

SCOMM

104:13

Future worries Enstar

**Cook Inlet gas is
not bottomless**

By STAN JONES

Daily News reporter

Cook Inlet won't run out of natural gas next week, but some big players in the market are getting a little nervous about what happens in the next decade.

An application by two oil companies to extend their federal license to export liquefied gas from the Kenai Peninsula through 2009 is worrying Enstar Natural Gas Co. The current license runs through 2004.

Enstar supplies gas for electricity and heat to about 95,000 business and residential customers in Southcentral Alaska. The company said the future of Inlet supplies is cloudy enough that the application should be put on hold for a couple of years.

"We have concerns about whether it makes sense to

Please see Page D-8, GAS



GAS: Inlet reserves won't last forever; Enstar wants license postponed

Continued from Page D-7

keep hauling Cook Inlet's gas to Japan at the rate they are," said Enstar president Richard Barnes. "We don't know whether we will be short of gas at that point in time or not."

The Kenai liquefied-natural-gas plant is owned by Phillips Petroleum Co. and Marathon Oil Co. Their main customers are Japanese utilities.

A study chartered to support the export application to the federal Department of Energy suggests that by 2009 Cook Inlet still should have more than five years of gas, even if few new fields are discovered and demand is high.

But things could turn out better. Demand could be lower than projected, and there could be lots of discoveries. That

could leave Cook Inlet with about 10 years of gas in 2009.

Moreover, the study noted, a North Slope gas line could be built to Valdez, opening up the possibility of a spur to Southcentral Alaska to offset any drop in Cook Inlet production.

"We don't see any reason to delay," said Dave Perkins, Anchorage-based regional manager for Marathon. "We're really scratching our heads to see what the problem is."

But Barnes sees all of those possibilities as reasons to wait. In a couple years, he said, exploration results will show whether Cook Inlet has more gas fields. It also could be clear by then if and when a North Slope gas pipeline will be built.

"Say neither of those comes to fruition," Barnes

said. "We'll need that gas for heating homes and making electricity, not for making electricity in Japan or for industrial uses in Japan."

Cook Inlet produces about 210 billion cubic feet of gas a year, according to the Phillips/Marathon study. A little over one-third is exported through the Phillips-Marathon plant, about one-fourth is made into fertilizer chemicals at Unocal Corp.'s Kenai plant, and a little over one-fourth goes to homes, businesses, military bases and electric utilities in Southcentral Alaska. The rest — about one-tenth — is used to run Cook Inlet's oil and gas fields.

Bill Van Dyke, with the state Division of Oil and Gas, said he had reviewed the Phillips/Marathon Cook Inlet analysis and didn't find big problems with any of the

numbers.

Barnes said he didn't know yet if Enstar will formally oppose the Phillips/Marathon application to continue exporting Cook Inlet gas.

"That's a fine business for the state of Alaska to be part of," he said. "But let's make sure that that's not going to negatively impact the people who live here."

Unocal, which produces gas in Cook Inlet and consumes it at its Kenai plant, doesn't know if the Phillips/Marathon application is premature, said Kevin Tabler, the company's Alaska land manager. But Unocal is keeping an eye on supplies.

"We'd clearly like to see liquefied natural gas exports continue if it's the prudent thing to do," Tabler said. "But if Enstar's concerned, so are we."

One of Enstar's concerns

is something called "deliverability." That refers to the ability of gas fields to cope with the huge seasonal swings in demand seen in Southcentral Alaska. In the summer, when the weather is mild and daylight is nearly continuous, electric plants, homeowners and businesses don't use much gas. In the winter, when it's cold and dark, the demand for natural gas soars to two-and-a-half times the year-round average, said Enstar vice president David Sinclair.

For the present, Cook Inlet gas fields are strong enough to handle such swings in demand. But if they are drawn down far enough, they will be unable to cope with big demand peaks, even if they can supply enough gas on a year-round average.

As is common practice

with utilities Outside, Enstar might have to arrange to store gas in slack times, either in tanks or underground in old fields, to meet peak needs.

"It's both deliverability and supplies," Sinclair said. "If we wait a little bit, we might be able to remove some of the uncertainty."

Van Dyke, the state oil and gas official, said Cook Inlet will run out of gas eventually, and adding another five years to the Phillips/Marathon export license probably won't make much difference.

"North Slope gas in the long run solves everybody's problem," Van Dyke said. "The sooner we can get a gas line built and then run a spur over here to Cook Inlet, the sooner there are no problems."



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

MEMORANDUM

TO: Members, House Special Committee on World Trade
and State/Federal Relations

FROM: Representative Ramona L. Barnes, Chair
House Special Committee on World Trade
and State/Federal Relations

DATE: January 23, 1997

SUBJECT: Committee Substitute for HCR 1

A handwritten signature in cursive script, appearing to read "Ramona", written over the "FROM" line of the memorandum.

Please note the Committee packet for today's meeting includes a draft CS for HCR 1, "Relating to a new Alaska liquefied natural gas project".

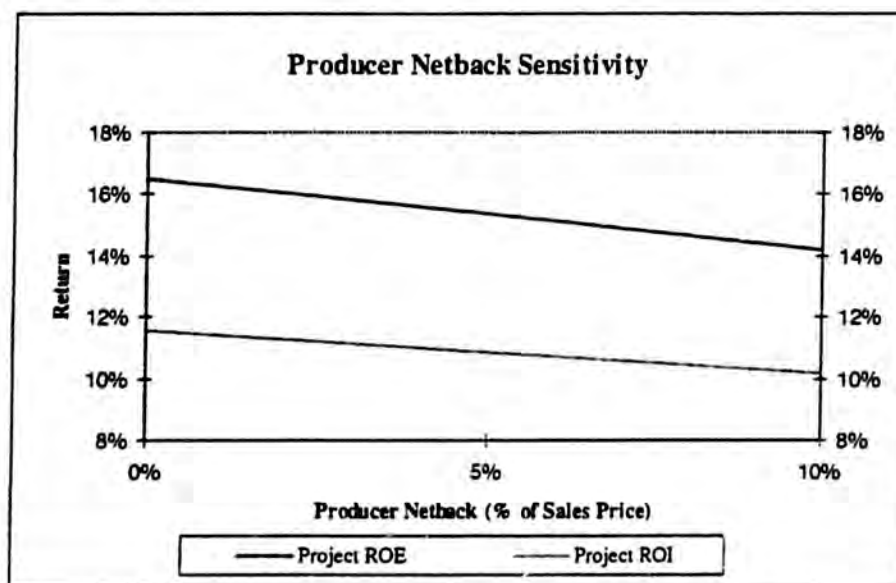
The CS for HCR 1 (WTR) simply adds a section which was inadvertently left out of the original resolution.

The CS adds lines 2 to 6 on page four of the resolution.

Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

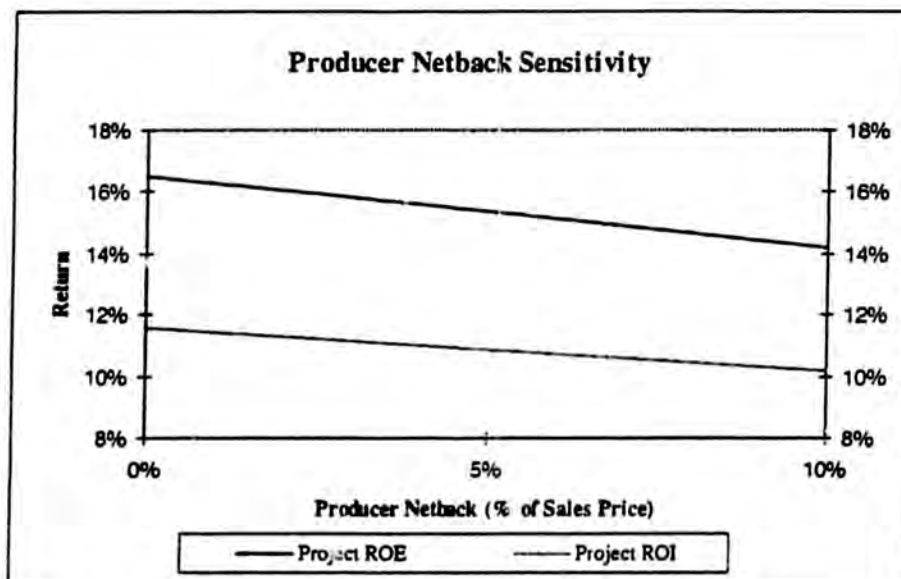
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

