world.

Awareness of Sitka's World War II-era history and interest in that period are still widespread among the people of Sitka, and also among visitors. Even though the numbers of World War II veterans among the visitors are fast dwindling, they still come, as do many of their relatives and descendants, eager to glimpse what remains here of the work of "the Greatest Generation".

However, historic structures which are the visible legacy of that era are dwindling too, from the action of the forces of nature, and of the pressure of community and commercial development. Continuing expansion of the Sitka airport, which covers parts of the old fortifications, and of housing development in the area by Shoo Atika Inc., the local Native corporation, in particular are affecting some of what remains. Even though access to the Causeway is only by sea, it is not inconceivable that development of one sort or another could eventually block the public from that historically-significant area as well if it is not protected.

In recent years, local volunteers, led by Sitka Trail Works Inc., have done a great deal of work in cleaning up the Causeway and making it accessible by boat. Even though land access to the Causeway is unlikely ever to become possible again, because of the safety and security requirements of the airport, Sitka Trail Works has made plans for a dock to allow Sitkans and visitors to go ashore on the Causeway. Besides the historical significance of the Causeway, it offers unparalleled marine views of Sitka's approaches, the outer islands, and Mt. Edgecumbe. Even aside from the opportunity for local people to use the area for recreation, visitor-season tours to the Causeway could become an important part of the local tourist economy.

The State of Alaska has already done a great deal to preserve and use historic structures from the World War II era fortifications, particularly the Japonaki Island seaplane apron and the two large hangar buildings, used now by the University of Alaska Southeast and Mt. Edgecumbe High School. A further very significant step for preservation and protection of the remaining historic structures could be taken with the creation of the Fort Rousseau Causeway State Historical Park.

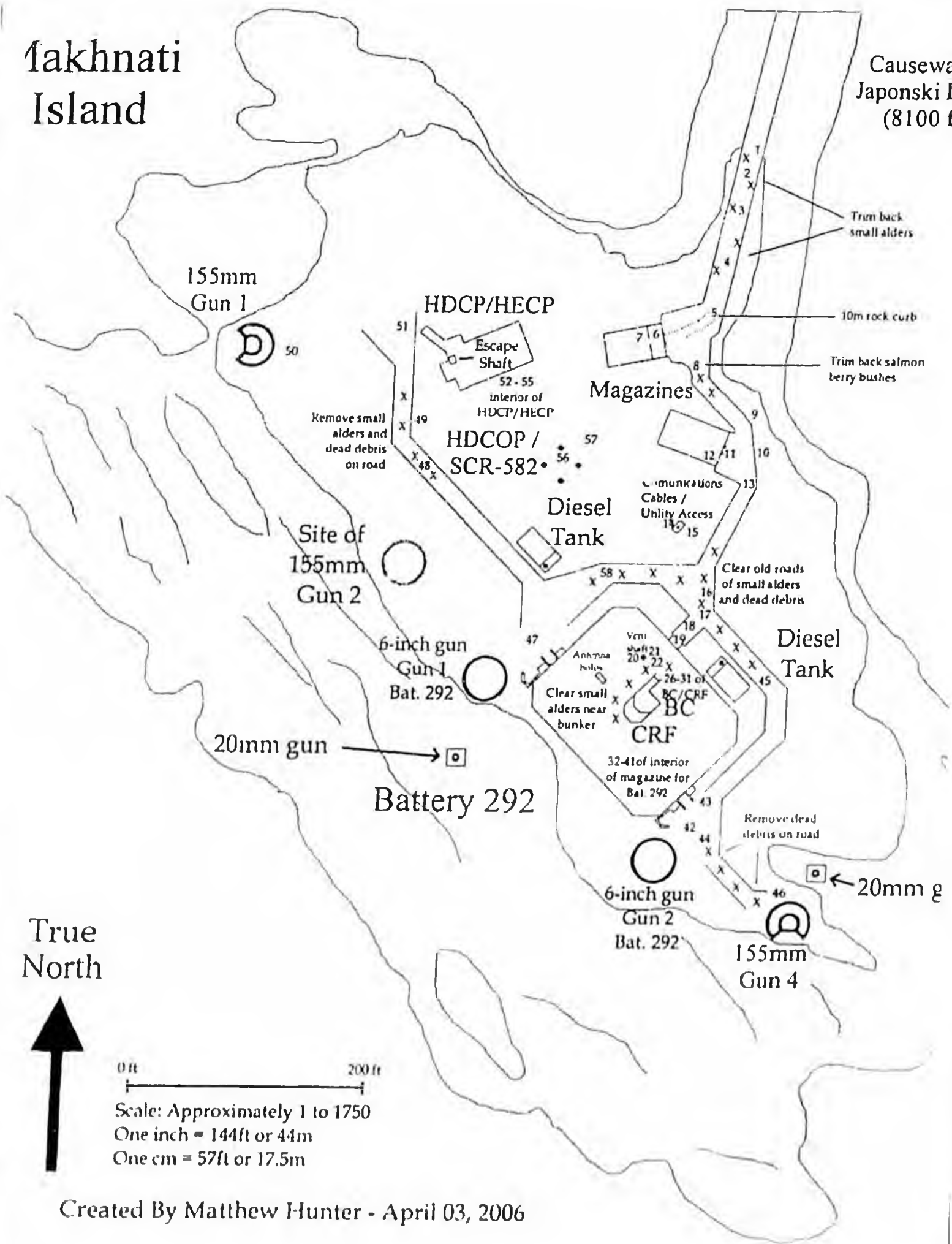
Accordingly, the Sitka Historic Preservation Commission urges the House Resources Committee to approve HB 176.

Sincerely

Peter Gorman, Chairman, Sitka Historic Preservation Commission
2 April 2007

Takhnati Island

Causeway
Japonski I:
(8100 ft)



True North



0 ft 200 ft

Scale: Approximately 1 to 1750
One inch = 144ft or 44m
One cm = 57ft or 17.5m

HB

177

(FILE 1)

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB177CS(RES)-DNR-O&G-04-30-07
 Bill Version: CS HB 177 (RES)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Natural Gas Pipeline Project RDU Resource Development
 Component Alaska Gasline Inducements Act
 Sponsor Rules Committee
 Requester House Finance Component No. new

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	500,000.0*					
-----------------------------	-------------------	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes the Alaska Gasline Inducement Act (AGIA) which would create a competitive public process for inviting applications for a license under this Act. The application process would include certain application requirements before an application can be considered as well as criteria by which the Commissioners of Natural Resources and Revenue will evaluate all qualifying applications.

The Act would also create inducements including: state matching contributions for pipeline construction in an amount not to exceed \$500 million and the benefit of a state gas pipeline coordinator.

(Continued on next page).

Prepared by: Kevin Banks, Acting Director
 Division: Oil and Gas
 Approved by: Tom Irvin, Commissioner
 Agency: Natural Resources

Phone 269-8800
 Date/Time 4/30/2007
 Date 4/30/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL NO. CS HB 177 (RES)

ANALYSIS CONTINUATION

Under the AGIA, the licensee or its designated affiliate would be entitled to state matching contributions for qualified expenditures (post license costs incurred by the licensee that are directly and reasonably related to obtaining a certificate of public necessity and convenience or amending a certificate of public convenience from the FERC or RCA for development of the project).

On or before the close of the first binding season, the state will match up to 50 percent of the licensee's qualified expenditures pursuant to the amount specified in the application. After the close of the first binding open season, the state shall match the qualified expenditures at the amount specified but the amount may be no greater than 80 percent. Over a five year period, these contributions may not exceed \$500 million. The present value of the state's total \$500 million contribution would be roughly \$415 million, because state spending will be spread over several years.

AGIA will generate a number of project benefits that could more than offset its costs. The size of these benefits will depend on ultimate project scope and market prices, which AGIA leaves to the competitive process. Actual benefits will vary depending upon project terminus (Alberta, Chicago), size (1.2 Bcf/day, 4.5 Bcf/day), mode of transport (pipeline only, pipeline plus LNG facilities), among other things. Illustrative benefits shown here assume a 4.3 Bcf/day project to Alberta, Canada with a construction cost that is 50% greater than assumed in 2001. Results are presented in present value dollars, assuming a discount rate of 5%, to recognize that a dollar of state benefit received in the future will be worth less than a dollar spent today.

First, AGIA is likely to result in a project sooner than if no pipeline legislation is passed. By having the state agree to shoulder a large share of the up-front capital that is particularly risky, AGIA ensures that in exchange project proponents commit to move the project forward past clearly defined benchmarks. Because AGIA results in a project sooner, the current value of project revenues to the state is enhanced. Assuming a gas price of \$5.50, if AGIA accelerates project startup by one year, from 2017 to 2016, state benefits will exceed \$1.6 billion; a two-year acceleration in the project returns \$3.2 billion; a three-year acceleration generates \$4.9 billion.

Second, AGIA's requirement of a minimum 70 percent share of debt in the determination of tariffs ensures that the state will not pay unnecessarily high transportation costs. Without this protection, project tariffs could be calculated on the basis of 60 or even 50 percent debt and still pass regulatory scrutiny. The tariff benefits of a 70 percent debt structure, rather than 60 percent or 50 percent, are 26 cents and 55 cents per MMBtu, respectively. The savings to the state are \$1.25 billion and \$2.63 billion, respectively. Meanwhile, lower tariffs improve project economics for holders of both existing and yet to be discovered gas reserves, thereby increasing the likelihood that the project will commence sooner. The degree to which such savings are realized depends on how, absent AGIA's requirements, project tariffs would otherwise have been determined.

