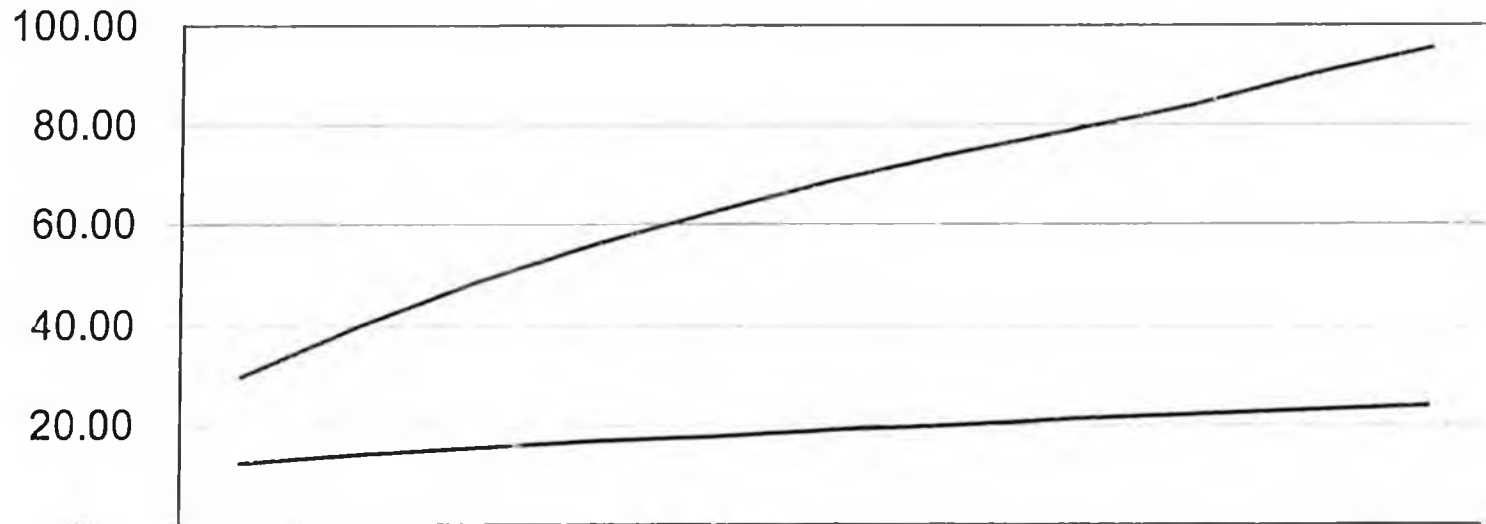


AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3216

Internal rate of return

Calculated IRR at various price levels



	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5
— Upstream & Pipeline	12.6	14.0	15.4	16.7	17.9	19.0	20.1	21.1	22.1	23.0	23.9
— Upstream Only	29.8	39.7	48.7	56.3	62.9	68.9	74.2	79.2	83.9	90.4	95.6

Internal Rate of return

Step One: Model An Owned Project ✓				
	CapCosts	Op Costs	Revenues	Cash Flows
Units:		1000	1000	
Dollars		0.1	5	
Product		100	5000	
Year				
0	(20,000)			(20,000)
1		(100)	5,000	4,900
2		(100)	5,000	4,900
3		(100)	5,000	4,900
4		(100)	5,000	4,900
5		(100)	5,000	4,900
6		(100)	5,000	4,900
7		(100)	5,000	4,900
8		(100)	5,000	4,900
9		(100)	5,000	4,900
10		(100)	5,000	4,900
			IRR:	21%

Internal Rate of Return

Step Two: Model Capital Component of Tariff ✓				
Using PAYMENT function				
Units:				
Dollars	Balance	Interest	Payment	Balance
Product		10%		
Year				
0				20,000.00
1	20,000.00	2,000.00	(3,254.91)	18,745.09
2	18,745.09	1,874.51	(3,254.91)	17,364.69
3	17,364.69	1,736.47	(3,254.91)	15,846.25
4	15,846.25	1,584.63	(3,254.91)	14,175.97
5	14,175.97	1,417.60	(3,254.91)	12,338.66
6	12,338.66	1,233.87	(3,254.91)	10,317.62
7	10,317.62	1,031.76	(3,254.91)	8,094.47
8	8,094.47	809.45	(3,254.91)	5,649.01
9	5,649.01	564.90	(3,254.91)	2,959.01
10	2,959.01	295.90	(3,254.91)	0.00

Internal Rate of Return

Step Three: Model Third Party Line			
with no FT but with tariff			
	Tariff	Revenues	Cash Flows
Units:			
Dollars			
Product			
Year			
0			
1	(3,354.9)	5,000.0	1,645.1
2	(3,354.9)	5,000.0	1,645.1
3	(3,354.9)	5,000.0	1,645.1
4	(3,354.9)	5,000.0	1,645.1
5	(3,354.9)	5,000.0	1,645.1
6	(3,354.9)	5,000.0	1,645.1
7	(3,354.9)	5,000.0	1,645.1
8	(3,354.9)	5,000.0	1,645.1
9	(3,354.9)	5,000.0	1,645.1
10	(3,354.9)	5,000.0	1,645.1
		IRR:	#NUM!