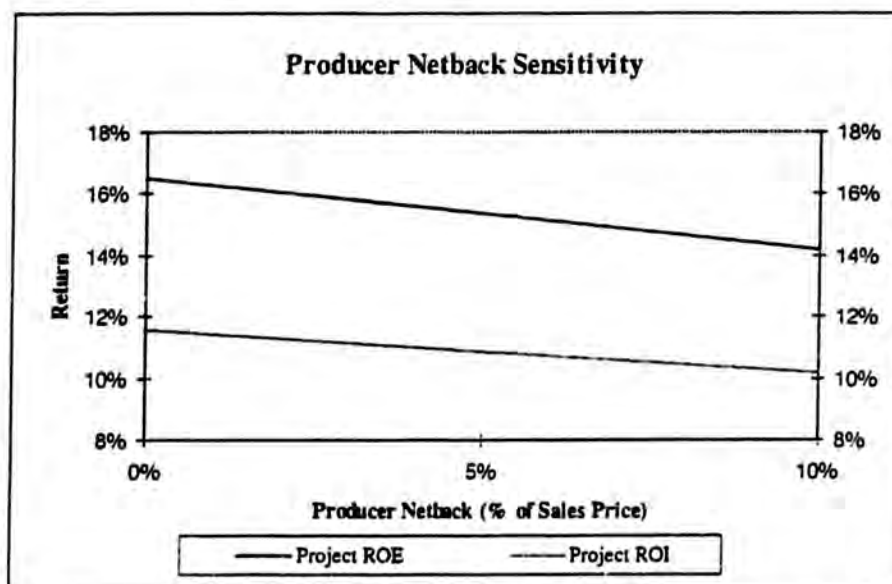
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

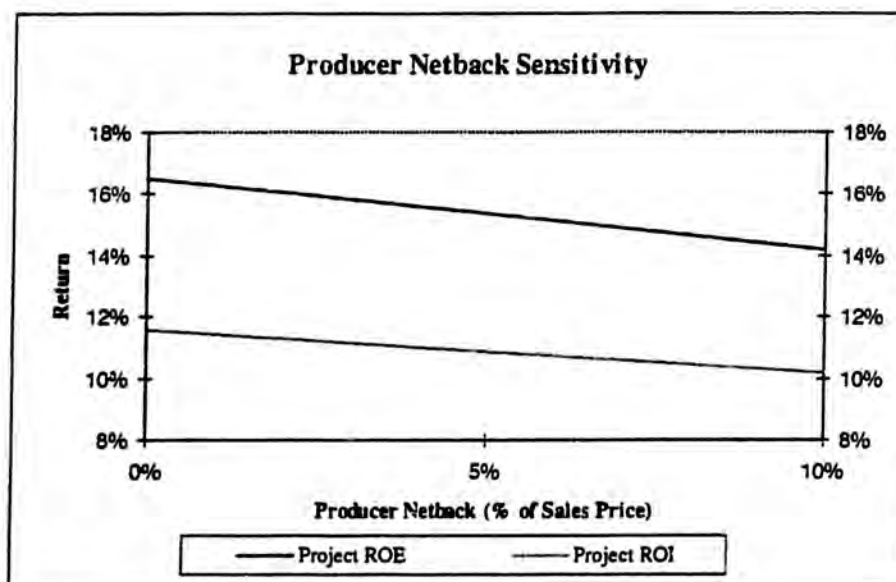
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

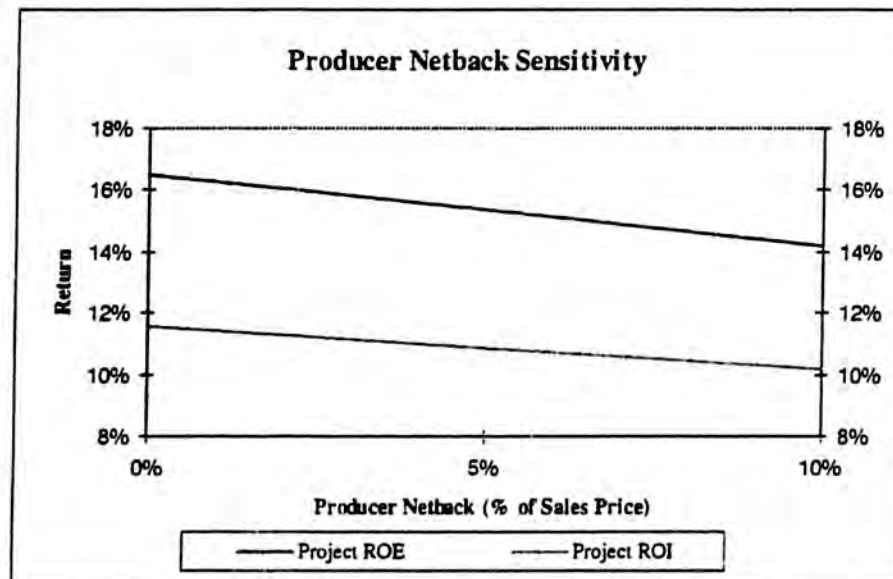
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

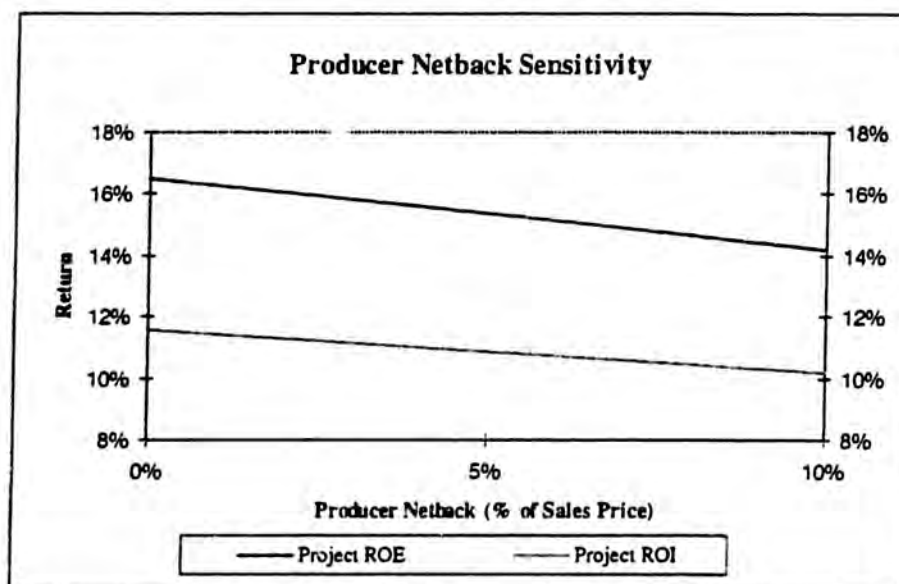
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

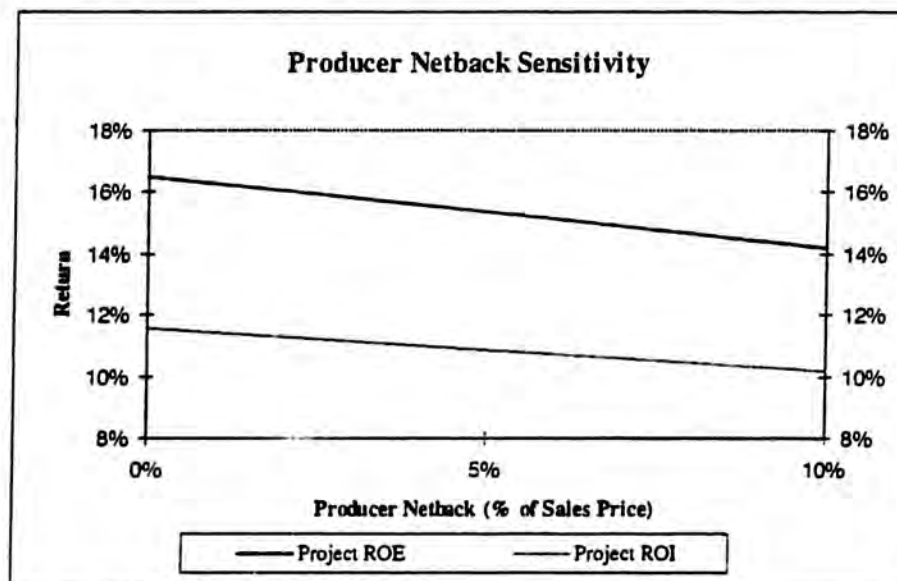
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