Third, AGIA's pipeline access provisions promise to increase competition for exploration and development of Alaska's gas resources, leading to earlier and more significant pipeline expansions. The value to the state of such expansions is scenario specific, and cannot be accurately predicted. That said, if AGIA's expansion provisions caused the pipeline to expand by 10% in year 3 of its operations, whereas without AGIA such an expansion would not occur, the increase in state royalty and taxes would be roughly \$3 billion in today's dollars. Even if the chances that such an expansion would otherwise not occur were only one in five the AGIA investment of \$500 million would more than pay for itself in this provision alone.

Finally, AGIA will directly ensure lower tariffs. The state's direct investment in up-front development costs would reduce the cost of moving gas to Alberta by roughly 4 cents. The present value royalty and tax benefits of this 4 cent tariff reduction come to \$183 million. Put differently, assuming \$5.50 gas prices, during pipeline operation the state will receive roughly 45% of the value of its contribution in increased royalty and production tax benefits. And at gas prices of \$7.50 or higher the state's up-front contribution actually generates more in royalty and tax benefits than it costs.

* \$300,000,000 was appropriated last year (SLA2006/Ch13/Sec14) from the general fund to Alaska Housing Finance Corporation for the purpose of funding capital projects including financing expenses and may be available to partially fund the matching grant.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note: 7
Bill Version: CSHB 177(RES)
(H) Publish Date: 4/25/07

Revision Date/Time (Note if correction): _____ Department: Labor and Workforce Development
Title: Natural Gas Pipeline Project RDU: Office of the Commissioner
Sponsor: Rules Committee Component: Commissioner's Office
Requester: House RES Component Number: 340

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	6,500.0	18,750.0	11,500.0	11,500.0	11,500.0	11,500.0
-----------------------------	----------------	-----------------	-----------------	-----------------	-----------------	-----------------

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	6,500.0	18,750.0	11,500.0	11,500.0	11,500.0	11,500.0
1005 Gr /Program Receipts						
1037 Gr /Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	6,500.0	18,750.0	11,500.0	11,500.0	11,500.0	11,500.0

Estimate of any current year (FY2007) cost: None
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

See Attached.

Prepared by: Guy Bell, Assistant Commissioner Phone: 465-2700
Division: Commissioner's Office Date/Time: 4/12/07 4:11 PM
Approved by: Click Bishop, Commissioner Date: 4/12/2007
Agency: Department of Labor and Workforce Development

FISCAL NOTE #7

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(RES)

ANALYSIS: (continued)

The Alaska Gasline offers Alaskans the opportunity for thousands of high paying jobs with tremendous legacy potential. To ensure Alaskans are considered first for these jobs, the state needs to invest up-front in determining the best way to deliver that workforce by placing Alaskans first, maximizing job opportunities for all Alaskans, including rural Alaskans and Alaska Natives, developing a training plan taking into account existing skills versus required skills, and developing training infrastructure, and implementing and expanding training programs so employers hire Alaskans qualified for pipeline jobs.

This fiscal note outlines the Alaska Department of Labor and Workforce Development's (DOLWD) estimate of the cost of a comprehensive training program to deliver a prepared Alaska workforce for the Alaska Gas Pipeline. The investment is broken down over a six year period as follows:

FY 08 Gasline Project Budget Request: \$ 6,500.0 GF

1. Pipeline Training Center \$ 4,100.0 GF

This would fund a grant to the Alaska Works Partnership to build and equip a comprehensive pipeline trades training facility in Fairbanks. The facility would contain classroom and shop space for pipeline trades training classes. The center will also include a gas compressor training module. Trades to be trained would include but not be limited to pipefitters, heavy equipment operators, plumbers, carpenters, mechanics and electricians. It is estimated that up to 8,000 Alaskans will be trained at this facility through FY 13.

2. Strategic Planning and Research \$ 850.0 GF

This would fund three activities: (1) strategic planning to be overseen by the Commissioner of the Department of Labor and Workforce Development and the Alaska Workforce Investment Board; (2) Gas line Occupational Supply and Demand Analysis; and (3) Rural Alaskan and Alaska Native Skills Inventory and Gasline Employment Interest.

***Commissioner's Office, Gasline Workforce Plan* \$ 275.0 GF**

Funding to retain experts to assist the Commissioner and the Workforce Investment Board in developing a comprehensive Gasline Workforce Development strategy. Areas of technical assistance include innovative training strategies, training technology upgrades, workforce health and safety issues and development of an outcome driven workforce analysis system. This support will allow the Commissioner's Office to incorporate the specialized knowledge associated with meeting the workforce development needs of a mega project with the resources already available through the various divisions of the department. The department will ensure that Alaska's workforce development concerns for the gas line are well described and articulated to potential producers or contractors.

FISCAL NOTE #7

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(RES)

ANALYSIS: (continued)

Research & Analysis Section \$ 250.0 GF

The department's Research & Analysis Section (R&A) will assess the supply and demand for labor resulting from both the construction and operation of the gas pipeline. In an effort to ensure that a qualified workforce exists at the time of gasline construction, DOLWD will conduct an occupational supply and demand analysis to identify potential workforce gaps.

R&A will assist with the development of strategies to close the projected skills gap. Strategies may include the identification of "training gaps" and the development of career information products that encourage Alaskans, of all ages, to consider potential shortage occupations when planning their careers.

Alaska Labor Exchange System Improvement \$ 325.0 GF

The Employment Security Division will improve the web-based, Alaska Labor Exchange System (ALEXsys) to allow the department to complete a state-wide inventory of workers' individual skill sets and better identify a qualified Alaskan workforce and potential training opportunities for Alaskans in preparation for the construction and maintenance phases of the Alaska gasline.

3. Direct Training \$ 500.0 GF

This investment will continue and expand the extremely successful pipeline trades training program in Fairbanks. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

4. University of Alaska \$ 750.0 GF

Engineering and Construction Management programs.

5. Alaska Laborers Training School \$ 300.0 GF

To purchase a D3 Rock Drill to enhance training delivery.

FY 09 Gas Pipeline Project Budget Request: \$ 18,750.0 GF

1. Other Training Infrastructure \$ 15,000.0 GF

Provide essential upgrades to various training facilities throughout the state to provide site-specific specialized training. Potential sites include AVTEC and Regional Training Centers located throughout rural Alaska.

3. Direct Training \$ 2,500.0 GF

This investment will continue and expand the extremely successful pipeline training in Fairbanks, and other targeted training as determined by the training priorities developed by the department and the Alaska Workforce Investment Board. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

FISCAL NOTE #7

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL VERSION: CSHB 177(RES)

ANALYSIS: (continued)

4. University of Alaska \$ 1,250.0 GF
Engineering and Construction Management programs.

FY 10 to FY 13 Gas Pipeline Project Budget Request: \$ 46,000.0 GF

1. Direct Training \$ 40,000.0 GF

Annual investment of \$10 million to continue and expand training. The department will take steps to ensure that jobs are immediately available at the end of each training program by obtaining the commitment to apprentice agreements from employers.

2. University of Alaska \$ 6,000.0 GF

Provide \$1,500.0 annually to support Engineering and Construction Management programs.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 6
Bill Version: CSHB 177(RES)
(H) Publish Date: 4/25/07

Revision Date/Time (Note if correction): _____ Dept. Affected: OOG
Title: "An Act relating to the Alaska Gasline
Inducement Act...." RDU: Executive Operations
Sponsor: Rules Committee Component: Executive Office
Requester: House Resources Committee Component No.: 6

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	78.6	368.6	378.2	385.9	396.6	404.6
Travel	8.0	20.0	20.0	20.0	20.0	20.0
Contractual	18.2	56.4	56.4	56.4	56.4	56.4
Supplies	8.0	20.0	20.0	20.0	20.0	20.0
Equipment	20.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	132.8	465.0	474.6	482.3	493.0	501.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	132.8	465.0	474.6	482.3	493.0	501.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	132.8	465.0	474.6	482.3	493.0	501.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This fiscal note assumes the office will begin functioning at the onset of the last quarter of FY08.

Personal services consists of a state gas pipeline coordinator (R28A), an inter-governmental coordinator (R24), and an executive secretary (R14).

Prepared by: Gail Fenunlai, Asst. Administrative Director
Division: Division of Administrative Services
Approved by: Linda J. Perez, Administrative Director
Agency: Office of the Governor

Phone: 465-3885
Date/Time: 4/20/2007, 2:40pm
Date: 4/20/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: HB 177
(H) Publish Date: 3/5/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title AGIA RDU Administration & Support
Component Natural Gas Commercialization
Sponsor Governor
Requester Rules Committee Component No. 2859

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	294.0	294.0	294.0	294.0	294.0	294.0
Travel	25.0	25.0	25.0	25.0	25.0	25.0
Contractual	1,897.0	900.0	450.0	10.0	10.0	10.0
Supplies	10.0	2.0	2.0	2.0	2.0	2.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	2,226.0	1,221.0	771.0	331.0	331.0	331.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	2,226.0	1,221.0	771.0	331.0	331.0	331.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	2,226.0	1,221.0	771.0	331.0	331.0	331.0

Estimate of any current year (FY2007) cost: 784.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Operating expenditures include costs for 2 additional economists/commercial analysts in exempt positions. These positions would be used to draft the tax related provisions of the request for application, assess economic viability of projects contained in applications, including economic impacts on future state revenues and value of inducements, and develop the Department's recommendations for changes to the existing gas production tax statutes and regulations that will need to be in place as inducement for producer's gas commitments under the Alaska Gasline Inducements Act. In addition, property tax impacts of pipeline construction to state and municipal revenues will need to be understood and forecasted.