Internal Rate of Return

Step Four: Model Third Party Line ✓			
with some additional capital			
	Tariff	Revenues	Cash Flows
Year			
0			(100.0)
1	(3,354.9)	5,000.0	1,645.1
2	(3,354.9)	5,000.0	1,645.1
3	(3,354.9)	5,000.0	1,645.1
4	(3,354.9)	5,000.0	1,645.1
5	(3,354.9)	5,000.0	1,645.1
6	(3,354.9)	5,000.0	1,645.1
7	(3,354.9)	5,000.0	1,645.1
8	(3,354.9)	5,000.0	1,645.1
9	(3,354.9)	5,000.0	1,645.1
10	(3,354.9)	5,000.0	1,645.1
			1645%

Internal Rate of Return

Step Five: Model Third Party Line with some more additional capital			
	Tariff	Revenues	Cash Flows
Year			
0			(2,000.0)
1	(3,354.9)	5,000.0	1,645.1
2	(3,354.9)	5,000.0	1,645.1
3	(3,354.9)	5,000.0	1,645.1
4	(3,354.9)	5,000.0	1,645.1
5	(3,354.9)	5,000.0	1,645.1
6	(3,354.9)	5,000.0	1,645.1
7	(3,354.9)	5,000.0	1,645.1
8	(3,354.9)	5,000.0	1,645.1
9	(3,354.9)	5,000.0	1,645.1
10	(3,354.9)	5,000.0	1,645.1
			82%

Internal Rate of Return

Step Six: Model Third Party Line			
with yet more additional capital			
	Tariff	Revenues	Cash Flows
Year			
0			(6,750.0)
1	(3,354.9)	5,000.0	1,645.1
2	(3,354.9)	5,000.0	1,645.1
3	(3,354.9)	5,000.0	1,645.1
4	(3,354.9)	5,000.0	1,645.1
5	(3,354.9)	5,000.0	1,645.1
6	(3,354.9)	5,000.0	1,645.1
7	(3,354.9)	5,000.0	1,645.1
8	(3,354.9)	5,000.0	1,645.1
9	(3,354.9)	5,000.0	1,645.1
10	(3,354.9)	5,000.0	1,645.1
	IRR:		21%

FASB 47 Disclosure of Long Term Obligations (1981)

- This statement requires that an enterprise disclose its commitments under unconditional obligations that are associate with suppliers financing arrangements. Such obligations often are in the form of take-or-pay contracts and throughput contracts.

FASB 47 Disclosure of Long Term Obligations (1981)

- Example 2
- 27. C Company has entered into a throughput agreement with a natural gas pipeline providing that C will provide specified quantities of natural gas (representing a portion of capacity) for transportation through the pipeline each period while the debt used to finance the pipeline remains outstanding. The tariff approved by the Federal Energy Regulatory Commission contains two provision, a demand charge and a commodity charge. The demand charge is computed to cover debt service, depreciation, and certain expected expenses.

FASB 47 Disclosure of Long Term Obligations (1981)

- 27. (cont.) The commodity charge is intended to cover other expenses and provide a return on the pipeline company's investment. C Company must pay the demand charge based on the contract quantity regardless of actual quantities shipped, while the commodity charge is applied to actual quantities shipped. Accordingly, the demand charge multiplied by the contracted quantity represents a fixed and determinable amount.

FASB 47 Disclosure of Long Term Obligations (1981)

- 28. C' disclosure might be as follows:
 - C company has signed an agreement providing for the availability of needed transportation capacity through 1990. Under that agreement, the company must make specified minimum payments monthly. The aggregate amounts of such required payments at December 31, 19X1 is as follows (in thousands):

FASB 47 Disclosure of Long Term Obligations (1981)

• 28 (cont).		
• 19X2	\$	5,000
• 19X3		5,000
• 19X4		5,000
• 19X5		4,000
• 19X6		4,000
• Later years		<u>26,000</u>
• Total		49,000
• Less: Amount representing interest		<u>(9,000)</u>
• Total at present value	\$	<u><u>40,000</u></u>

FASB 47 Disclosure of Long Term Obligations (1981)

- 28 (cont).
- In addition the company is required to pay additional amount depending on actual quantities shipped under the agreement. The companies total payments under the agreement were (in thousands) \$6,000 in 19W9 and \$5,000 both in 19X0 and in 19X1.

Contractual Commitments

The following table summarizes the Group's principal contractual obligations at December 31, 2003. Further information on borrowings and capital leases is given in Item 18 — Financial Statements — Note 29 on page F-47 and further information on operating leases is given in Item 18 — Financial Statements — Note 17 on page F-29.

Expected payments by period under contractual obligations and commercial commitments	Payments due by period						2009 and thereafter
	Total	2004	2005	2006	2007	2008	
	(\$ million)						
Borrowings (a)	20,143	9,366	2,674	2,786	1,299	945	3,073
Finance lease obligations	4,634	127	243	248	240	248	3,528
Operating leases	8,115	1,275	1,066	895	799	728	3,352
Decommissioning liabilities	7,504	86	156	173	154	156	6,779
Environmental liabilities	2,430	465	441	402	276	186	660
Pensions (b)	26,682	633	649	652	659	666	23,423
Other post-employment benefits (c)	11,768	242	252	259	263	264	10,488
Unconditional purchase obligations (d)	67,828	45,491	7,076	3,133	1,888	1,655	8,585

(a) Expected payments exclude interest payments on borrowings.

(b) Represents the expected future contributions to funded pension plans and payments by unfunded pension plans.

(c) Represents the expected future payments for postretirement benefits.

(d) Represents any agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms. The amounts shown include arrangements to secure long-term access to supplies of crude oil, natural gas, feedstocks and pipeline systems. In addition, the amounts shown for 2004 include purchase commitments existing at December 31, 2003 entered into principally to meet the Group's short term manufacturing and marketing requirements. The price risk associated with these crude oil, natural gas and power contracts is discussed in Item 11 — Quantitative and Qualitative Disclosures about Market Risk on page 170.

The following table summarizes the nature of the Group's unconditional purchase obligations.

Unconditional purchase obligations payments due by period	Payments due by period						2009 and thereafter
	Total	2004	2005	2006	2007	2008	
	(\$ million)						
Crude oil and oil products	22,043	19,350	844	452	422	374	601
Natural gas	19,439	13,189	2,575	1,141	489	398	1,647
Chemicals and other refinery feedstocks	10,049	2,277	1,666	753	563	545	4,245
Utilities	11,612	9,622	1,231	289	62	54	354
Transportation	2,814	738	510	365	247	204	750
Use of facilities and services	1,871	315	250	133	105	80	988
Total	67,828	45,491	7,076	3,133	1,888	1,655	8,585

BPs 2003 20(f)

- Unconditional purchase obligations (d)
- (d) Represents any agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms. The amounts shown include arrangements to secure long-term access to supplies of crude oil, natural gas feedstocks and pipeline systems.
- Obligations set out for five years, after five years and in total

Why does this matter?