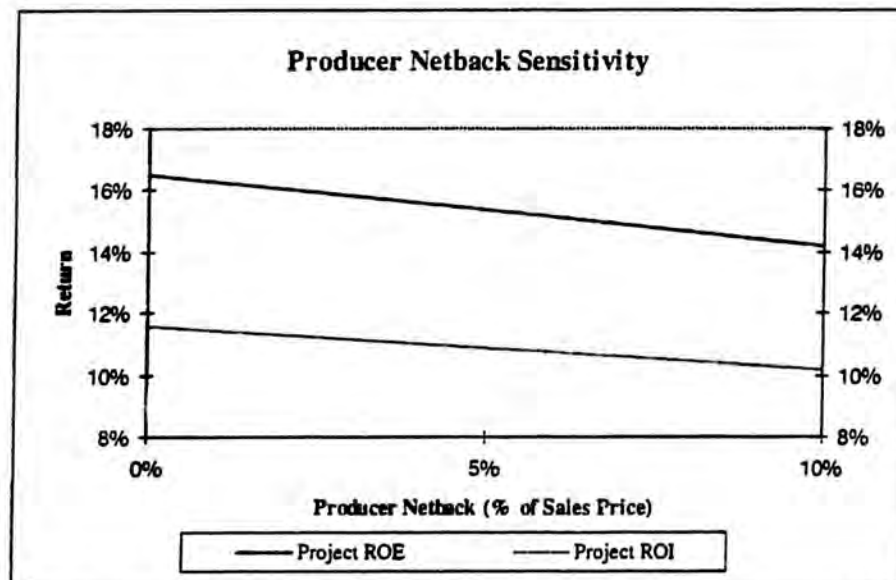
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

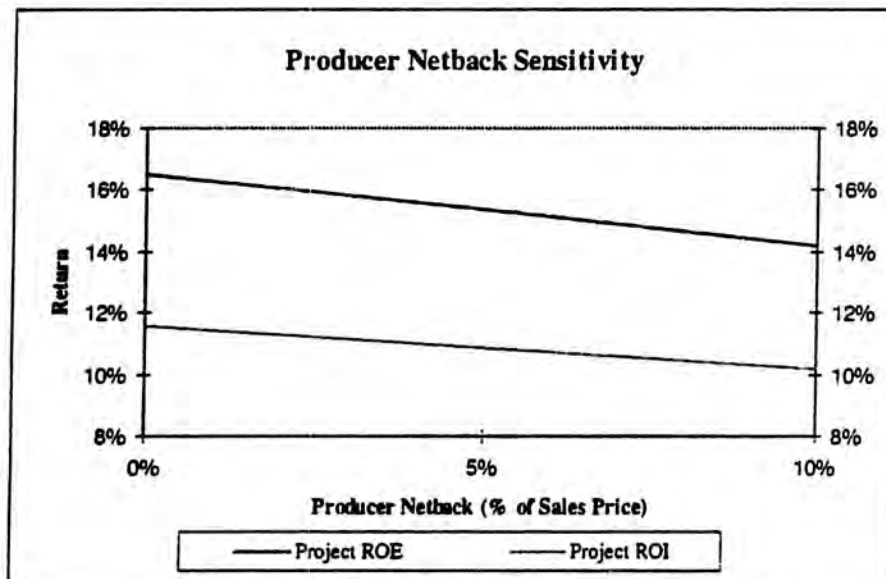
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

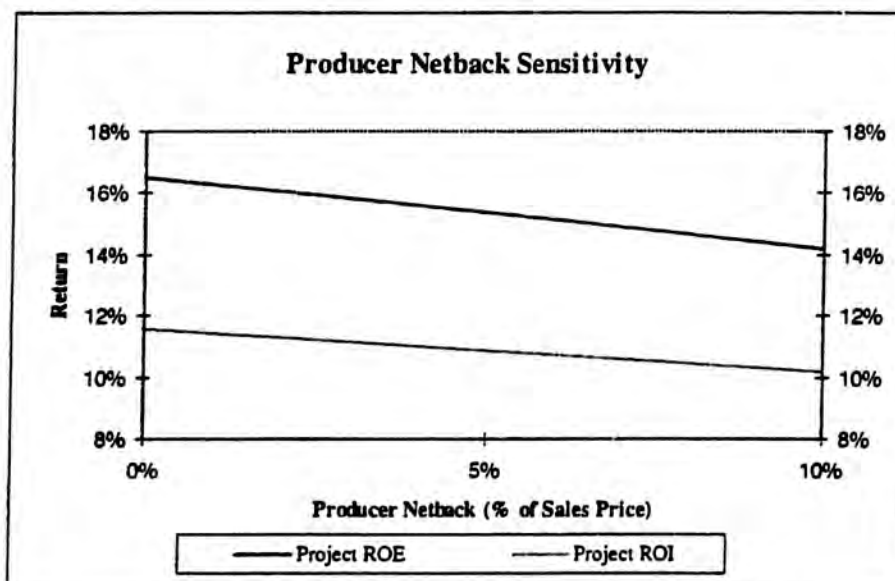
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

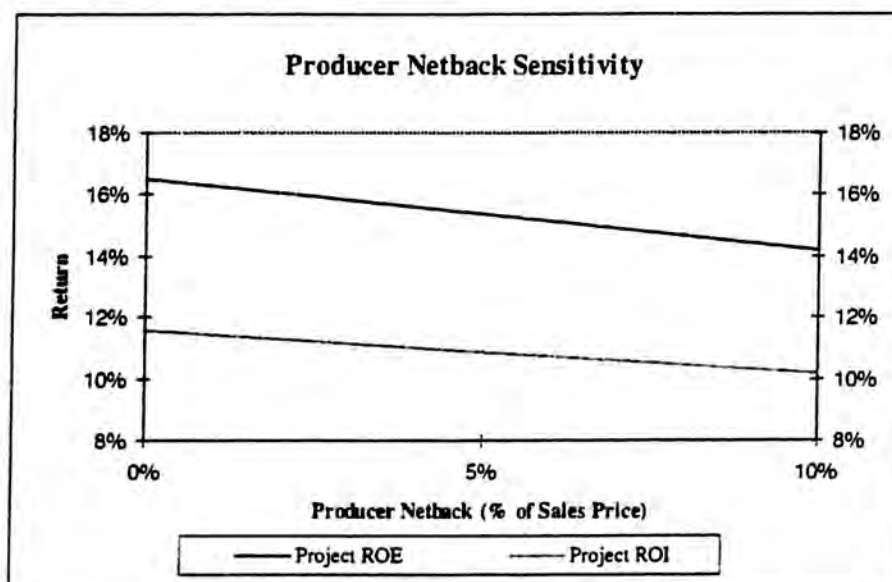
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

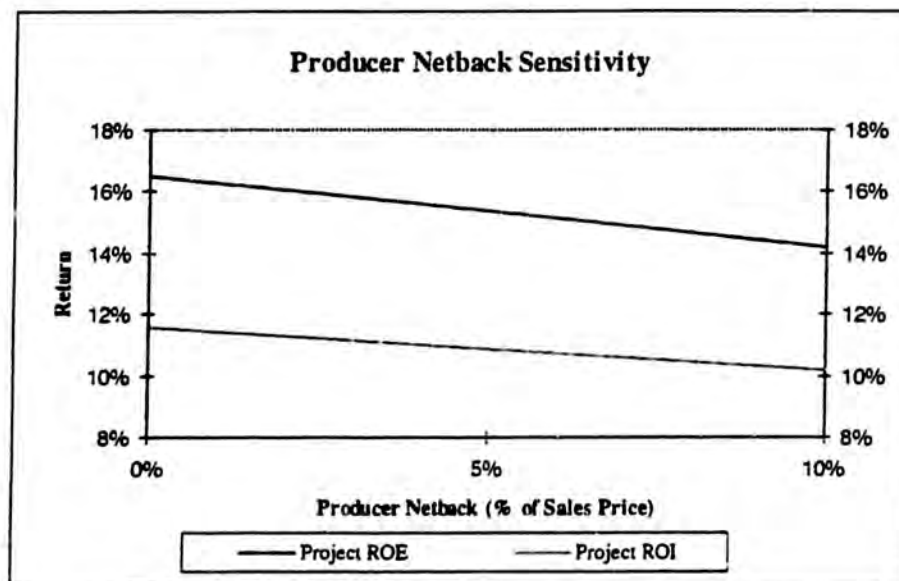
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