Prepared by: Roger Marks Phone 269-0082
Division: Tax Division Date/Time: 2/28/07 12:00 AM
Approved by: Jerry Burnett Date: 2/28/2007
Agency: Department of Revenue

FISCAL NOTE #5

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL NO. HB 177

ANALYSIS CONTINUATION

Contractual expenditures include assistance in formulating revisions to the tax structure, studying comparative international fiscal systems for gas to ensure changes to state's gas production taxes leave Alaska in a globally competitive position, and writing regulations.

Other contractual costs are for legal support for attorneys/law firms with appropriate specialties outside of AGs office to advise us on tax structures and creation of new tax structure; assessment of legal issues and impediments to marketing options now being considered to assist in evaluation of projects; and legal assessment of financial covenants impacting state and its project selection in standard commercial financing arrangements and governmentally guaranteed financing scenarios.

The FY 2008 costs are also in the Oil & Gas Supplemental Bill (SB 82). In addition, that Bill contains FY 2007 costs of \$123,000 personal services, \$425,000 contractual, \$10,000 travel, and \$365,000 legal support.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: HB 177
(H) Publish Date: 3/5/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: Alaska Gasline Inducements Act RDU: Resource Development
Component: Oil & Gas Development
Sponsor: Rules Committee
Requester: Governor Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 6,550.0 ** Requested as a capital project
Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

**This fiscal note represents the gasline-related supplemental requested in HB138/SB82, Section 2 (a). This was requested as a capital project with an effective date of February 1, 2007.

Section 2(a) - \$6,550,000 general fund for gas pipeline analysis projects. This funding will be used to pay for consultants to advise the state on the structure of an RFP for gasline proposals; and to cover the cost of outside experts and legal counsel on federal pipeline law and the FERC process. DNR estimates that \$4,135,000 will be expended in FY07, and \$2,415,000 in FY08.

Prepared by: Kevin Banks, Acting Director
Division: Oil & Gas
Approved by: Tom Irwin, Commissioner
Agency: Natural Resources

Phone 907-269-8800
Date/Time 3/1/2007
Date 3/1/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 177
(H) Publish Date: 3/5/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Alaska Gasline Inducements Act RDU Regulatory Commission of Alaska (399)
Component Regulatory Commission of Alaska
Sponsor Rules
Requester By Request of the Governor Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (141 RCA Receipts)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Regulatory Commission of Alaska (RCA) regulates pipelines and pipeline carriers operating in Alaska under AS 42.06.140(a). AS 42.06.240 requires the RCA to issue a certificate of public convenience and necessity for pipeline carriers engaged in the intrastate transportation of oil or gas by pipeline, or constructing or extending pipeline facilities. To the extent this legislation results in the construction of an intrastate pipeline subject to RCA regulation, costs will be accounted for under the existing RCA structure.

The RCA's budget is funded through the Regulatory Cost Charge (RCC) mechanism and direct charge mechanisms. General funds are not allocated for support of the agency, nor are they anticipated to be necessary as a result of this legislation. The RCC is recalculated each year and allows the agency to recover its operating costs through an assessment on the revenues of economically regulated utilities and pipeline carriers.

Prepared by: Kate Glard, Chair
Division: Regulatory Commission of Alaska
Approved by: Emil Notti, Commissioner
Agency: Commerce, Community, and Economic Development

Phone 907.276.6222
Date/Time 2/28/07 3:06 PM
Date 2/28/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 177
(H) Publish Date: 3/5/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: Alaska Gasline Inducement Act RDU: AOGCC
Component: AOGCC
Sponsor: Rulos Committee
Requester: Governor Component No.: 2010

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1162 AOGCC Receipts	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation will not have a fiscal impact upon the Alaska Oil and Gas Conservation Commission.

Prepared by: Jody J. Colombo, Special Assistant I
Division: Alaska Oil and Gas Conservation Commission
Approved by: Rachael Petro, Deputy Commissioner
Agency: Department of Administration

Phone: 793-1221
Date/Time: 3/2/07 3:19 PM
Date: 3/2/2007 1:00pm

5/10/07

pm

Thursday

annuuntz

p/o Comm

galun

adopted 5/9/07

25-GH1060V
Bullock
5/9/07

CS FOR HOUSE BILL NO. 177(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): **HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

*Completed
5/9/07*

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska Gasline Inducement Act; providing inducements for the
2 construction of a natural gas pipeline and shippers that commit to use that pipeline;
3 establishing the Alaska Gasline Inducement Act matching contribution fund; providing
4 for an Alaska Gasline Inducement Act coordinator; making conforming amendments;
5 and providing for an effective date."

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

7 * Section 1. AS 43 is amended by adding a new chapter to read:

8 **Chapter 90. Alaska Gasline Inducement Act.**

9 **Article 1. Inducement to Construction of a Natural Gas Pipeline in this State.**

10 **Sec. 43.90.010. Purpose.** The purpose of this chapter is to encourage
11 expedited construction of a natural gas pipeline that

12 (1) facilitates commercialization of North Slope gas resources in the
13 state;

1 (2) promotes exploration and development of oil and gas resources on
2 the North Slope in the state;

3 (3) maximizes benefits to the people of the state from the development
4 of oil and gas resources in the state; and

5 (4) encourages oil and gas lessees and other persons to commit to ship
6 natural gas from the North Slope to a gas pipeline system for transportation to markets
7 in this state or elsewhere.

8 **Article 2. Alaska Gasline Inducement Act License.**

9 **Sec. 43.90.100. Gas project.** (a) The commissioners may award an Alaska
10 Gasline Inducement Act license as provided in this chapter. The person awarded a
11 license under this chapter is entitled to the inducement set out in AS 43.90.110.

12 (b) Nothing in this chapter precludes a person from pursuing a gas pipeline
13 independently from this chapter.

14 **Sec. 43.90.110. Natural gas pipeline project construction inducement.** (a)
15 Subject to the limitations of this chapter, a license issued under this chapter entitles the
16 licensee or its designated affiliate to receive

17 (1) subject to appropriation, state matching contributions in a total
18 amount not to exceed \$500,000,000, paid to the licensee during the five-year period
19 immediately following the date the license is awarded; the payment period may be
20 extended by the commissioners under an amendment or modification of the project
21 plan under AS 43.90.210; a payment under this paragraph shall be made according to
22 the following:

23 (A) on or before the close of the first binding open season, the
24 state shall match the licensee's qualified expenditures at the level specified in
25 the license; however, the state's matching contribution may not exceed 50
26 percent of the qualified expenditures incurred before the close of the first
27 binding open season;

28 (B) after the close of the first binding open season, the state
29 shall match the licensee's qualified expenditures at the level specified in the
30 license; however, the state's matching contribution may not exceed 80 percent
31 of the qualified expenditures incurred after the close of the first binding open

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

season;

(C) a qualified expenditure is a cost that is incurred after the license is issued under this chapter by the licensee or the licensee's designated affiliate, and is directly and reasonably related to obtaining a certificate or amended certificate of public convenience and necessity from the Federal Energy Regulatory Commission or the Regulatory Commission of Alaska, as appropriate, or satisfying a requirement of an agency with jurisdiction over the project; in this subparagraph, "qualified expenditures" does not include overhead costs, litigation costs, the cost of an asset or work product acquired or developed by the licensee before the license is issued, or civil or criminal penalties or fines; and

(2) the benefit of an Alaska Gasline Inducement Act coordinator who has the authority prescribed in AS 43.90.250.

(b) The commissioner of revenue in consultation with the commissioner of natural resources shall adopt regulations for determining whether an expenditure is a qualified expenditure for the purposes of (a) of this section.

Sec. 43.90.120. Request for applications for the license. (a) The commissioners shall commence a public process to request applications for a license under this chapter as soon as practicable after the effective date of this chapter.

(b) The commissioners may use independent contractors to assist them in developing the request for applications and in evaluating applications received under this chapter.

(c) The provisions of AS 36.30 do not apply to requests for applications under this chapter.