- Moody' Investors Service
- Authors (or "Contacts"):
- Barbara Havlicek, Kevin Stoklosa, Greg Jonas, Laura Levenstein, Pamela Stumpp, Michel Madelain, Trevor Pijper, Wolfgang Draak, Waylon Iserhoff, Brian Cahill, Thomas Keller, Takohiro Morita
- The Analysis of Off-Balance Sheet Exposures, A Global Perspective
- July 2004

Moody's Rating Methodology

- Take-Or-Pay Contracts
- Take or pay contracts are another form of purchase commitment typically found in the ... energy industry. ... Such contracts can be problematic if market conditions and raw material prices change or if the price of the end product drops. Regardless of whether or not the contract becomes problematic, Moody's factors payments under take-or-pay contracts into the analysis of future cash flows and may also adjust the balance sheet if necessary. (Havlicek page 7)

Why does this matter?

- Standard & Poor's
- Authors (and "Analytical Contacts"):
- Solomon B. Samson, Scott Sprinzen, Emmanuel Dubois-Pelerin, Kenneth C. Pfeil
- Corporate Ratings Criteria
- 2006

Standard and Poor's Rating Methodology

- Off balance-sheet financing
 - Analysis of liabilities is not limited to those shown on the company's balance sheet. Off balance-sheet items factored into the leverage analysis include the following:
 - Operating leases
 - Guarantees, debt of joint ventures and unconsolidated subsidiaries
 - Take-or-pay contracts and obligations under throughput and deficiency agreements...
 - (Samson pgs. 28-29)

Standard and Poor's Rating Methodology

- Various methodologies are used to determine the proper adjustment value for each off-balance-sheet item. In some cases, the adjustment is straightforward. For example, the amount of guaranteed debt can simply be added to the guarantor's liabilities. Other adjustments are more complex or less precise.
(Samson pg. 29)

Closing Thought:

- E.C. Capen and D.F. Casey The Economics of Creative Financing

Society of Petroleum Engineers 11664
(1983)

Closing Thought:

- Now and then, someone comes in and announces that he has discovered the business man's equivalent to the Fountain of Youth – a corporate money tree. The person will instruct us that his pet project (PP) need not compete for cash in the budgeting process because he has found a benefactor, Mr. S. Claus, willing to put up the money at no cost save some “small monthly payments” to be worked out later. These payments should come from PP's profits and represent no real drain on the company.

Close of Closing Thought

- To be sure we seldom see requests as blatant as portrayed above, but we nevertheless sense some misunderstandings about how to evaluate projects that have alternatives to outright purchase of goods and equipment. Has the old maxim prohibiting free lunches somehow been set aside with regard to so called creative financing? No, more likely the lunch costs more than normal, but we're not always sure who pays. (Capen & Casey pg. 241)

4/27/07

The Palin-Parnell Administration presents

AGIA

The Alaska Gasline Inducement Act

House Finance
4/27/2007

AGIA Overview



AGIA:

- Is a **commercial vehicle** that creates a competitive playing field
- Provides a **pipeline on Alaska's terms**
- Is a **transparent process**, with **transparent inducements**.

Commercial Vehicle



- AGIA uses competitive bidding, not negotiation.
- Successful bidding process requires AGIA's inducements
 - Without inducements, no third-party bidders
 - Without third-party bidders, state has no ability to get a pipeline on its desired terms

Commercial Vehicle

AGIA

The Alaska Gasline Inducement Act

AGIA's inducements:

- **Midstream inducement of \$500 million:**
 - *reduces licensee's project development risks, especially an independent pipeline licensee*
- **Upstream tax and royalty inducements:**
 - *coupled to the licensed midstream project to make license more valuable, by*
 - Encouraging open season participation
 - Ensuring that state will stick with its licensed partner
- **Requirement to obtain pipeline certificate reduces overall project risks, improves state's strategic position**

A Project on the State's Terms

AGIA

The Alaska Gasline Inducement Act

- By creating a more competitive playing field, state can specify some “must haves”
- State’s “must haves” focus on its future:
 - A pipeline sooner
 - A competitive and vibrant oil and gas industry
 - Jobs and careers, not only from the pipeline itself, but also from a competitive oil patch
 - Gas for Alaskans

A Project on the State's Terms



- State's "must haves" all obtained through pipeline tariff and access terms that ensure a competitive oil and gas industry
 - Competitive oil and gas industry can flower if pipeline ownership gives no upstream competitive advantage
 - Jobs and careers for Alaskans will be maximized by ensuring a competitive upstream industry
 - Cheap gas for Alaskans will be enjoyed if pipeline regularly expands