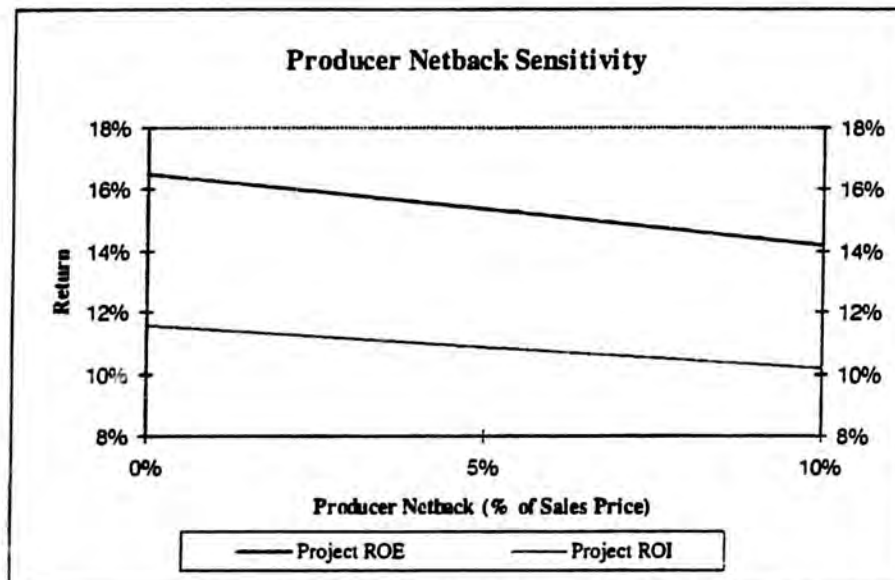
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

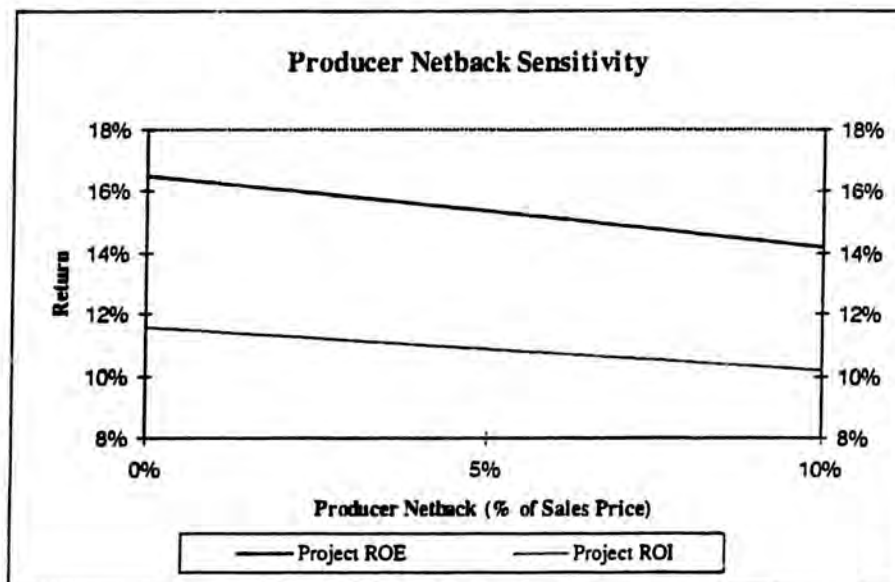
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

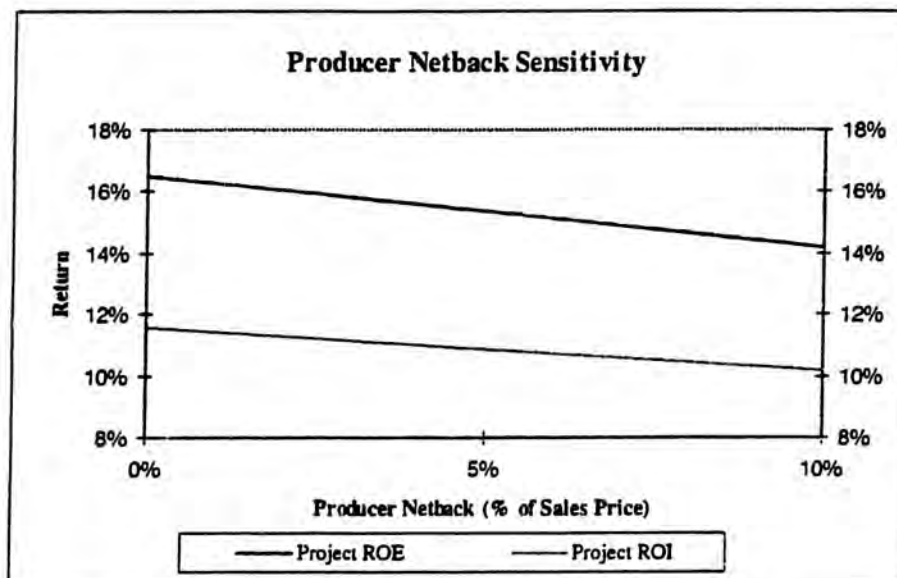
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

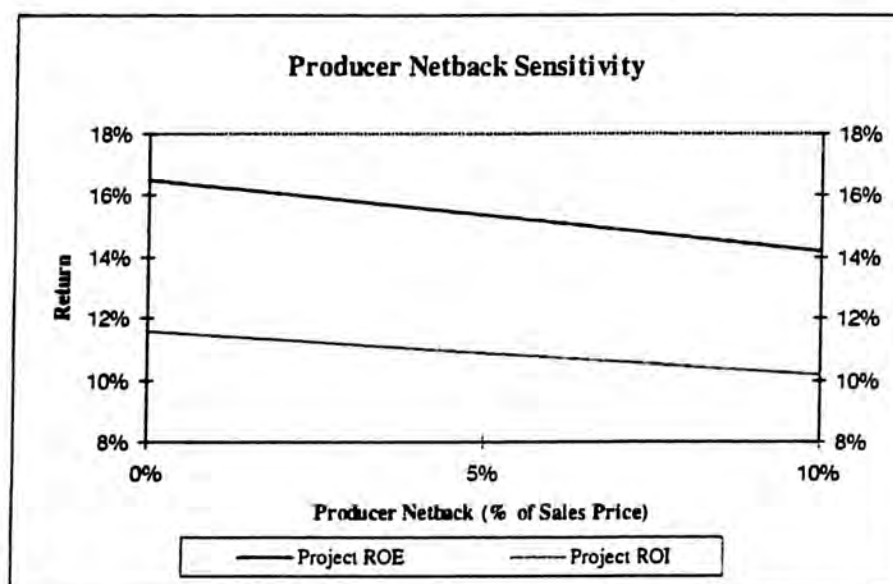
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

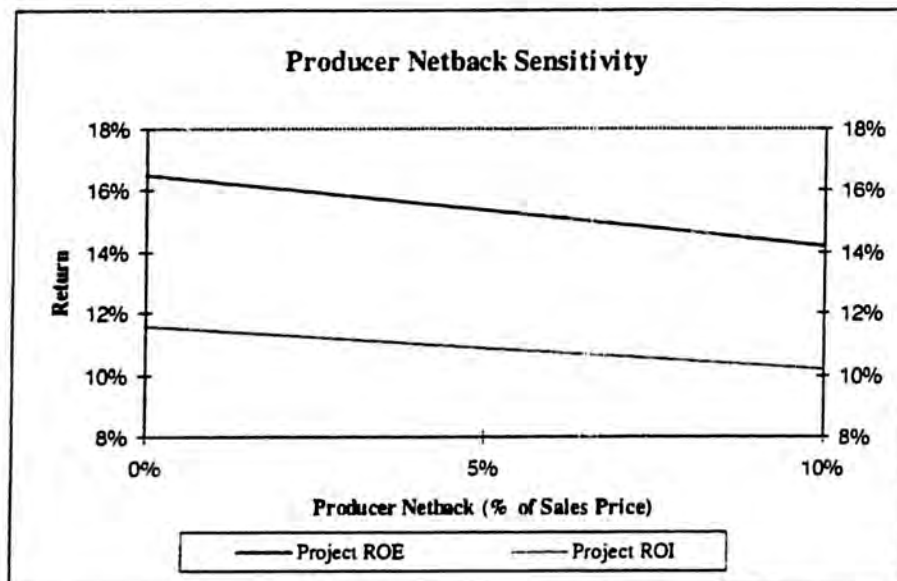
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

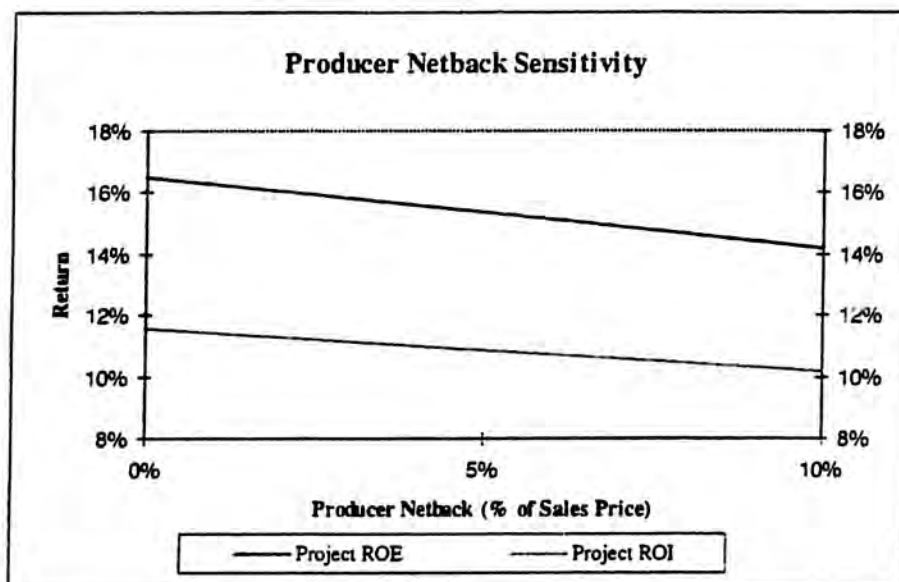
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