Sec. 43.90.130. Application requirements. An application for a license must be consistent with the terms of the request for applications under AS 43.90.120 and must

(1) be filed by the deadline established by the commissioners in the request for applications;

(2) provide a thorough description of a proposed natural gas pipeline project for transporting natural gas from the North Slope to market, which description

1 may include multiple design proposals, including different design proposals for pipe
2 diameter, wall thickness, and transportation capacity, and which description shall
3 include

4 (A) the route proposed for the natural gas pipeline, which may
5 not be the route described in AS 38.35.017(b);

6 (B) the location of receipt and delivery points and the size and
7 design capacity of the proposed natural gas pipeline at the proposed receipt and
8 delivery points, except that this information is not required for in-state delivery
9 points unless the application proposes specific in-state delivery points;

10 (C) an analysis of the project's economic and technical
11 viability, including a description of all pipeline access and tariff terms the
12 applicant plans to offer;

13 (D) an economically and technically viable work plan, timeline,
14 and associated budget for developing and performing the proposed project,
15 including field work, environmental studies, design, and engineering,
16 implementing practices for controlling carbon emissions from natural gas
17 systems as established by the United States Environmental Protection Agency,
18 and complying with all applicable state, federal, and international regulatory
19 requirements that affect the proposed project; the applicant shall address the
20 following:

21 (i) if the proposed project involves a pipeline into or
22 through Canada, a thorough description of the applicant's plan to obtain
23 necessary rights-of-way and authorizations in Canada, a description of
24 the transportation services to be provided and a description of rate-
25 making methodologies the applicant will propose to the regulatory
26 agencies, and an estimate of rates and charges for all services;

27 (ii) if the proposed project involves marine
28 transportation of liquefied natural gas, a description of the marine
29 transportation services to be provided and a description of proposed
30 rate-making methodologies; an estimate of rates and charges for all
31 services by third parties; a detailed description of all proposed access

1 and tariff terms for liquefaction services or, if third parties would
2 perform liquefaction services, identification of the third parties and the
3 terms applicable to the liquefaction services; a complete description of
4 the marine segment of the project including the proposed ownership,
5 control, and cost of liquefied natural gas tankers, the management of
6 shipping services, liquefied natural gas export, destination, re-
7 gasification facilities, and pipeline facilities needed for transport to
8 market destinations, and the entity or entities that would be required to
9 obtain necessary export permits and licenses or a certificate or amended
10 certificate of public convenience and necessity from the Federal Energy
11 Regulatory Commission for the transportation of liquefied natural gas
12 in interstate commerce if United States markets are proposed; and all
13 rights-of-way or authorizations required from a foreign country;

14 (3) commit that if the proposed project is within the jurisdiction of the
15 Federal Energy Regulatory Commission, the applicant will

16 (A) conclude, by a date certain that is not later than 36 months
17 after the date the license is issued, a binding open season that is consistent with
18 the requirements of 18 C.F.R. Part 157, Subpart B (Open Seasons for Alaska
19 Natural Gas Transportation Projects) and 18 C.F.R. 157.30 - 157.39;

20 (B) apply for Federal Energy Regulatory Commission approval
21 to use the pre-filing procedures set out in 18 C.F.R. 157.21 by a date certain,
22 and use those procedures before filing an application for a certificate or
23 amended certificate of public convenience and necessity, except where the
24 procedures are not required as a result of sec. 5 of the President's Decision
25 issued under 15 U.S.C. 719 et seq. (Alaska Natural Gas Transportation Act of
26 1976); and

27 (C) apply for a Federal Energy Regulatory Commission
28 certificate or amended certificate of public convenience and necessity to
29 authorize the construction and operation of the proposed project described in
30 this section by a date certain;

31 (4) if the proposed project is within the jurisdiction of the Regulatory

1 Commission of Alaska, commit to

2 (A) conclude, by a date certain that is not later than 36 months
3 after the date the license is issued, a binding open season that is consistent with
4 the requirements of AS 42.06; and

5 (B) apply for a certificate or amended certificate of public
6 convenience and necessity to authorize the construction and operation of the
7 proposed project by a date certain;

8 (5) commit that after the first binding open season, the applicant will
9 assess the market demand for additional pipeline capacity at least every two years
10 through public nonbinding solicitations or similar means;

11 (6) commit to expand the proposed project in reasonable engineering
12 increments and on commercially reasonable terms that encourage exploration and
13 development of gas resources in this state; in this paragraph,

14 (A) "commercially reasonable terms" means that, subject to the
15 provisions of (7) of this section, revenue from transportation contracts covers
16 the cost of the expansion, including increased fuel costs and a reasonable
17 return on capital as authorized by the Federal Energy Regulatory Commission
18 or the Regulatory Commission of Alaska, as applicable, and there is no
19 impairment of the proposed project's ability to recover the costs of existing
20 facilities.

21 (B) "reasonable engineering increments" means the amount of
22 additional capacity that could be added by compression or a pipe addition
23 using a compressor size or pipe size, as applicable, that is substantially similar
24 to the original compressor size and pipe size;

25 (7) commit that the applicant

26 (A) will propose and support the recovery of mainline capacity
27 expansion costs, including fuel costs, from all mainline system users through
28 rolled-in rates as provided in (B) and (C) of this paragraph or through a
29 combination of incremental and rolled-in rates as provided in (D) of this
30 paragraph;

31 (B) will propose and support the recovery of mainline capacity

1 expansion costs, including fuel costs, from all mainline system users through
2 rolled-in rates; an applicant is obligated under this subparagraph only if the
3 rolled-in rates would increase the rates

4 (i) not described in (ii) of this subparagraph by not more
5 than 15 percent above the initial maximum recourse rates for capacity
6 acquired before commercial operations commence; in this sub-
7 subparagraph, "initial maximum recourse rates" means the highest cost-
8 based rates for any specific transportation service set by the Federal
9 Energy Regulatory Commission, the Regulatory Commission of
10 Alaska, or the National Energy Board of Canada, as appropriate, when
11 the pipeline commences commercial operations;

12 (ii) by not more than 15 percent above the negotiated
13 rate for pipeline capacity on the date of commencement of commercial
14 operations where the holder of the capacity is not an affiliate of the
15 owner of the pipeline project; for the purposes of this sub-
16 subparagraph, "negotiated rate" means the rate in a transportation
17 service agreement that provides for a rate that varies from the otherwise
18 applicable cost-based rate, or recourse rate, set out in a gas pipeline's
19 tariff approved by the Federal Energy Regulatory Commission, the
20 Regulatory Commission of Alaska, or the National Energy Board of
21 Canada, as appropriate; or

22 (iii) for capacity acquired in an expansion after
23 commercial operations commence, to a level that is not more than 115
24 percent of the volume-weighted average of all rates collected by the
25 project owner for pipeline capacity on the date commercial operations
26 commence;

27 (C) will, if recovery of mainline capacity expansion costs,
28 including fuel costs, through rolled-in rate treatment would increase the rates
29 for capacity described in (B) of this paragraph, propose and support the partial
30 roll-in of mainline expansion costs, including fuel costs, to the extent that rates
31 acquired before commercial operations commence do not exceed the levels

1 described in (B) of this paragraph;

2 (D) may, for the recovery of mainline capacity expansion costs,
3 including fuel costs, that, under rolled-in rate treatment, would result in rates
4 that exceed the level in (B) of this paragraph, propose and support the recovery
5 of those costs through any combination of incremental and rolled-in rates;

6 (E) will not enter into a negotiated rate agreement that would
7 preclude the applicant from collecting from any shipper, including a shipper
8 with a negotiated rate agreement, the rolled-in rates that are required to be
9 proposed and supported by the applicant under (B) of this paragraph or the
10 partial rolled-in rates that are required to be proposed and supported by the
11 applicant under (C) of this paragraph;

12 (8) state how the applicant proposes to deal with a North Slope gas
13 treatment plant, regardless of whether that plant is part of the applicant's proposal, and,
14 to the extent that the plant will be owned entirely or in part by the applicant, commit to
15 seek certificate authority from the Federal Energy Regulatory Commission if the
16 proposed project is engaged in interstate commerce, or from the Regulatory
17 Commission of Alaska if the project is not engaged in interstate commerce; for a
18 North Slope gas treatment plant that will be owned entirely or in part by the applicant,
19 for rate-making purposes, commit to value previously used assets that are part of the
20 gas treatment plant at net book value; describe the gas treatment plant, including its
21 design, engineering, construction, ownership, and plan of operation; the identity of any
22 third party that will participate in the ownership or operation of the gas treatment
23 plant; and the means by which the applicant will work to minimize the effect of the
24 costs of the facility on the tariff;

25 (9) propose a percentage and total dollar amount for the state's
26 matching contribution under AS 43.90.110(a)(1)(A) and (B) to be specified in the
27 license;

28 (10) commit to propose and support rates for the proposed project and
29 for any North Slope gas treatment plant that the applicant may own, in whole or in
30 part, that are based on a capital structure for rate-making that consists of not less than
31 70 percent debt;

1 (11) describe the means for preventing and managing overruns in costs
2 of the proposed project, and the measures for minimizing the effects on tariffs from
3 any overruns;

4 (12) commit to provide a minimum of five delivery points of natural
5 gas in this state;

6 (13) commit to

7 (A) offer firm transportation service to delivery points in this
8 state as part of the tariff regardless of whether any shippers bid successfully in
9 a binding open season for firm transportation service to delivery points in this
10 state, and commit to offer distance-sensitive rates to delivery points in this
11 state consistent with 18 C.F.R. 157.34(c)(8); and

12 (B) offer distance-sensitive rates to delivery points in the state
13 consistent with 18 C.F.R. 157.34(c)(8);

14 (14) commit to establish a local headquarters in this state for the
15 proposed project;

16 (15) to the extent permitted by law, commit to

17 (A) hire qualified residents from throughout the state for
18 management, engineering, construction, operations, maintenance, and other
19 positions on the proposed project;