A Project on the State's terms



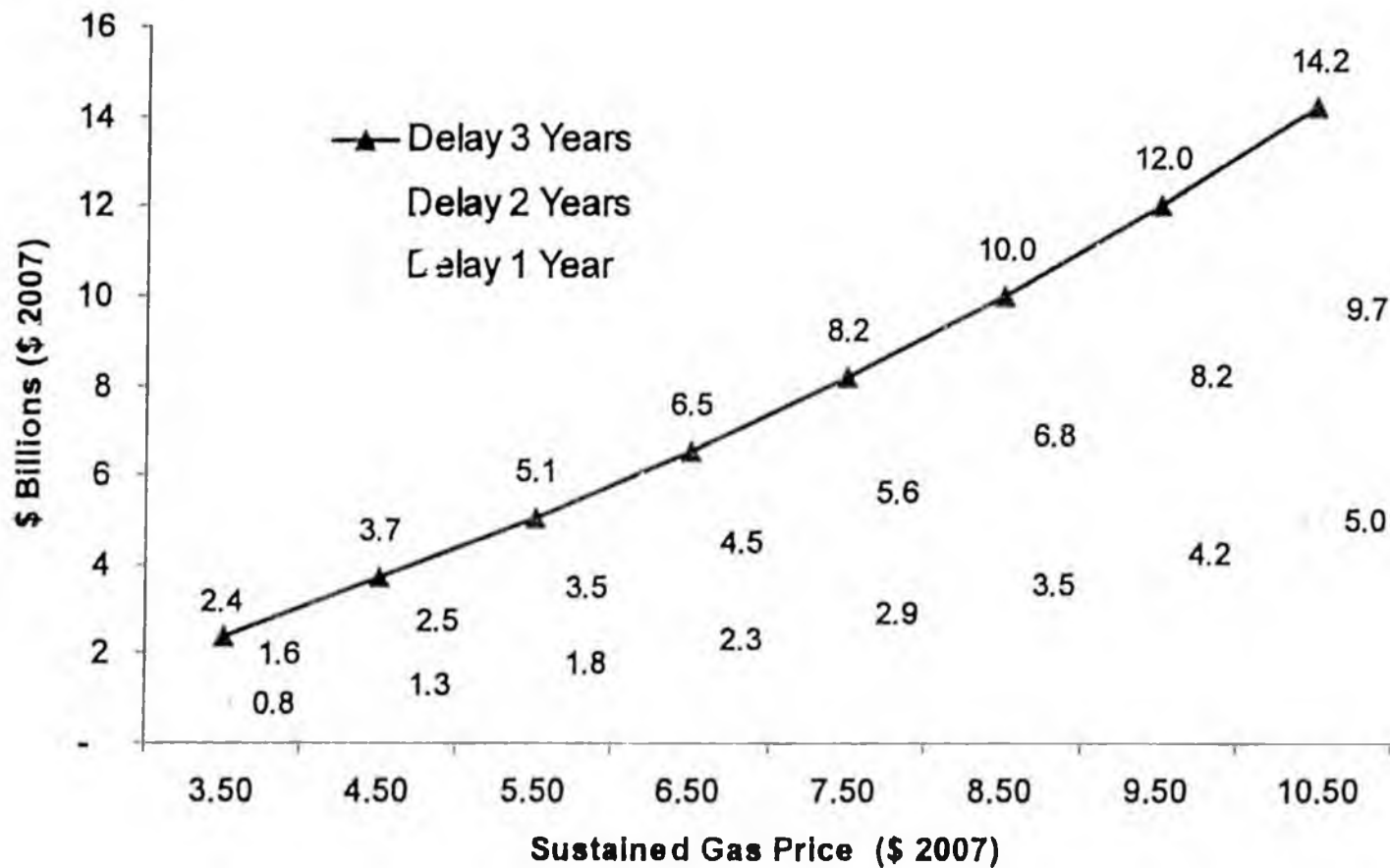
- A pipeline sooner
- Required minimum 70/30 debt/equity ratio ensures reasonable base tariffs
- Expansion requirements ensure that gas found by any party can access the pipeline
- Rolled-in rate requirements ensure that all parties have an economic incentive to explore for gas, competition for oil and gas, and all of Alaska's gas can get into the pipeline

Gets a Pipeline Sooner



The Alaska Gasline Inducement Act

Losses to State for Each Year Delay Discounted at 5% per Year



Tariff and State Revenue Effects of Debt-Equity Structure



The Alaska Gasline Inducement Act

Debt%	Equity%	Tariff	Present Value State Revenue \$ Billions
80%	20%	\$1.47	37.4
75%	25%	\$1.56	36.9
70%	30%	\$1.65	36.3
65%	35%	\$1.74	35.7
60%	40%	\$1.84	35.1
55%	45%	\$1.95	34.5
50%	50%	\$2.06	33.8
45%	55%	\$2.18	33.1

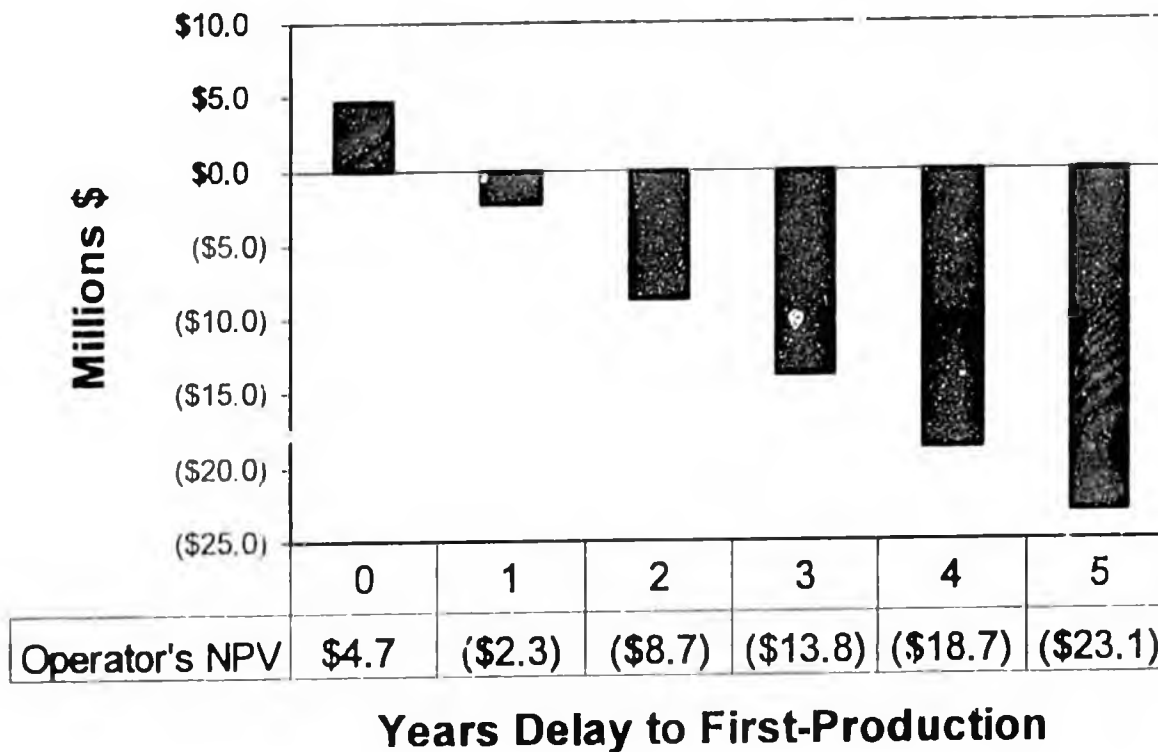
AGIA protects the states interest in low tariffs. It ensures that no less than 70/30 will be used rather than 50/50, with associated tariff benefits of 41 cents and state revenue benefits of \$2.5 billion.