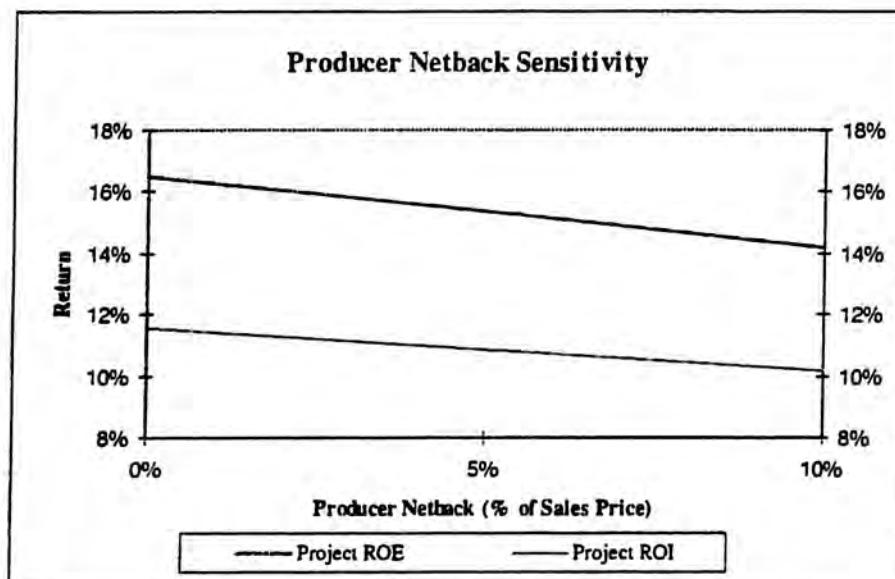
⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.



Producer netback: The producers could receive a payment of economic rent in the form of a positive netback. The returns to the Project under a number of positive netback sensitivities are as follows:

Producer Netback Sensitivities

NOMINAL AFTER-TAX	PROJECT ROE	PROJECT ROI
Netback at 10% of LNG sales price	14.2%	10.2%
Netback at 5% of LNG sales price	15.4	10.9
Reference Case (0% netback)	16.5	11.6



Where the Project is required to pay a netback price to the producers for gas sales to the Project and the producers are also Project Sponsors, payment of the netback revenues will have the following impact on their overall returns:

NOMINAL AFTER-TAX	ROE TO PRODUCER	ROI TO PRODUCER
Netback at 10% of LNG sales price	16.3%	11.3%
Netback at 5% of LNG sales price	16.3	11.4
Reference Case (0% netback)	16.5	11.6

While the Project's returns decline from instituting a netback price on the sale of gas to the Project, the returns to the State of Alaska increase from the imposition of royalty and severance taxes. Aggregate revenues to the State of Alaska increase to \$16.1 billion over the life of the Project with a netback of 10%⁹.

⁹ If a 4% effective tax rate were assumed, revenue to the State of Alaska would be \$10.8 billion.





General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4122 FAX (907) 337-6668 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609
JUNEAU, ALASKA 99801, 306 Willoughby

(907) 452-2959 FAX (907) 452-5051
(907) 586-3225 FAX (907) 586-1227

January 28, 1997

Representative Mark Hodgins
Chair - Oil & Gas Committee
State Capitol
Juneau, ak. 99801

Dear Representative Hodgins:

On January 22, 1997, I testified before HJR 54 Working Group in favor of the Alaska Gas line on behalf of Teamsters Local 959. At the conclusion of my testimony, you had requested some general information regarding training that may be available through our Union or any of the other unions as it relates to the demands of a gas line.

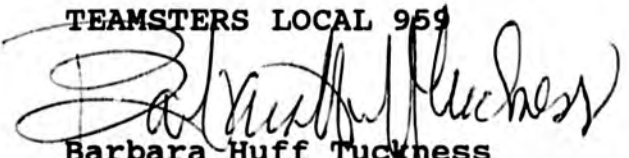
The attached information is a brief overview of the Teamster training programs as well as most of the other unions, defining in general the training that is available currently. It should be noted that these programs continue to expand depending on the changes in the job market and technology. Although the attached information is not complete and may not answer all of your questions, it will at least provide a general idea of what is available within the State. I can assure you the Unions can and will respond to any questions you may have.

It should also be noted that it was Union members who built the oil pipeline and today many of those some Unions maintain it. Each and every Union prides it self on its ability to provide well trained, highly skilled and competent Alaskans to further expand or enhance the resources of our State.

If I can be of any further assistance, please fell free to contact me at 907-586-3907 in Juneau or at 907-269-4236 in Anchorage.

Sincerely,

TEAMSTERS LOCAL 959


Barbara Huff Tuckness
Director, Legislative and Government Affairs

Attachments



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4122 FAX (907) 337-6668 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609
JUNEAU, ALASKA 99801, 306 Willoughby

(907) 452-2959 FAX (907) 452-5051
(907) 586-3225 FAX (907) 586-1227

January 27, 1997

To Whom It May Concern:

The following information is in response to comments and questions as to whether the Alaskan Unions can provide the needed work force for the upcoming future work in Alaska:

Local 959 total Teamster membership **7500**

Currently working in Construction Industry **350**

People working in other Teamster Industries who previously worked in the Construction Industry and would probably return if a big project came along
. **500**

People working outside the Union with Construction Industry experience who would probably return if a big project came along **1500**

People (40 to 60 years of age) currently drawing a retirement who would return to work if a big project came along **500**

New sign-ups seeking work in the Construction Industry (per month) . . . **75 - 100**

Currently our statewide offices receive **200** calls per month from outside Alaska inquiring about upcoming work. These calls are from people wanting to return to Alaska or relocate to Alaska.

Experienced and qualified people available to Teamsters Local 959 from other teamster locals through the United States **100,000 +**

Aside from the above numbers of people Local 959 can provide, the Union is constantly providing training classes through the Local's training school and our private school.

In closing, with proper notice, Teamsters Local 959 can provide qualified people for any and all work that becomes available in an emergency, or on a long term basis, with the

To Whom It May Concern

January 27, 1997

Page 2.

most highly trained, and most experienced people in our trade. An excellent example is during the building of the Trans Alaska Pipeline, 959's membership was over 20,000 strong and no jobs went unfilled.

If you have any further questions, please advise. My telephone number is 269-4346.

Sincerely,

TEAMSTERS LOCAL 959

A handwritten signature in black ink, appearing to read 'T. Ed Hamilton', with a long horizontal flourish extending to the right.

T. Ed Hamilton

Director of Construction, Oilfield
Maintenance, and Technical Engineers

/kk

CONST97A27



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4122 FAX (907) 337-6668 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609
JUNEAU, ALASKA 99801, 306 Willoughby

(907) 452-2959 FAX (907) 452-5051
(907) 586-3225 FAX (907) 586-1227

January 27, 1997

To Whom It May Concern:

Existing Members:

Total Teamsters	7500
Construction	2850
Working	250 - 450
Total Technical Engineers	279
Working	110

Percent of Native Alaskans:

Teamsters	26%
Technical Engineers	15%

Technical Engineers:

Apprentices (Alaska Natives)	8
Qualified Apprentices on File	50

As we have the need for more applicants, we shall contact Ahtna and Tanana Chiefs.

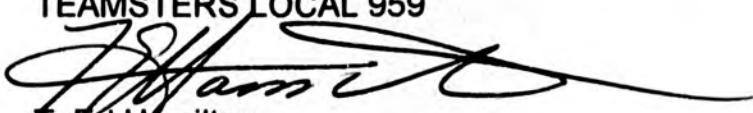
Potential Apprenticeship Positions: If we obtain the work, we can train up to 36 people per year.

Percentage of Native Alaskans in Apprenticeship Program	80%
---	-----

Percentage of Applicants	100%
--------------------------------	------

Sincerely,

TEAMSTERS LOCAL 959


T. Ed Hamilton

Director of Construction, Oilfield
Maintenance, and Technical Engineers



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4122 FAX (907) 337-6668 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609
JUNEAU, ALASKA 99801, 306 Willoughby

(907) 452-2959 FAX (907) 452-5051
(907) 586-3225 FAX (907) 586-1227

January 27, 1997

To Whom It May Concern:

Teamster Local 959's Training Department can provide individuals with the following training and certifications:

National Safety Council First Aid and CPR.