20 (B) contract with businesses located in the state;

21 (C) establish hiring facilities or use existing hiring facilities in
22 the state; and

23 (D) use, as far as is practicable, the job centers and associated
24 services operated by the Department of Labor and Workforce Development
25 and an Internet-based labor exchange system operated by the state;

26 (16) waive the right to appeal the rejection of the application as
27 incomplete, the issuance of a license to another applicant, or the determination under
28 AS 43.90.180(b) that no application merits the issuance of a license;

29 (17) commit to negotiate, before construction, a project labor
30 agreement; in this paragraph, "project labor agreement" means a comprehensive
31 collective bargaining agreement between the licensee or its agent and the appropriate

1 labor representatives to ensure expedited construction with labor stability for the
2 project by qualified residents of the state;

3 (18) commit that the state matching contribution received by a licensee
4 may not be included in the applicant's rate base, and shall be used as a credit against
5 licensee's cost of service;

6 (19) provide a detailed description of the applicant, all entities
7 participating with the applicant in the application and the project proposed by the
8 applicant, and persons the applicant intends to involve in the construction and
9 operation of the proposed project; the description must include the nature of the
10 affiliation for each person, the commitments by the person to the applicant, and other
11 information relevant to the commissioners' evaluation of the readiness and ability of
12 the applicant to complete the project presented in the application;

13 (20) demonstrate the readiness, financial resources, and technical
14 ability to perform the activities specified in the application by describing the
15 applicant's history of compliance with safety, health, and environmental requirements,
16 the ability to follow a detailed work plan and timeline, and the ability to operate within
17 an associated budget.

18 **Sec. 43.90.140. Initial application review; additional information requests;**
19 **complete applications.** (a) After the deadline established by the commissioners for
20 filing an application has passed, the commissioners shall open and review each
21 application to determine whether it is consistent with the terms of the request for
22 applications and meets the requirements of AS 43.90.130. The commissioners shall
23 reject as incomplete an application that does not meet the requirements of
24 AS 43.90.130.

25 (b) To evaluate whether an application should be rejected under (a) of this
26 section, the commissioners may request additional information relating to the
27 application.

28 (c) If, within the time specified by the commissioners, the applicant fails to
29 provide the additional information requested under (b) of this section, or submits
30 additional information that is not responsive, the application shall be rejected.

31 (d) For an application not rejected under this section, the commissioners shall

1 make a determination that the application, including any requested additional
2 information, is complete.

3 (e) Except as provided under AS 43.90.150, and after determining which
4 applications are complete, the commissioners shall make all applications available to
5 the legislature.

6 **Sec. 43.90.150. Proprietary information and trade secrets.** (a) At the
7 request of the applicant, information submitted under this chapter that the applicant
8 identifies and demonstrates is proprietary or is a trade secret is confidential and not
9 subject to public disclosure under AS 40.25. After a license is awarded, all
10 information submitted by the licensee, retained under this chapter, and not determined
11 by the commissioners to be a proprietary or trade secret, shall be made public.

12 (b) If the commissioners determine that the information submitted by the
13 applicant is not proprietary or is not a trade secret, the commissioners shall notify the
14 applicant and return the information at the request of the applicant.

15 **Sec. 43.90.160. Notice, review, and comment.** (a) The commissioners shall
16 publish notice and provide a 60-day period for public review and comment on all
17 applications determined complete under AS 43.90.140. Except as provided under
18 AS 43.90.150, all applications filed under this chapter shall be made public, including
19 applications rejected as incomplete under AS 43.90.140.

20 (b) Applications received under this chapter are not subject to public
21 disclosure under AS 40.25 until the commissioners publish notice under this section.
22 However, information that the commissioners have determined is proprietary or a
23 trade secret under AS 43.90.150 may not be made public even after the notice is
24 published under (a) of this section, except as otherwise provided in AS 43.90.150. If
25 information is proprietary or a trade secret and is held confidential under
26 AS 43.90.150, the applicant shall provide a summary of the confidential information
27 that is satisfactory to the commissioners, and the commissioners shall make the
28 summary of the information available to the public.

29 (c) After the commissioners determine that an application is complete under
30 AS 43.90.140, information provided by an applicant to the commissioners under this
31 chapter, including information determined by the commissioners to be confidential

1 under AS 43.90.150, shall be disclosed to the legislative auditor, the fiscal analyst who
2 serves as head of the legislative finance division, members of the legislature, and their
3 respective agents and contractors, on request and after the individual making the
4 request signs a confidentiality agreement prepared by the commissioners.

5 **Sec. 43.90.170. Application evaluation and ranking.** (a) The commissioners
6 shall evaluate all applications determined to be complete under AS 43.90.140,
7 consider public comments received under AS 43.90.160(a), and rank each application
8 according to the net present value of the anticipated cash flow to the state from the
9 applicant's project proposal using the factors in (b) of this section and weighted by the
10 project's likelihood of success based on the commissioners' assessment of the factors
11 listed in (c) of this section.

12 (b) When evaluating the net present value of anticipated cash flow to the state
13 from the applicant's project proposal, the commissioners shall use an undiscounted
14 value and, at a minimum, discount rates of two, five, and eight percent, and consider

15 (1) how quickly the applicant proposes to begin construction of the
16 proposed project and how quickly the project will commence commercial operation;

17 (2) the net back value of the gas determined by the destination market
18 value of the gas and estimated transportation and treatment costs;

19 (3) the ability of the applicant to prevent or reduce project cost
20 overruns that would increase the tariff;

21 (4) the initial design capacity of the applicant's project and the extent
22 to which the design can accommodate low-cost expansion;

23 (5) the amount of the matching contribution by the state under
24 AS 43.90.110(a)(1)(A) and (B) proposed by the applicant under AS 43.90.130(9); and

25 (6) other factors found by the commissioners to be relevant to the
26 evaluation of the net present value of the anticipated cash flow to the state.

27 (c) When evaluating the project's likelihood of success, the commissioners
28 shall consider

29 (1) the reasonableness, specificity, and feasibility of the applicant's
30 work plan, timeline, and budget required to be submitted under AS 43.90.130,
31 including the applicant's plan to manage cost overruns, insulate shippers from the

1 effect of cost overruns, and encourage shippers to participate in the first binching open
2 season;

3 (2) the financial resources of the applicant;

4 (3) the ability of the applicant to comply with the proposed
5 performance schedule;

6 (4) the applicant's organization, experience, accounting and operational
7 controls, technical skills or the ability to obtain them, and necessary equipment or the
8 ability to obtain the necessary equipment;

9 (5) the applicant's record of

10 (A) performance on projects not licensed under this chapter;

11 (B) integrity and good business ethics; and

12 (6) other evidence and factors found by the commissioners to be
13 relevant to the evaluation of the project's likelihood of success.

14 **Sec. 43.90.180. Notice to the legislature of intent to issue license; denial of**
15 **license.** (a) If, after consideration of public comments received under AS 43.90.160(a)
16 and evaluation of complete applications under AS 43.90.170, the commissioners
17 determine that an application proposes a project that will sufficiently maximize the
18 benefits to the people of this state and merits issuance of a license under this chapter,
19 the commissioners shall

20 (1) issue a determination, with written findings addressing the basis for
21 the determination; the determination becomes a final agency action on the effective
22 date of a bill approving the issuance of the license under AS 43.90.190;

23 (2) publish notice of intent to issue a license under this chapter with
24 written findings addressing the basis for the determination; and

25 (3) forward the notice under (2) of this subsection, along with the
26 findings, supporting documentation, and determination under (1) of this subsection, to
27 the presiding officer of each house of the legislature for action as provided in
28 AS 43.90.190.

29 (b) If, after evaluation of complete applications under AS 43.90.170, the
30 commissioners determine that no application sufficiently maximizes the benefits to the
31 people of this state and merits issuance of a license under this chapter, the

1 commissioners shall issue a written finding that addresses the basis for that
2 determination.

3 (c) The commissioners' determination under (b) of this section is a final
4 agency action.

5 **Sec. 43.90.190. Legislative approval; issuance of license.** (a) After the
6 presiding officer of each house of the legislature receives a determination from the
7 commissioners under AS 43.90.180, the rules committee of each house of the
8 legislature shall introduce a bill in the committee's respective chamber that provides
9 for the approval of the license proposed to be issued by the commissioners.

10 (b) If a bill approving the issuance of the license passes the legislature within
11 60 days after the last date a presiding officer receives a determination by the
12 commissioners under AS 43.90.180, the commissioners shall issue the license as soon
13 as practicable after the effective date of the Act approving the issuance of the license.

14 (c) Notwithstanding a legislative rule that prohibits the carryover of a bill after
15 the end of a special session or after the end of a regular session of a legislature, a bill
16 introduced under (a) of this section that is not passed or not withdrawn, defeated,
17 vetoed, or indefinitely postponed shall be carried over to any subsequent regular or
18 special legislative session convened during the 60-day period described in (b) of this
19 section in the same reading or status it was in at the time of adjournment. However, a
20 bill introduced under (a) of this section may not be carried over to the first regular
21 session of a legislature.

22 (d) If the legislature fails to approve the issuance of the license, the
23 commissioners

24 (1) may not issue the license that the legislature failed to approve; and

25 (2) may request new applications for a license under AS 43.90.120.