Expansion Provisions Cost-of-Delay To Explorer

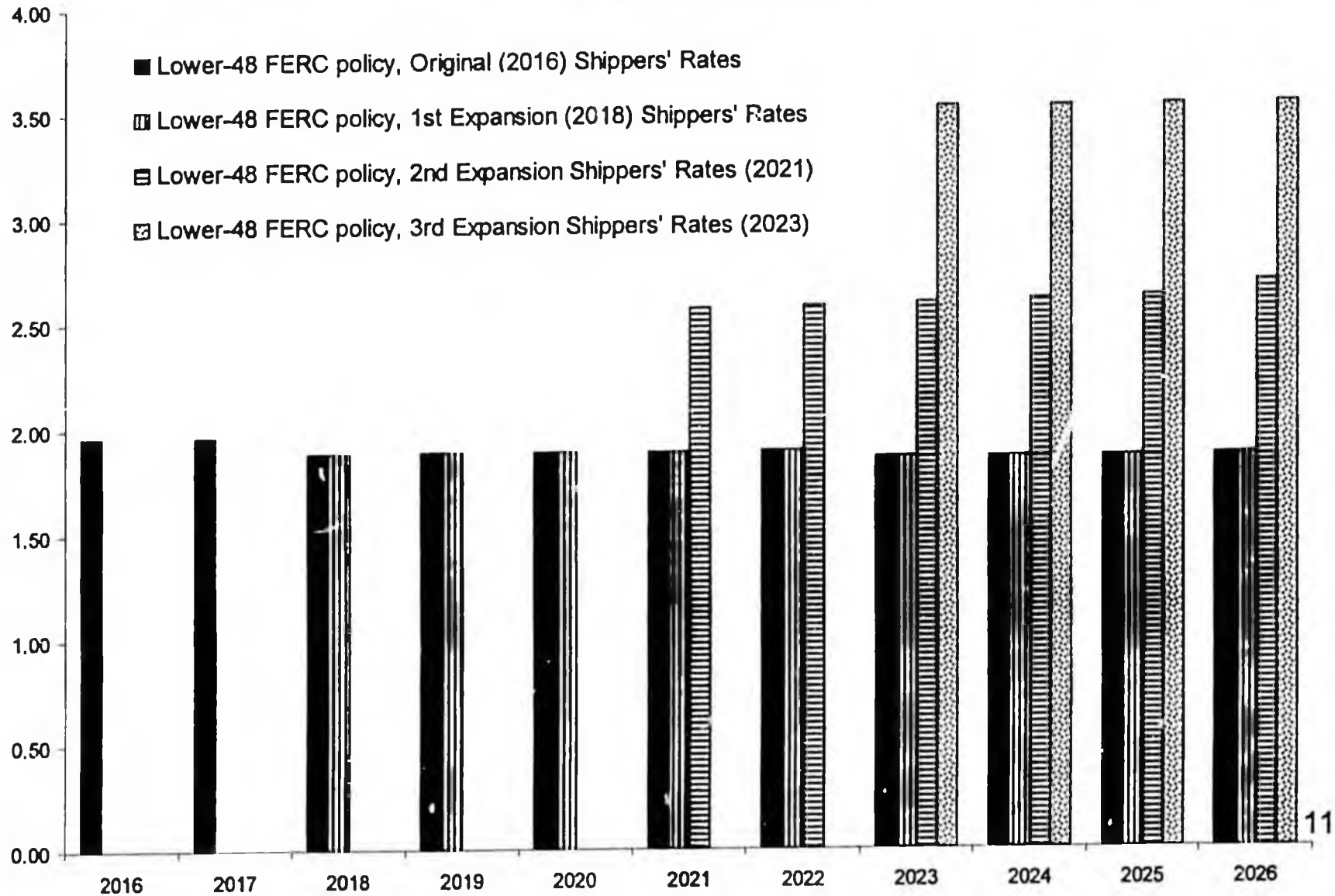


The Alaska Gasline Inducement Act

Expected Net Present Value (NPV 12)
Generic North Slope Prospect



FERC Lower 48 Expansion rate policy

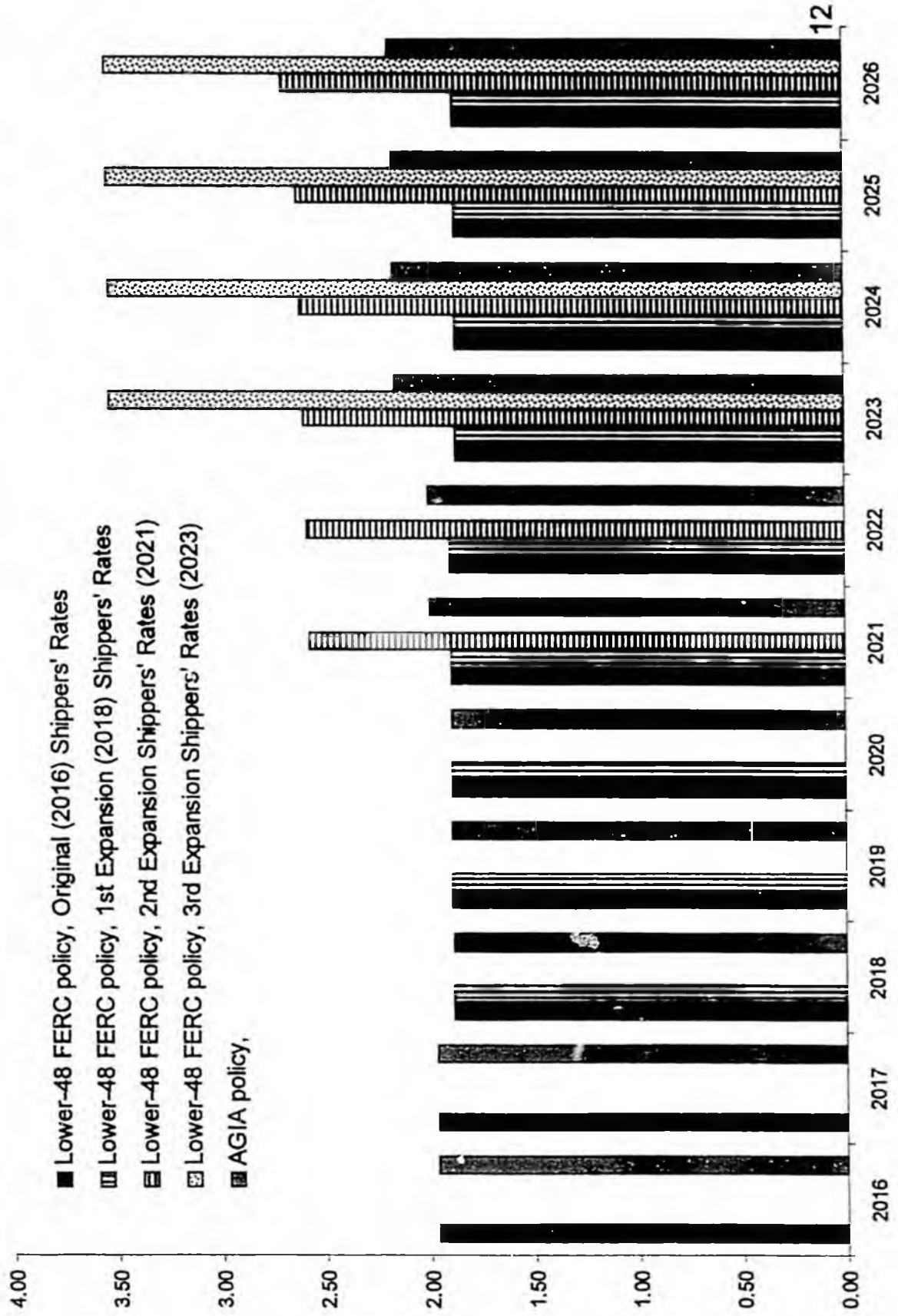


AGIA

AGIA

The Alaska Gasline Inducement Act

Expansion rate policy



Rolled-in Rates Encourage Exploration



The Alaska Gasline Inducement Act

Examples:

Scenario 1: Add 1 Bcf/day with compression (from 4.5 to 5.5 Bcf/day)

Rolled-in

\$6.0 million

Incremental

\$6.5 million

Scenario 2: Add 1 Bcf/day with compression (from 5.5 to 6.5 Bcf/day)

Rolled-in

\$4.3 million

Incremental

-\$5.4 million

Scenario 3: Add 700 MMcf/day with looping (from 6.8 to 7.5 Bcf/day)

Rolled-in

\$.9 million

Incremental

-\$25.5 million

Transparent Public policy



- AGIA creates a competitive process, not a negotiated process
- Bids will be submitted, commented upon by the public, and evaluated
- A winner will be chosen by the Commissioners
- The Commissioners' decision will be reviewed by the Legislature

Transparent Public policy



- The value of AGIA's inducements are up front and transparent
- Contrast: AGIA's \$500 million versus SGDA contract \$10 billion+
 - Much of SGDA contract value was hidden and unquantifiable
 - AGIA's benefits are explicit and quantifiable

Summary

AGIA

The Alaska Gasline Inducement Act

- Without competition, and the forward movement that AGIA provides, Alaskans will have to wait, and watch, until the Producers do the pipeline on their timeline and on their terms.
- AGIA changes the playing field.
- AGIA is a **commercial vehicle** that creates a competitive playing field, provides a **pipeline on Alaska's terms**, in a **transparent manner**.

HB

177

SFIN

FILE

FISCAL NOTE

REPORTED OUT
MAY 11 2007
 SENATE FINANCE COMMITTEE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB177CSFIN DNR-O&G-05-11-07
 Bill Version: CS HB 177 (FIN)
 () 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 Senate 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)

FUND SOURCE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 Phone: 269-8800
 Division: Oil and Gas Date/Time: 5/11/2007
 Approved by: Tom Irwin, Commissioner Date: 5/11/2007
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL NO. CS HB 177 (FIN)

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 seven 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

REPORTED OUT
MAY 11 2007
SENATE FINANCE COMMITTEE

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
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CHANGE IN REVENUES ()						