Alcohol and Drug Awareness Training for supervisors and employees.

Hazardous Waste First Responder - 8 hour.

Hazardous Waste Site Worker - 40 hour.

Hazardous Waste Site Worker - 40 hour annual refresher.

49 CFR 172.700 Transportation Awareness - 4 hour.

Hazardous Material Transportation Specialist - 32 hour.

Driver Training: Basic Driver Training - CDL(A) - 6 weeks.
 Fast Track CDL(A) - 100 hours.
 Road Skills Assessment Training CDL(A) - 2 weeks.
 Road Skills Assessment Training CDL(B) - 2 weeks.
 Construction Driving Upgrade - 40 hours.
 Defensive Driving Course for Professional Truck Drivers

TAPS I & II.

Super Vac Truck.

Computers and filing.

Electrical and pipefitting materials and tools warehousing, ordering, and inventory control.

To Whom It May Concern

January 27, 1997

Page 2.

Heavy duty - light duty trucks and heavy equipment parts and tools warehousing, ordering, and inventory control.

Heavy and light duty tire repair.

Forklift training.

Rig up truck training.

Technical Engineers (surveyors).

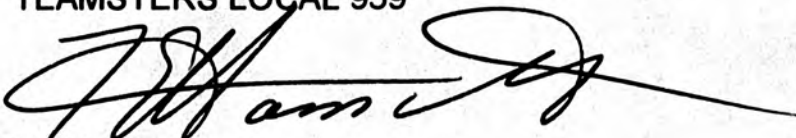
Apprenticeship program (BAT approved) upgrade program in the newest and latest equipment and methodology.

As new technology becomes available, and as new requirements and training is needed, Teamsters Local 959 strives to implement this training so as to keep our members current in all areas.

Furthermore, as more and more members are put to work in specialized fields, we continue to train new members in the areas needed to fill the contractors' demands.

Sincerely,

TEAMSTERS LOCAL 959

A handwritten signature in black ink, appearing to read 'T. Ed Hamilton', with a long horizontal flourish extending to the right.

T. Ed Hamilton

Director of Construction, Oilfield
Maintenance, and Technical Engineers

/kk

CONST97A27.Tra



**ALASKA TEAMSTER-EMPLOYER
SERVICE TRAINING TRUST**

1049 WHITNEY ROAD, ANCHORAGE, ALASKA 99501
Telephone (907) 278-3674, Fax (907) 279-6088

January 24, 1997

To whom it may concern:

The Alaska Teamster Employer Service Training Trust (ATESTT) is a multi-employer collectively bargained plan that provides training to its plan participants. Although ATESTT primarily offers training classes at its main training facility located at 1049 Whitney Road in Anchorage, the staff often travels throughout the State of Alaska to provide on-site training at different locations.

The Teamster Training Center provides the following training programs for members who are considered eligible for training:

- National Safety Council First Aid & CPR
- Hazardous Materials and Hazardous Waste Training
- Class A and B Commercial Drivers License training and testing
- Construction training in Class A and B vehicles that include, but are not limited to end dumps with or without pups, belly dumps, water trucks, fuel trucks, and lowboys
- Passenger bus training

The Teamster Training Center staff has a broad-based background developed through many years of actual field experience and instructor development training courses. Ongoing training is a must for all of the instructors who share in both classroom and driving instruction. All instructors possess a Class A CDL and every available endorsement and have received Hazardous Materials Instructors certifications at various Haz-Mat training facilities throughout the United States, including the prestigious Transportation Safety Institute (TSI), in Oklahoma City, Oklahoma.

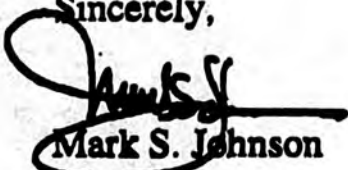
Those persons who are not eligible under the eligibility requirements (outlined in the ATESTT catalog) are eligible to use the Center for Employment Education (CEE), a wholly owned subsidiary of ATESTT.

The Center for Employment Education is a non-profit tuition based school which offers commercial driving instruction and hazardous material training to the general public. CEE is authorized by the State of Alaska Commission on Post Secondary Education, licensed by the Department of Public Safety, Division of Motor Vehicles, the Department of Transportation, the Department of Energy, the International Air Transportation Association (IOTA) and the International Maritime Dangerous Goods Association (IMDG). The Basic Driver training program is certified by the Professional Truck Driver Institute of America.

As representatives of workers and providers of a qualified labor force to employers, we have an obligation. That obligation is to place the most highly qualified workers available into the work force through effective, intense, and meticulous training programs. This policy was incorporated in our approach to all of our training programs.

As Alaska's only authorized commercial truck driving school certified by and authorized to operate in the State of Alaska, the Teamsters Training Center and the Center for Employment Education's staff look forward to sharing this training with workers throughout the State of Alaska.

Sincerely,



Mark S. Johnson
Director



General Teamsters Local 959 State of Alaska

Affiliated with the International Brotherhood of Teamsters

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4122 FAX (907) 337-6668 GERALD L. HOOD Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609, (907) 452-2959 FAX (907) 452-5051
JUNEAU, ALASKA 99801, 306 Willoughby, (907) 586-3225 FAX (907) 586-1227

January 27, 1997

To Whom It May Concern:

Re: Local 959 Safety and Health Training Opportunities

Outlined below are the Safety and Health courses offered by Teamsters Local 959.

- **Standardized Safety Orientation** - This is an eight-hour course designed to help new workers recognize and control common workplace hazards, unsafe conditions, and unsafe work methods. The curriculum was developed by Local 959 for members dispatched to Employers performing work in the Trans Alaska Pipeline System. The course has been adopted, without modification, by Alyeska Pipeline Service, Inc., all Contractors working within the TAPS system, the University of Alaska, and the Joint Craft Unions. It is a condition of employment for all workers in the TAPS system to complete this course. The course consists of awareness level training in twenty-four topics including:

General Duty; Drug and Alcohol Awareness; Respiratory Protection; Signs/Tags/Labels; Hazard Communication; Hazwoper Awareness; Emergency Evacuation; Fire Safety; Welding/Cutting and Hot Work; Personal Protective Equipment; Fork Lift Safety; Workplace Violence; Corporate Safety Policies; Hazard Awareness; Job Safety Analysis; Lock Out/Tag Out; Electrical Safety; Hand Tool/Power Tool safety; Confined Space Entry Awareness; Ergonomics; Slips/Trips/Falls; Housekeeping; Proper Lifting Techniques; Defensive Driving

- **Accident Investigation** - This is a National Safety Council certified course designed to help workers and supervisors conduct effective accident investigations. The eight-hour course focuses on root cause analysis to insure critical information is uncovered and all potential failures in the safety management system are identified.
- **Safety Inspections** - This is a National Safety Council certified course designed to help workers and supervisors conduct thorough safety inspections. The course demonstrates how to develop a complete safety inspection check list and discusses methods to insure that hazards are corrected or controlled in a timely manner.

Safety Information
January 27, 1997
Page 2.

- **OSHA 500 Construction Safety Compliance - This is a ten-hour course certified by the Occupational Safety and Health Administration and is offered to Stewards, Foremen and Supervisors who have a collateral duty for safety compliance on construction sites. The purpose of the course is to show students how to read and understand OSHA regulations to insure their work sites are in compliance.**

In addition to the safety courses offered through the Local we have a separate training facility, The Alaska Teamster's Training Trust, to provide work skills training. As the Safety Director for Teamsters Local 959 I am responsible for most of the safety training. I am certified by the United States Department of Labor, The National Safety Council and the TAPS Safety Alliance to instruct the above courses. I currently serve as a member of the National Safety Council, Labor Division Executive Board, The TAPS Safety Alliance Training Committee, Chairman of The National Safety Council Occupational Driver Safety Committee, Safety Representative for the Alaska Petroleum Joint Crafts Council, Co-Chair of The Alaska Governors Safety and Health Conference and in September of 1995 I was appointed by Governor Tony Knowles to serve on the Alaska Safety Advisory Council.

Please contact me at 269-4191 if you need additional information regarding this department.