26 **Sec. 43.90.200. Certification by regulatory authority and project sanction.**

27 (a) A licensee that is awarded a certificate or amended certificate of public
28 convenience and necessity from a regulatory agency with jurisdiction over the project
29 shall accept the certificate or amended certificate when the order granting the
30 certificate is no longer subject to judicial review, or earlier at the licensee's discretion.

31 (b) If the licensee has credit support sufficient to finance construction of the

1 project through ownership of rights to produce and market gas resources, firm
2 transportation commitments, or government financing, the licensee shall sanction the
3 project within one year after the effective date of the certificate or amended certificate
4 of public convenience and necessity issued by the regulatory agency with jurisdiction
5 over the project.

6 (c) If the licensee does not have credit support sufficient to finance
7 construction of the project through ownership of rights to produce and market gas
8 resources, firm transportation commitments, or government financing, the licensee
9 shall sanction the project before the later of

10 (1) two years after the effective date of the certificate or amended
11 certificate of public convenience and necessity issued by the regulatory agency with
12 jurisdiction over the project; or

13 (2) five years after the close of the first binding open season of the
14 project.

15 (d) If the licensee fails to sanction the project as required under this section,
16 the licensee shall, upon request by the state,

17 (1) seek approval from the Federal Energy Regulatory Commission or
18 the Regulatory Commission of Alaska, as applicable, to abandon and transfer the
19 certificate or amended certificate to the state or the state's designee; and

20 (2) assign to the state or the state's designee all engineering designs,
21 contracts, permits, and other data related to the project that are acquired by the
22 licensee during the term of the license before the date of the abandonment or transfer.

23 (e) The transfer and assignments under (d) of this section as a result of failure
24 to comply with (a) or (b) of this section are at no cost to the state or the state's
25 designee. A transfer under (c) of this section is at the licensee's net cost.

26 (f) In this section, "effective date of the certificate or amended certificate of
27 public convenience and necessity" means the date the order granting the certificate is
28 no longer subject to judicial review, or earlier at the discretion of the licensee.

29 **Sec. 43.90.210. Amendment of or modification to the project plan.** Subject
30 to the approval of the commissioners, a licensee may amend or modify its project plan
31 if the amendments or modifications improve the net present value of the project to the

1 state, are necessary because of an order or requirement by a regulatory agency with
2 jurisdiction over the project, an order issued by the Alaska Oil and Gas Conservation
3 Commission, or the amendment or modification is necessary because of changed
4 circumstances outside the licensee's control and not reasonably foreseeable before the
5 license was issued. An amendment or modification approved under this section must
6 be consistent with the requirements of AS 43.90.130 and, except for an amendment or
7 modification required because of an order or requirement of a regulatory agency with
8 jurisdiction over the project or an order issued by the Alaska Oil and Gas
9 Conservation Commission, may not substantially diminish the net present value of the
10 project to the state or the project's likelihood of success.

11 **Sec. 43.90.220. Records, reports, conditions, and audit requirements.** (a) A
12 licensee shall maintain complete and accurate records of all expenditures and
13 commitments of state money received under this chapter, including receipts and
14 records showing the payment or cost of purchased items and services, the names and
15 addresses of the sellers and service providers, and the dates of service or delivery.

16 (b) Upon reasonable notice, the commissioners may audit the records, books,
17 and files of the entity receiving the state money or making the expenditures and
18 commitments of money received from the state under this chapter.

19 (c) The commissioners may do the following with respect to information
20 relating to the project: conduct hearings or other investigative inquiries; compel the
21 attendance of witnesses and production of documents; and require the licensee to
22 furnish information in paper copy or electronic format.

23 (d) After a license has been issued and until commencement of commercial
24 operations of a natural gas pipeline, the licensee shall allow the commissioners to

25 (1) have a representative present at all meetings of the licensee's
26 governing body or bodies and equity holders that relate to the project;

27 (2) receive all relevant notices when and as issued and information
28 sent to the governing body or bodies and equity holders;

29 (3) enjoy the same access to information about the licensee as the
30 governing body member and equity owners receive; and

31 (4) receive relevant reports or information from the licensee that the

1 commissioners reasonably request.

2 (e) All proprietary information, privileged information, and trade secrets
3 received by the commissioners or their representative under (d) of this section are not
4 subject to public disclosure under AS 40.25.

5 (f) A licensee shall maintain the records and reports required under this
6 section for seven years from the date the licensee receives state money under this
7 chapter.

8 **Sec. 43.90.230. License violations; damages.** (a) A licensee is in violation of
9 the license if the commissioners determine that the licensee has

10 (1) requested and received money from the state under this chapter for
11 an expenditure that is not a qualified expenditure under AS 43.90.110;

12 (2) except as required to conform with a requirement of a regulatory
13 agency with jurisdiction over the project, substantially departed from the
14 specifications set out in the application without state approval of a project plan
15 amendment or modification under AS 43.90.210;

16 (3) violated any provision of this chapter or any other provision of
17 state or federal law material to the license;

18 (4) failed to accept a certificate as required under AS 43.90.200(a) or
19 failed to sanction the project as required under AS 43.90.200(b); or

20 (5) otherwise violated a material term of the license.

21 (b) The commissioners shall provide written notice to the licensee identifying
22 a license violation. The commissioners and the licensee have 90 days after the date the
23 notice is issued to resolve the violation informally.

24 (c) The commissioners may suspend disbursement of state matching
25 contributions to the licensee beginning on the date that the notice of violation issued
26 under (b) of this section is sent to the licensee. The commissioners may resume
27 disbursement on the date that the commissioners determine that the violation is cured.

28 (d) If the commissioners and the licensee are unable to resolve the violation
29 within the period described in (b) of this section, the commissioners shall notify the
30 licensee that the violation has not been cured and provide the licensee with an
31 opportunity to be heard. If, after notice and hearing, the commissioners determine that

1 the violation has not been cured, the commissioners shall issue a written decision that
2 is a final administrative action for purposes of appeal to the superior court in the state.

3 (c) If the determination issued under (d) of this section finds an unresolved
4 violation, the commissioners may impose one or more of the following remedies:

5 (1) discontinuation of state matching contributions under this chapter;

6 (2) recoupment of state money that the licensee has received under this
7 chapter to date, with interest, regardless of whether the licensee has expended or
8 committed that money;

9 (3) license revocation;

10 (4) assignment to the state or the state's designee of all engineering
11 designs, contracts, permits, and other data related to the project that are acquired by
12 the licensee during the term of the license; and

13 (5) any other remedies provided by law or in equity.

14 **Sec. 43.90.240. Abandonment of project.** (a) If the commissioners and the
15 licensee agree that the project is uneconomic, the project shall be abandoned, the
16 inducement provided for in AS 43.90.110 terminated, and, except for requirements
17 imposed on the licensee under (c) of this section and AS 43.90.220, the state and the
18 licensee no longer have an obligation under this chapter with respect to the license.

19 (b) If the commissioners or the licensee find that the project is uneconomic
20 and the other party disagrees, the disagreement shall be settled by arbitration
21 administered by the American Arbitration Association under the substantive and
22 procedural laws of this state, and judgment on the award rendered by the arbitrators
23 may be entered in superior court in the state. In the event of arbitration, each party
24 shall select an arbitrator from the American Arbitration Association's National Roster,
25 and the two arbitrators shall appoint a third arbitrator from the American Arbitration
26 Association's National Roster who shall serve as the chair of the three-member
27 arbitration panel. If the arbitration panel determines that the project is

28 (1) uneconomic, the state and the licensee no longer have an obligation
29 under this chapter with respect to the license, except for requirements imposed on the
30 licensee under (c) of this section and AS 43.90.220; or

31 (2) not uneconomic, the obligations of the licensee and the state

1 continue as provided under this chapter and the license.

2 (c) The arbitration panel in (b) of this section shall make a determination that
3 the project is uneconomic only if the panel finds that the party claiming the project is
4 uneconomic has proven by a preponderance of the evidence that the

5 (1) project does not have credit support sufficient to finance
6 construction of the project through firm transportation commitments, government
7 assistance, or other external sources of financing; and

8 (2) predicted costs of transportation at a 100 percent load factor, when
9 deducted from predicted gas sales revenue using publicly available predictions of
10 future gas prices, would result in a producer rate of return that is below the rate
11 typically accepted by a prudent oil and gas exploration and production company for
12 incremental upstream investment that is required to produce and deliver gas to the
13 project.

14 (d) If the state makes a payment to the licensee under AS 43.90.440, the
15 license is considered abandoned, and the state and the licensee no longer have any
16 obligations under this chapter with respect to the license, except that the licensee must
17 comply with the

18 (1) requirements imposed on the licensee under AS 43.90.220
19 regarding state money received by the licensee before the license was considered
20 abandoned; and

21 (2) requirements of AS 43.90.440.

22 (e) If the commissioners and the licensee agree that the project is uneconomic
23 or an arbitration panel makes a final determination that the project is uneconomic, the
24 licensee shall, upon the state's request, transfer to the state or the state's designee all
25 engineering designs, contracts, permits, and other data related to the project that are
26 acquired by the licensee during the term of the license upon reimbursement by the
27 state of the net amount of expenditures incurred and paid by the licensee that are
28 qualified expenditures for the purposes of AS 43.90.110.