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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 GF/Program Receipts						
1037 GF/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

COMMITTEE COPY

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 \$ 225.0 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 \$ 10,000.0 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 RDU Executive Operations
Inducement Act...." Component Executive Office
Sponsor Rules Committee
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						
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CHANGE IN REVENUES ()						
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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 Fomumial, 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

REPORTED OUT
MAY 11 2007
SENATE FINANCE COMMITTEE

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						
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CHANGE IN REVENUES ()						
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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 recommendation 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

COMMITTEE COPY

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

REPORTED OUT
 MAY 11 2007
 SENATE FINANCE COMMITTEE

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						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mer..al 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

POSITIONS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 Phone 907-269-8800
 Division Oil & Gas Date/Time 3/1/2007
 Approved by: Tom Irwin, Commissioner Date 3/1/2007
 Agency Natural Resources

COMMITTEE COPY

FISCAL NOTE

REPORTED OUT
 MAY 11 2007
 SENATE FINANCE COMMITTEE

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						
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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 (1141 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 Giard, Chair Phone 907.276.6222
 Division: Regulatory Commission of Alaska Date/Time 2/28/07 3:06 PM
 Approved by: Emil Notti, Commissioner Date 2/28/2007
 Agency: Commerce, Community, and Economic Development

COMMITTEE COPY

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: Rules 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
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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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

Comparison of
and { CS SB 104 (FIN)
{ CS HB 177 (FIN)

Amendment #1
adopted

Red: Senate Language (strike-thru)
Blue: House Language (underlined)

25-GS1060-W
25-GH1060 N.A.