Sincerely,

TEAMSTERS LOCAL 959



Steve Trospen
Safety Director



Technical Engineers of Alaska

Affiliated with General Teamsters Local 959, State of Alaska

ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4390 Fax (907) 337-6668 GERALD L. HOOD, Secretary/Treasurer

FAIRBANKS, ALASKA 99707, P.O. Box 70609, (907) 452-2959 FAX (907) 452-5051
JUNEAU, ALASKA 99801, 306 Willoughby, (907) 586-3225 FAX (907) 586-1227
KENAI, ALASKA 99611, P.O. BOX 3150 (907) 283-4498 FAX (907) 283-8030

ALASKAN NATIVE APPRENTICESHIP OPPORTUNITIES IN SURVEYING

OFFERED BY THE TECHNICAL ENGINEERS OF TEAMSTER LOCAL 959

As our apprenticeship program matures, it becomes necessary that we develop a catalogue/brochure which briefly explains our progress and our mission. Such a publication is in the process of being drafted. Until the time when it is distributed, please accept this letter as a brief introduction to our program.

The Tech Engineers of Teamster Local 959 are primarily engaged in construction surveys. We dispatch to dozens of employers statewide. In 1996, ninety-five (95) people were dispatched.

Starting in 1992 efforts were made to start up an apprenticeship program in conjunction with various Alaskan Native organizations involved in Section 638 allotment surveys under the direction of the BLM. We continue in the attempt to offer this program to those entities and believe that long term benefits will accrue to all parties from the training, employment, and development of professional careers in all areas of this State.

To attain journey status from this program, the apprentice must successfully pass 600 hours of classroom study, as well as, 4000 hours of on the job training. Full pension and health benefits are paid when working and the wages range from 60 to 75 percent of the journey wage. We intend to offer training and education beyond journey status to those who may want to develop a career as a Professional Land Surveyor and practice this profession in their home regions.

We have utilized the human resource departments at Ahtna, Tanana Chiefs, and the Kodiak Tribal Council for the recruitment of apprentices. The applicants are then directly entered into the program. We currently have ten apprentices and eight of them have entered the program by this method. Three of those eight apprentices are female. We will admit as many into the program as long term employment opportunities allow. Apprentices from this program have worked on the Trans Alaska Pipeline, the Ft. Knox Gold Mine Development, the Healy Clean Coal Project, and numerous highway and building projects throughout the State. We welcome the participation of any Native organization with young people interested in a surveying career and with either land surveying or construction projects on which they would have an opportunity to work.

The minimum qualifications are:

- 1. Eighteen years of age or older.**
- 2. High school diploma or GED equivalent**
- 3. Physically fit, without regard to any occupationally irrelevant physical disability.**
- 4. Alaskan resident one year prior to application.**

The tuition costs of approximately \$2750.00 a year per apprentice are paid for by all working Journeypeople. The classes are offered in Anchorage during the winter months. Apprentices are responsible for room and board expenses during the five-week class each year (most of our Native apprentices receive a stipend from their Region to underwrite these costs).

We are pleased with the progress of this the program. We offer to you the opportunity to develop stable careers among the young people throughout the State. Skills that can be utilized close to home or far away from home.

We look forward to working with you.



Technical Engineers of Alaska

Affiliated with General Teamsters Local 959, State of Alaska
ANCHORAGE, ALASKA 99504, 4300 BONIFACE PKWY. (907) 269-4390 Fax (907) 337-2568 GERALD L. HOOD (Secretary, Treasurer)

FAIRBANKS, ALASKA 99707, P.O. Box 70629, (907) 452-2959 FAX (907) 452-5051
JUNEAU, ALASKA 99801, 306 W. Coughby (907) 586-3225 FAX (907) 586-1227

APPRENTICESHIP PROGRAM FOR TECHNICAL ENGINEERS (SURVEYORS) OF ALASKA TEAMSTERS LOCAL 959

Apprentice Name	Level # (in years)	Hometown	Referred By	Working Experience as an Apprentice
C.R.	3	Copper Center	Ahtna	Trans Alaska Pipeline
T.C.	3	Anderson	Ahtna	Trans Alaska Pipeline
D.B.	3	Hoonah	Tanana Chiefs	Ft. Knox, Highways
L.L.	3	Eagle River	N/A	Ft. Knox, Highways
B.A.	2	Tanacross	Tanana Chiefs	Ft. Knox
N.E.	2	Fairbanks	Tanana Chiefs	Healy Coal Plant
L.J.	2	Gulkana	Ahtna	Trans Alaska Pipeline
S.S.	2	Kodiak	Kana	Trans Alaska Pipeline
C.J.	2	Seward	N/A	Highways
P.T.	1	Nicoloi	Ahtna	Trans Alaska Pipeline

- Four Year Program
 - * 600 classroom hours (150 each year)
 - * 4000 on the job hours (1000 each year)
 - * Classroom study in Anchorage
- Direct entry into the program for motivated, qualified Alaskan Natives
- Emphasis on construction and land surveying
- Excellent opportunities for BLM 638 trainees, rural water/sewer projects upon Agreement with Union
- Union journeyman underwrite the \$2,750.00 yearly tuition
 - * One time equipment cost of \$175.00 paid by referring organization
 - * Room and Board paid by apprentice or referring organization
- Four year curriculum available after achieving journeyman status leading to exam and license as a Registered Land Surveyor
- Unique opportunity for developing skills as a surveyor which can utilized either in a region near home or on projects throughout Alaska

STANDARDS OF APPRENTICESHIP
DEVELOPED FOR
TECHNICAL ENGINEERS OF ALASKA (I.B.T. LOCAL 959)
&
PRICE/AHTNA (A JOINT VENTURE)

FOR THE TRADE OF

SURVEYOR ASSISTANT

Approved by: Alaska Teamster Employer Service Training Trust
A.T.E.S.T.T.



DEVELOPED IN COOPERATION WITH THE
BUREAU OF APPRENTICESHIP AND TRAINING
U.S. DEPARTMENT OF LABOR

REGISTERED AS PART OF THE NATIONAL APPRENTICESHIP PROGRAM IN
ACCORDANCE WITH BASIC STANDARDS OF APPRENTICESHIP ESTABLISHED
BY THE SECRETARY OF LABOR.

BY: 
WILLIAM F. WADSWORTH, REGIONAL DIRECTOR
BUREAU OF APPRENTICESHIP AND TRAINING

DATE: February 9, 1995

REGISTRATION NO. X-92248

AIMS AK000-0111

TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
I.	Purpose and Policy.....	1
II.	Definitions.....	1
III.	Administration Procedure and Committee Responsibilities.....	2
IV.	Term of Apprenticeship.....	2
V.	Work Process.....	3
VI.	Related Instruction.....	3
VII.	Apprentice Wage and Wage Progression.....	3
VIII.	Periodic Review, Evaluation, and Maintenance of Program Records.....	3
IX.	Ratio of Apprentices.....	3
X.	Probationary Period.....	4
XI.	Safety and Health Training.....	4
XII.	Minimum Qualifications.....	4
XIII.	Apprenticeship Agreement.....	4
XIV.	Credit for Previous Experience.....	4
XV.	Continuity of Employment.....	5
XVI.	Supervision of Apprentices.....	5
XVII.	Certificate of Completion.....	5
XVIII.	Modification, Cancellation, and Deregistration of Program.....	5
XIX.	Equal Employment Opportunity in Apprenticeship....	6

XX.	Disposition of Complaints.....	6
XXI.	Registration Agency Record Requirements.....	6
XXII.	Savings Clause.....	6
XXIII.	Temporary Disability.....	7
XXIV.	Training Coordinator - Training Director.....	7
XXV.	Consultants.....	7
	Addendum #1.....	Attached
	Addendum #2.....	Attached
	Addendum #3.....	Attached
	Addendum #4...(Related Training Outline).....	Attached

I. PURPOSE and POLICY

Parties signatory to the following Standards of Apprenticeship declare their purpose and policy to be that of establishing and sponsoring an organized system of apprenticeship training. The Standards are in conformity with Federal Labor Standards (29 CFR 29), which govern employment and training in apprenticeable occupations.

II. DEFINITIONS

Apprentice shall mean a person at least sixteen (16) years of age, who has signed a written Apprenticeship Agreement with a Sponsor to learn an apprenticeable occupation, as outlined in these Standards.

Journeyman shall mean an individual who has sufficient skills and knowledge of a trade, craft, or occupation, whether through formal apprenticeship training or through practical on-the-job work experience, to be recognized by a State or Federal registration agency and/or an industry as being fully qualified to perform the work of the trade, craft, or occupation.

Apprenticeship Agreement shall mean a written agreement between an apprentice and the Sponsor, which has been registered with the registration agency.

Sponsor shall mean the Joint Apprenticeship and Training Committee (JATC). This Committee shall have two members representing the employer, and two members representing the Union, one of whom shall be an employee trustee from the Alaska Teamster Employer Service Training Trust (ATESTT). The Sponsor shall administer these Standards with the approval of the ATESTT. ATESTT shall reserve the right to withdraw their approval in the event these standards are not administered properly.