29 **Sec. 43.90.250. Alaska Gasline Inducement Act coordinator.** (a) There is
30 created in the Office of the Governor the position of Alaska Gasline Inducement Act
31 coordinator. Administrative support for the position shall be provided by the Office of

1 the Governor. The position shall continue until one year after commencement of
2 commercial operations of the project.

3 (b) The governor shall appoint a person to the position of Alaska Gasline
4 Inducement Act coordinator. The individual serving as the Alaska Gasline Inducement
5 Act coordinator may be removed from the position at the discretion of the governor.

6 **Sec. 43.90.260. Expedited review and action by state agencies.** (a) A review
7 conducted and action taken by a state agency relating to the project shall be expedited
8 in a manner consistent with the completion of the necessary approvals in accordance
9 with this chapter.

10 (b) Notwithstanding any contrary provision of law, a state agency may not
11 include in any project certificate, right-of-way, permit, or other authorization issued to
12 the licensee a term or condition that is not required by law if the coordinator
13 determines that the term or condition would prevent or impair in any significant
14 respect the expeditious construction and operation or expansion of the project.

15 (c) Unless required by law, a state agency may not add to, amend, or abrogate
16 any certificate, right-of-way, permit, or other authorization issued to a licensee if the
17 coordinator determines that the action would prevent or impair in any significant
18 respect the expeditious construction, operation, or expansion of the project.

19 **Article 3. Resource Inducement.**

20 **Sec. 43.90.300. Qualification for resource inducement.** (a) Notwithstanding
21 any contrary provision of law, a lessee or other person that demonstrates to the
22 satisfaction of the commissioners that the person has committed to acquire firm
23 transportation capacity in the first binding open season of the project is qualified to
24 receive the resource inducement set out in AS 43.90.310 and 43.90.320 for gas
25 produced on the North Slope and shipped in firm transportation capacity acquired in
26 the first binding open season of the project. The inducement in AS 43.90.310 is
27 contractual.

28 (b) A gas producer receiving a voucher under AS 43.90.330 is qualified to
29 receive the resource inducement in AS 43.90.310 and 43.90.320 for the gas shipped in
30 the firm transportation capacity described in the voucher for the period described in
31 AS 43.90.330.

1 **Sec. 43.90.310. Royalty inducement.** (a) Before the start of the first binding
2 open season to be conducted by the licensee, the commissioner of natural resources
3 shall adopt regulations that establish a method to determine the monthly value of the
4 state's royalty share of gas production and establish terms under which the state will
5 exercise its right to switch between taking its royalty in value or in kind for gas
6 committed for firm transportation in the first binding open season of the project or
7 shipped in the firm transportation capacity described in a voucher received by the gas
8 producer under AS 43.90.330. The regulations must

9 (1) minimize retroactive adjustments to the monthly value of the state's
10 royalty share of gas production;

11 (2) provide a method for establishing a fair market value for each
12 component of the state's royalty gas that is based on pricing data from reliable and
13 widely available industry trade publications and that uses appropriate adjustments to
14 reflect

15 (A) deductions for actual and reasonable transportation costs
16 for the state's royalty gas, including a reasonable share of the costs associated
17 with unused capacity commitments on gas pipelines from the North Slope to
18 the first destination market with reasonable market liquidity;

19 (B) location differentials between the destination markets
20 where North Slope gas could be sold;

21 (C) reasonable and actual costs for gas processing; in this
22 subparagraph, "gas processing" means post-production treatment of gas to
23 extract natural gas liquids; and

24 (D) deductions permitted under the 1980 Royalty Settlement
25 Agreement for Prudhoe Bay gas; and

26 (3) establish terms under which the state will exercise its authority to
27 switch between taking its royalty gas in value and in kind to ensure that the state's
28 actions do not unreasonably

29 (A) cause the lessee or other person to bear disproportionate
30 transportation costs with respect to the state's royalty gas;

31 (B) interfere with the lessee's or other person's long-term

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

marketing of its production.

(b) If a lessee or other person qualified for resource inducement under AS 43.90.300 agrees under (c) of this section, the lessee or other person is entitled to elect

(1) to calculate its gas royalty obligation under the regulations adopted under (a) of this section for natural gas transported on a firm contract executed during the project's first binding open season or under the methodology set out in the existing leases from which the gas is produced, and

(A) upon the request of the lessee, the commissioner of natural resources shall contractually amend the existing lease to effect the election under this paragraph and incorporate as fixed contract terms the relevant regulatory provisions; and

(B) the election under this paragraph remains in effect until new regulations are adopted as a result of a review under (d) of this section, at which time, a lessee or other person qualified under AS 43.90.300 may change its election under this paragraph; upon the request of the lessee, the commissioner of natural resources shall contractually amend the lease to incorporate as fixed contract terms the relevant revised regulatory provisions;

(2) to enter into a contract with the state that amends the existing lease terms by providing a mechanism that ensures that, when the state exercises its right to switch between taking its royalty in value or in kind for gas committed for firm transportation in the first binding open season of the project, the lessee or other person does not bear disproportionate transportation costs with respect to the state's royalty gas; and by modifying the required period of notice that the state must provide before exercising the state's right to switch between taking its royalty in value or in kind for gas committed for firm transportation in the first binding open season of the project.

(c) To claim the inducement under (b) of this section, a lessee or other person qualified under AS 43.90.300 shall agree, on an application form provided by the Department of Natural Resources, that the lessee or other person, and the lessee's or other person's affiliates, successors, assigns, and agents will not protest or appeal a filing by the licensee to roll in expansion costs of the mainline up to a level that is

1 required in AS 43.90.130(7). The agreement not to protest may not preclude the lessee
2 or other person, or the lessee's or other person's affiliates, successors, assigns, and
3 agents from protesting a filing to roll in mainline expansion costs that licensee is not
4 required to propose and support under AS 43.90.130(7).

5 (d) The commissioner of natural resources shall provide for review of the
6 regulations adopted under (a) of this section at least every two years after the
7 commencement of commercial operations to determine whether the regulations
8 continue to meet the requirements of (a) of this section under current conditions, and
9 shall amend the regulations when the requirements are not being met.

10 (e) No provision of this chapter precludes the election set out in (b) of this
11 section, nor may the commissioner of natural resources assert any provision of any
12 existing lease or unit agreement as precluding the elections set out in (b) of this
13 section.

14 **Sec. 43.90.320. Gas production tax exemption.** (a) If a person qualified for
15 resource inducement under AS 43.90.300 agrees under (c) of this section, the person is
16 entitled to an annual exemption from the state's gas production tax in an amount equal
17 to the difference between the amount of the person's gas production tax obligation
18 calculated under the gas production tax in effect during that tax year and the amount of
19 the person's gas production tax obligation calculated under the gas production tax in
20 effect at the start of the first binding open season held under this chapter. If the
21 difference is less than zero, the gas production tax exemption is zero.

22 (b) The exemption under this section may be applied within 10 years
23 immediately following commencement of commercial operations and only applied to
24 production taxes that are levied on North Slope gas shipped through firm
25 transportation capacity the person acquired during the first binding open season or
26 shipped in the firm transportation capacity described in a voucher received by the gas
27 producer under AS 43.90.330.

28 (c) The person claiming the exemption under this section shall agree that the
29 person, and the person's affiliates, successors, assigns, and agents, will not protest or
30 appeal a filing by the licensee to roll in mainline expansion costs up to the level that
31 the licensee is required to propose and support under AS 43.90.130(7). The agreement

1 required under this subsection may not preclude the person, or the person's affiliates,
2 successors, assigns, and agents, from protesting a filing to roll in mainline expansion
3 costs that the licensee is not required to propose and support under AS 43.90.130(7).

4 (d) In this section, "gas production tax" means the tax levied on the production
5 of gas under AS 43.55.

6 **Sec. 43.90.350. Inducement vouchers.** (a) A person that acquires firm
7 transportation capacity in the first binding open season of the project, that does not
8 hold an oil and gas lease on the North Slope, and that is not an affiliate of a person that
9 holds an oil and gas lease on the North Slope, may apply to the commissioners for a
10 voucher under this section. A voucher issued by the commissioners must describe the
11 firm transportation capacity in the project to which the voucher is applicable

12 (b) A voucher issued by the commissioners under this section entitles the
13 holder of the voucher to the resource inducements in AS 43.90.310 and 43.90.320 for
14 gas shipped in the firm transportation capacity acquired by the person applying for the
15 voucher during the first binding open season of the project and described in the
16 voucher. The voucher may be transferred to a gas producer that has a binding
17 obligation to sell gas to the person transferring the voucher under a gas purchase
18 agreement.

19 (c) A gas producer holding a voucher may claim the resource inducements for
20 gas shipped through the firm transportation capacity described in the voucher and only
21 on gas that is produced and delivered to the purchaser on the North Slope. A gas
22 producer may claim the resource inducements under this subsection until the earlier of
23 the termination of the binding gas purchase agreement or the expiration of the
24 inducements by operation of law.