CS FOR SENATEHOUSE BILL NO. 104177(FIN).am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATEHOUSE FINANCE COMMITTEE

Amendment selects Senate
or House language as
indicated

Amended: 5/11/07

Offered: 5/11/07

Referred:

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

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~~reimbursement House
4 fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming
5 amendments; 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 the form of
18 reimbursements in a total amount not to exceed \$500,000,000, paid to the licensee
19 during the seven-year period immediately following the date the license is awarded;
20 the payment period may be extended by the commissioners under an amendment or
21 modification of the project plan under AS 43.90.210; a payment under this paragraph
22 shall be made according to the following:

23 (A) on or before the close of the first binding open season, the
24 state shall reimburse the licensee's qualified expenditures at the level spec.
25 in the license; however, the state's ~~matching contribution~~ reimbursements n. ouse
26 not exceed 50 percent of the qualified expenditures incurred before the close of
27 the first binding open season;

28 (B) after the close of the first binding open season, the state
29 shall reimburse the licensee's qualified expenditures at the level specified in
30 the license; however, the state's ~~matching contribution~~ reimbursements may not House
31 exceed 90 percent of the qualified expenditures incurred after the close of the

1 first binding open season;

2 (C) a qualified expenditure is a cost that is incurred after the
3 license is issued under this chapter by the licensee or the licensee's designated
4 affiliate, and is directly and reasonably related to ~~pursuing firm transportation~~ *Senate*
5 ~~commitments in a binding open season, to securing financing for the project, or~~
6 ~~to~~ obtaining a certificate of public convenience and necessity from the Federal
7 Energy Regulatory Commission or the Regulatory Commission of Alaska, as
8 appropriate, ~~or~~ satisfying a requirement of an agency with jurisdiction over the
9 project; in this subparagraph, "qualified expenditures" does not include
10 overhead costs, ~~lobbying costs,~~ litigation costs, the cost of an asset or work *Senate*
11 product acquired or developed by the licensee before the license is issued, or
12 civil or criminal penalties or fines; and

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

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

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

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

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

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

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

31 (2) provide a thorough description of a proposed natural gas pipeline

1 project for transporting natural gas from the North Slope to market, which description
2 may include multiple design proposals, including different design proposals for pipe
3 diameter, wall thickness, and transportation capacity, and which description shall
4 include

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

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

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

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

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

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

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

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

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

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

27 (C) apply for a Federal Energy Regulatory Commission
28 certificate of public convenience and necessity to authorize the construction
29 and operation of the proposed project described in this section by a date
30 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 of public convenience and necessity
6 to authorize the construction and operation of the proposed project by a date
7 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/reimbursement~~ under AS 43.90.110(a)(1)(A) and (B) to be House
27 specified in the 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 maximum 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 to the maximum extent permitted by law; in this paragraph, "project labor House
 31 agreement" means a comprehensive collective bargaining agreement between the

1 licensee or its agent and the appropriate labor representatives to ensure expedited
2 construction with labor stability for the project by qualified residents of the state;

3 (18) commit that the state ~~matching-contribution~~ reimbursement ^{house}
4 received by a licensee may not be included in the applicant's rate base, and shall be
5 used as a credit against 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 ~~the all~~ applications that have not
30 been rejected are complete under AS 43.90.140, information provided by an *Senate*
31 applicant ~~the applicants~~ to the commissioners under this chapter, including information

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

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

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

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

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

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

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

25 (5) the amount of the ~~matching contribution~~ reimbursement by the state *House*
 26 under AS 43.90.110(a)(1)(A) and (B) proposed by the applicant under
 27 AS 43.90.130(9);

28 (6) economic value resulting from payments required to be made to the
 29 state under the terms of the proposal; and

30 (7) other factors found by the commissioners to be relevant to the
 31 evaluation of the net present value of the anticipated cash flow to the state.

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

3 (1) the reasonableness, specificity, and feasibility of the applicant's
4 work plan, timeline, and budget required to be submitted under AS 43.90.130,
5 including the applicant's plan to manage cost overruns, insulate shippers from the
6 effect of cost overruns, and encourage shippers to participate in the first binding open
7 season;

8 (2) the financial resources of the applicant;

9 (3) the ability of the applicant to comply with the proposed
10 performance schedule;

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

14 (5) the applicant's record of

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

16 (B) integrity and good business ethics; and

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

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

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

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

30 (3) forward the notice under (2) of this subsection, along with the
31 findings, supporting documentation, and determination under (1) of this subsection, to

1 the presiding officer of each house of the legislature for action as provided in
2 AS 43.90.190.

3 (b) If, after evaluation of complete applications under AS 43.90.170, the
4 commissioners determine that no application sufficiently maximizes the benefits to the
5 people of this state and merits issuance of a license under this chapter, the
6 commissioners shall issue a written finding that addresses the basis for that
7 determination.

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

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

15 (b) If a bill approving the issuance of the license passes the legislature within
16 60 days after the last date a presiding officer receives a determination by the
17 commissioners under AS 43.90.180, the commissioners shall issue the license as soon
18 as practicable after the effective date of the Act approving the issuance of the license.

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

27 (d) If the legislature fails to approve the issuance of the license, the
28 commissioners

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

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

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

1 (a) A licensee that is awarded a certificate of public convenience and necessity from a
2 regulatory agency with jurisdiction over the project shall accept the certificate on or
3 before the date the order granting the certificate is no longer subject to judicial review.

4 (b) If the licensee has credit support sufficient to finance construction of the
5 project through ownership of rights to produce and market gas resources, firm
6 transportation commitments, or government financing, the licensee shall sanction the
7 project within one year after the effective date of the certificate of public convenience
8 and necessity issued by the regulatory agency with jurisdiction over the project.

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

13 (1) two years after the effective date of the certificate of public
14 convenience and necessity issued by the regulatory agency with jurisdiction over the
15 project; or

16 (2) five years after the close of the first binding open season of the
17 project.

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

20 (1) seek approval from the Federal Energy Regulatory Commission or
21 the Regulatory Commission of Alaska, as applicable, to abandon and transfer the
22 certificate to the state or the state's designee; and

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

26 (e) The transfer and assignments under (d) of this section as a result of failure
27 to comply with (a) or (b) of this section are at no cost to the state or the state's
28 designee. A transfer under (c) of this section shall be subject to the state's payment to
29 the licensee of the net amount of expenditures incurred and paid by the licensee that
30 are qualified expenditures for the purposes of AS 43.90.440(1)(b). *Senate*

31 (f) In this section, "effective date of the certificate of public convenience and

1 necessity" means the date of the date the order granting the certificate is no longer
 2 subject to judicial review, or the date the licensee accepts the certificate.

3 **Sec. 43.90.210. Amendment of or modification to the project plan.** Subject
 4 to the approval of the commissioners, a licensee may amend or modify its project plan
 5 if the amendments or modifications improve the net present value of the project to the
 6 state, are necessary because of an order or requirement by a regulatory agency with
 7 jurisdiction over the project or by the Alaska Oil and Gas Conservation Commission,
 8 or the amendment or modification is necessary because of changed circumstances
 9 outside the licensee's control and not reasonably foreseeable before the license was
 10 issued. An amendment or modification approved under this section must be consistent
 11 with the requirements of AS 43.90.130 and, except for an amendment or modification
 12 required because of an order or requirement of a regulatory agency with jurisdiction
 13 over the project or by the Alaska Oil and Gas Conservation Commission, may not
 14 substantially diminish the value of the project to the state or the project's likelihood of
 15 success.

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

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

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

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

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

1 (2) receive all relevant notices ~~when and as issued~~ and information ^{House}
 2 when and as sent to the governing body or bodies and equity holders;

3 (3) enjoy the same access to information about the licensee as the
 4 governing body members and equity owners receive; and

5 (4) receive relevant reports or information from the licensee that the
 6 commissioners reasonably request.

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

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

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

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

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

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

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

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

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

29 (c) The commissioners may suspend disbursement of state ~~matching~~ ^{House}
 30 ~~contributions~~ reimbursements to the licensee beginning on the date that the notice of
 31 violation issued under (b) of this section is sent to the licensee. The commissioners

1 may resume disbursement on the date that the commissioners determine that the
2 violation is cured.

3 (d) If the commissioners and the licensee are unable to resolve the violation
4 within the period described in (b) of this section, the commissioners shall notify the
5 licensee that the violation has not been cured and provide the licensee with an
6 opportunity to be heard. If, after notice and hearing, the commissioners determine that
7 the violation has not been cured, the commissioners shall issue a written decision that
8 is a final administrative action for purposes of appeal to the superior court in the state.

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

11 (1) discontinuation of state ~~matching contributions~~ reimbursements *House*
12 under this chapter;

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

16 (3) license revocation;

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

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

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

26 (b) If the commissioners ~~and~~ or the licensee ~~do not agree~~ determine that the *House*
27 project is uneconomic and the other party disagrees, the disagreement shall be settled
28 by arbitration administered by the American Arbitration Association under the
29 substantive and procedural laws of this state, and judgment on the award rendered by
30 the arbitrators may be entered in superior court in the state. In the event of arbitration,
31 each party shall select an arbitrator from the American Arbitration Association's

1 National Roster, and the two arbitrators shall appoint a third arbitrator from the
 2 American Arbitration Association's National Roster who shall serve as the chair of the
 3 three-member arbitration panel. If the arbitration panel determines that the project is

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

7 (2) not uneconomic, the obligations of the licensee and the state
 8 continue as provided under this chapter and the license.

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

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

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

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

25 (1) requirements imposed on the licensee under AS 43.90.220
 26 regarding state money received by the licensee before the license was considered
 27 abandoned; and

28 (2) requirements of AS 43.90.440

29 (e) If the commissioners and the licensee agree that the project is uneconomic
 30 or an arbitration panel makes a final determination that the project is uneconomic, the
 31 licensee shall, upon the state's request, transfer to the state or the state's designee all

1 engineering designs, contracts, permits, and other data related to the project that are
2 acquired by the licensee during the term of the license upon reimbursement by the
3 state of the net amount of expenditures incurred and paid by the licensee that are
4 qualified expenditures for the purposes of AS 43.90.110.

5 **Sec. 43.90.250. Alaska Gasline Inducement Act coordinator.** (a) There is
6 created in the Office of the Governor the position of Alaska Gasline Inducement Act
7 coordinator. Administrative support for the position shall be provided by the Office of
8 the Governor. The position shall continue until one year after commencement of
9 commercial operations of the project.

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

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

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

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

26 **Article 3. Resource Inducements.**

27 **Sec. 43.90.300. Qualification for resource inducements.** (a) Notwithstanding
28 any contrary provision of law, a lessee or other person that demonstrates to the
29 satisfaction of the commissioners that the person has committed to acquire firm
30 transportation capacity in the first binding open season of the project is qualified to
31 receive the resource inducement set out in AS 43.90.310 and 43.90.320 for gas

1 produced on the North Slope and shipped in firm transportation capacity acquired in
 2 the first binding open season of the project. The inducement in AS 43.90.310 is
 3 contractual.

4 (b) A gas producer receiving a voucher under AS 43.90.330 is qualified to
 5 receive the resource inducement in AS 43.90.310 and 43.90.320 for the gas shipped in
 6 the firm transportation capacity described in the voucher for the period described in
 7 AS 43.90.330.

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

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

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

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

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

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

31 (D) deductions permitted under the 1980 Royalty Settlement

1 Agreement for Prudhoe Bay gas; and

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

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

7 (B) interfere with the lessee's or other person's long-term
8 marketing of its production.

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

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

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

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

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