25 (d) A person that receives a voucher under this section and a gas producer that
26 receives resource inducements under a voucher shall agree that the person and the gas
27 producer and their respective affiliates, successors, assigns, or agents will not protest
28 or appeal a filing by the licensee to roll-in mainline expansion costs up to the level that
29 the licensee is required to propose and support under AS 43.90.130(7). The agreement
30 required under this subsection may not preclude the person or gas producer or their
31 respective affiliates, successors, assigns, or agents from protesting a filing to roll-in

1 mainline expansion costs that the licensee is not required to propose and support under
2 AS 43.90.130(7).

3 **Article 4. Miscellaneous Provisions.**

4 **Sec. 43.90.400. Alaska Gasline Inducement Act matching contribution**
5 **fund; disbursements; audits.** (a) There is established in the general fund an Alaska
6 Gasline Inducement Act matching contribution fund. The fund consists of money
7 appropriated to it by the legislature for disbursement to pay the state's matching
8 contributions under AS 43.90.110. Money appropriated to the fund may be spent for
9 the purposes of the fund without further appropriation. Appropriations to the fund do
10 not lapse under AS 37.25.010, but remain in the fund for future disbursements.
11 Nothing in this subsection creates a dedicated fund.

12 (b) The Department of Revenue shall manage the fund, and may invest money
13 in the fund so as to yield competitive market rates as provided in AS 37.10.071.
14 Income earned on the fund shall be accounted for separately and may be appropriated
15 annually to the fund.

16 (c) The commissioners shall adopt regulations that provide for application to
17 receive matching contributions for qualified expenditures as provided under
18 AS 43.90.110, and that provide for periodic audits of the use of money disbursed as
19 matching contributions under this chapter.

20 (d) Within 10 days after the convening of each regular session of the
21 legislature, the commissioners shall submit to the legislature a report that lists all the
22 disbursements from the fund during the preceding fiscal year with a written
23 justification for each disbursement and the projected amount of money that will be
24 required for contributions in each of the next three fiscal years.

25 **Sec. 43.90.410. Regulations.** The commissioners may jointly adopt or amend
26 regulations for the purpose of implementing the provisions of this chapter. The
27 commissioner of revenue and the commissioner of natural resources may adopt or
28 amend regulations adopted under authority outside of this chapter as necessary to
29 implement the provisions of this chapter.

30 **Sec. 43.90.420. Statute of limitations.** A person may not bring a judicial
31 action challenging the constitutionality of this chapter or the constitutionality of a

1 license issued under this chapter unless the action is commenced in a court of the state
2 of competent jurisdiction within 90 days after the date that a license is issued.

3 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter
4 becomes delinquent, the payment bears interest at the rate applicable to a delinquent
5 tax under AS 43.05.225.

6 **Sec. 43.90.440. Licensed project assurances.** (a) Except as otherwise
7 provided in this chapter, the state grants a licensee assurances that the licensee has
8 exclusive enjoyment of the inducements provided under this chapter before the
9 commencement of commercial operation. If, before the commencement of commercial
10 operations, the state extends to another person preferential royalty or tax treatment or
11 grant of state money for the purpose of facilitating the construction of a competing
12 natural gas pipeline project in this state, and if the licensee is in compliance with the
13 requirements of the license and with the requirements of state and federal statutes and
14 regulations relevant to the project, the licensee is entitled to payment from the state of
15 an amount equal to three times the total amount of the expenditures incurred and paid
16 by the licensee that are qualified expenditures for the purposes of AS 43.90.110 that
17 the licensee incurred in developing the licensee's project before the date that the state
18 first extended preferential treatment to another person. The payment under this
19 subsection is subject to appropriation. Upon payment by the state of the amount owed
20 under this section, the licensee shall, at no additional cost to the state, assign to the
21 state or the state's designee all engineering designs, contracts, permits, and other data
22 related to the project that were acquired by the licensee during the term of the license.
23 The payment under this subsection is in full satisfaction of all claims the licensee may
24 bring in contract, tort, or other law related to the events that gave rise to the payment.

25 (b) The review, processing, or facilitation of a permit, right-of-way, or
26 authorization by a state agency in connection with a competing natural gas pipeline
27 project does not create an obligation on the part of the state under this section.

28 (c) In this section,

29 (1) "competing natural gas pipeline project" means a project designed
30 to accommodate throughput of more than 500,000,000 cubic feet a day of North Slope
31 gas to market;

1 (2) "preferential royalty or tax treatment" does not include

2 (A) the state's exercise of its right to resolve disputes involving
3 royalties and taxes; or

4 (B) the state's exercise of its right to modify royalties as
5 authorized by law in effect on the effective date of this section.

6 **Sec. 43.90.450. Assignments.** (a) A licensee may transfer all or part of the
7 license, including the rights and obligations arising under the license, if, after
8 publishing notice of the proposed transfer, providing notice to the presiding officer of
9 each house of the legislature, and providing a period of not less than 30 days for public
10 review and comment,

11 (1) the transfer is approved in writing in advance by the
12 commissioners; and

13 (2) the transfer does not increase or diminish the obligations created by
14 the license or diminish the likelihood of success of the project or the net present value
15 of the license to the state.

16 (b) Notwithstanding the commissioners' approval of a transfer of all or part of
17 a license under (a) of this section, the transferor of the license remains subject to the
18 requirements of AS 43.90.220 regarding all state money received by the licensee
19 before the effective date of the transfer.

20 (c) A person may transfer that person's rights to the royalty inducement under
21 AS 43.90.310 and the gas production tax exemption under AS 43.90.320 only in
22 connection with a sale or merger that results in transfer of all the person's assets in the
23 North Slope along with the person's firm transportation capacity contracts in the
24 project.

25 (d) Except for the transfer of a voucher to a producer under AS 43.90.330(b),
26 a person receiving a voucher under AS 43.90.330 based on the person's acquisition of
27 firm transportation capacity in the first binding open season of the project may transfer
28 the voucher only if the transfer is in connection with the permanent assignment by the
29 person of 100 percent of the firm transportation capacity acquired in the first binding
30 open season of the project.

31 **Sec. 43.90.460. Conflicting laws.** Nothing in this chapter shall be construed to

1 repeal or abrogate the administrative, regulatory, or statutory procedures and functions
2 of state and federal law governing the development and oversight of a project.

3 **Sec. 43.90.470. State pipeline employment development.** The commissioner
4 of labor and workforce development shall develop a job training program that will
5 provide training for Alaskans in gas pipeline project management, construction,
6 operations, maintenance, and other gas pipeline-related positions.

7 **Article 5. General Provisions.**

8 **Sec. 43.90.900. Definitions.** In this chapter, unless the context otherwise
9 requires,

10 (1) "affiliate" means another person that controls, is controlled by, or is
11 under common control with a person, and includes a division that operates as a
12 functional unit;

13 (2) "Alaska Gasline Inducement Act coordinator" or "coordinator"
14 means the person appointed under AS 43.90.250;

15 (3) "amended certificate" means a certificate of public convenience
16 and necessity issued by the Federal Energy Regulatory Commission under authority
17 of 15 U.S.C. 719 et seq. (Alaska Natural Gas Transportation Act of 1976) that is
18 amended to comply with the terms of the license;

19 (4) "applicant" means a person or group of persons that files an
20 application for a license;

21 (5) "commencement of commercial operations" means the first flow of
22 gas in the project that generates revenue to the owners;

23 (6) "commissioners" means the commissioner of revenue and the
24 commissioner of natural resources, acting jointly;

25 (7) "control" means the possession of ownership interest or authority
26 sufficient to, directly or indirectly, and whether acting alone or in conjunction with
27 others, direct or cause the direction of the management or policies of a company, and
28 is rebuttably presumed if the voting interest held is 10 percent or more;

29 (8) "equity holder" means the

30 (A) stockholders of a corporation;

31 (B) members of a limited liability company;

1 (C) partners of a partnership;

2 (D) joint venturers of a joint venture;

3 (E) members of a governmental authority and similar persons;

4 or

5 (F) holders of any other entity or person;

6 (9) "gas treatment plant" means a facility downstream of the point of
7 production that conditions gas and removes nonhydrocarbon substances from the gas
8 for the purpose of rendering the gas acceptable for tender and acceptance into a gas
9 pipeline system.

10 (10) "governing body" means a corporation's board of directors, a
11 limited liability company's managing members, a partnership's general partners, a joint
12 venturer's joint venturers, a governmental authority's board or council members, and
13 similar entities;

14 (11) "lease" means an oil and gas, or gas, lease issued by this state;

15 (12) "lessee" means a person that holds a working interest in an oil and
16 gas, or gas, lease issued by this state;

17 (13) "license" means a license issued under this chapter;

18 (14) "licensee" means the holder of a license issued under this chapter
19 and all affiliates, successors, assigns, and agents of the holder;

20 (15) "net present value" means the discounted value of a future stream
21 of cash flow;

22 (16) "North Slope" means that part of the state that lies north of 68
23 degrees North latitude;

24 (17) "open season" means the process that complies with 18 C.F.R.
25 Part 157, Subpart B (Open Seasons for Alaska Natural Gas Transportation Projects);

26 (18) "point of production" has the meaning given in AS 43.55.900;

27 (19) "project" means a natural gas pipeline project authorized under a
28 license issued under this chapter;

29 (20) "proprietary," when used to describe information, means that the
30 information is treated by an applicant as confidential and the public disclosure of that
31 information would adversely affect the competitive position of the applicant or