Employer shall mean Price/Ahtna, a joint venture, 301 W. Northern Lights Blvd. Suite 300, Anchorage, Alaska.

Apprenticeship Committee (sponsor) shall mean a Joint Apprenticeship and training Committee composed equally from management and labor. (See Sponsor above for committee composition.)

Standards shall mean this entire document, including Addenda, containing specific provisions for operation and administration of the apprenticeship program.

Registration Agency shall mean the Bureau of Apprenticeship and Training, U.S. Department of Labor.

III. ADMINISTRATIVE PROCEDURE and COMMITTEE RESPONSIBILITIES

The sponsor is the policy making and administrative body and has full responsibility as to the operation and success of the apprenticeship and Training System. Those responsibilities are:

1. Elect a chairperson and a secretary each year, EXCEPT that either may succeed themselves.
2. Hold regular meetings and record minutes thereof. Meetings at least quarterly is recommended.
3. Determine need for apprentices in the locality.
4. Establish minimum standards of education and skilled occupational experience required of apprentices.
5. Rotate apprentices in the various processes of the skilled occupation, to assure a well rounded, competent worker.
6. Determine the adequacy of the employer to furnish proper on-the-job training in accordance with provisions of this standard.
7. Recommend competent instructions and related class instruction.
8. Recommend a course outline for related instruction, as well as to coordinate related instruction with on-the-job work experience.
9. Hear and adjust all complaints of violations of Apprenticeship Agreements.
10. Adopt, as necessary, local rules and regulations for the conduct of the program as may be required to carry out the purposes of these Standards; PROVIDED, however, that such rules and regulations are not in conflict with these Standards.
11. In general, be responsible for the successful operation of the apprenticeship system, by performing the duties shown above, by obtaining publicity to develop support and interest of the public in apprenticeship.

IV. TERM OF APPRENTICESHIP

The term of apprenticeship (not less than 2000 hours of work experience in each occupation identified in these Standards as apprenticeable) shall be stated in hours or months and shall include the probationary period. The Sponsor may accelerate, by an evaluation process, the advancement of apprentices who demonstrate unusual abilities and mastery of the occupation, to the level for which they are qualified. (See Addendum)

V. WORK PROCESSES

An outline of the Work Processes in which the apprentice will receive supervised work experience and training on the job and the allocation of the approximate time to be spent in each major process shall be set forth in these Standards. (See Addendum)

VI. RELATED INSTRUCTION

The apprentice shall attend related instruction classes a recommended 144 hours per year, when available, correspondence courses, or home study courses, or a combination of classroom and home study courses of equivalent value, will be substituted. In case of failure on the part of any apprentice to fulfill this obligation, the Sponsor shall have authority to withhold their periodic wage advancement, suspend or revoke the Apprenticeship Agreement. Time spent in related instruction classes shall not be considered as hours of work, and the apprentice shall not be paid for time so spent, unless related instruction is required during the regular hours of work.

VII. APPRENTICE WAGES and WAGE PROGRESSION

A progressively increasing schedule of wages shall be paid to the apprentice, consistent with the skill acquired. The entry wage shall be not less than the minimum wage is required by other applicable Federal law, State law, respective regulations, or by collective bargaining agreement.

A progressively increasing schedule of wages, in percentages, is recommended, indicated in hours or monthly periods to be set by the Sponsor. (See Addendum)

VIII. PERIODIC REVIEW, EVALUATION, AND MAINTENANCE OF PROGRAM RECORDS

It shall be the duty of the Sponsor to periodically review and evaluate apprentices, before advancement to their next progression period. The basic evidence of such advancement shall be the record of the apprentice's progress on the job and during related instruction. If such progress is not satisfactory, the Sponsor shall have the right to withhold their periodic wage advancements, suspend or revoke the Apprenticeship Agreement, or make such recommendations it feels desirable. A recordkeeping system shall be established by the Sponsor for such purposes.

IX. RATIO of APPRENTICES

As determined by the Sponsor, a numeric ratio of apprentices to journeymen shall be included in these Standards. It shall be consistent with proper supervision, training, safety, continuity of employment, and applicable provisions in collective bargaining agreement, if any; EXCEPT where such ratios are expressly prohibited by collective bargaining agreement. The ratio language shall be specific and clear as to application in terms of job site, work force, department or plant. (See Addendum #2)

X. PROBATIONARY PERIOD

All apprentices are subject to a probationary period (to be determined as reasonable to the full apprenticeship term), for which they shall receive full credit toward completion of apprenticeship. (See Addendum #1) During the probationary period, the Apprenticeship Agreement may be terminated by either the Sponsor or apprentice, without the formality of a hearing or stated cause. After the probationary period, the apprentice may be cancelled for causes deemed adequate and so indicated to the registration agency.

XI. SAFETY and HEALTH TRAINING

Sponsor shall instruct the apprentice in safe and healthful work practices and shall ensure that apprentice is trained in facilities and other environments that are in compliance with applicable Federal standards or State standards that have been found to be at least as effective as Federal standards.

XII. MINIMUM QUALIFICATIONS

The Sponsor shall establish minimum qualifications for persons entering the apprenticeship program. All minimum qualifications must be clearly stated and directly related to job performance, with an eligible starting age of not less than eighteen (18) years of age. (See Addendum #1)

XIII. APPRENTICESHIP AGREEMENT

Each apprentice (and, if under eighteen (18) years of age, the parent or guardian) shall sign an Apprenticeship Agreement with the Sponsor, who shall then register such Agreement with the registration agency before employment or attendance at related instruction classes, or within the first thirty (30) days of employment. Following such registration, all signatory parties thereto shall receive copies. Specifically, or by reference, the Apprenticeship Agreement shall incorporate these Standards of Apprenticeship.

The registration agency shall receive timely notice of all dispositions of Agreements, which can be: (1) cancellation; (2) Certificate of Completion; (3) military suspension; (4) suspension.

XIV. CREDIT for PREVIOUS EXPERIENCE

Applicants accepted by the Sponsor, who have creditable experience in the skilled occupation or in some other related capacity, may be granted advanced standing as apprentices. Those admitted to advanced standing shall be paid the wage rate for the period to which such credit advances them.

XV. TRANSFER of APPRENTICES and CONTINUITY of EMPLOYMENT

It shall be the obligation and responsibility of the Sponsor to provide, insofar as possible, continuous employment for all apprentices in its program. If unable to provide apprentices the diversity of experience necessary for all-around training and experience in the various processes of the occupation, as set forth in the apprenticeship Agreement; or where the Sponsor's business is of such character as not to provide reasonable continuous employment, the Sponsor may arrange to transfer an apprentices to another employer, who shall assume all the terms and conditions of these Standards. If, for any reason, a lay-off of an apprentice occurs, the Apprenticeship Agreement shall remain in effect, unless cancelled by the Sponsor.

XVI. SUPERVISION of APPRENTICES

The Sponsor shall assure that apprentices are under the supervision of competent and qualified journeymen on the job, so as to ensure training in all phases of the work. Apprentices shall work the same hours as journeymen, EXCEPT where such hours may interfere with related instruction classes.

XVII. CERTIFICATE of COMPLETION

Upon successful completion of apprenticeship, as set forth in these Standards, and passing such examination as the Sponsor may require, Sponsor shall complete an "Application for Certification of Completion of Apprenticeship" which shall be forwarded to the Registration Agency. Based upon such evidence, a certificate of completion will be issued.

XVIII. MODIFICATION, CANCELLATION and DEREGISTRATION of PROGRAM

These Standards may be modified or changed, for the betterment of the apprenticeship system, by submitting proposed modification(s) or change(s), in writing, to the registration agency, for approval. If approved, they shall be recorded and acknowledged as an amendment to the program. HOWEVER, such modification(s) or change(s) shall not affect Apprenticeship Agreements then in force, without consent of all parties signatory to the Agreement.

Cancellation and deregistration of the program may be accomplished voluntarily, by a written request from the Sponsor to the registration agency, or by formal deregistration proceedings, under reasonable cause, by the registration agency instituting formal deregistration proceedings in accordance with the provisions of 29 CFR 29.7.

XIX. EQUAL EMPLOYMENT OPPORTUNITY in APPRENTICESHIP and TRAINING

Each Sponsor establishing an apprenticeship program under these Standards hereby includes, as part of these Standards, the following Equal Employment Opportunity Pledge:

The recruitment, selection, employment and training of apprentices during their apprenticeship shall be without discrimination because of race, color, religion, national origin or sex. The Sponsor shall take affirmative action to provide equal opportunity in apprenticeship and will operate the apprenticeship program as required by Title 29 Part 30 of the CODE OF FEDERAL LABOR STANDARDS.

Each Sponsor with five (5) or more apprentices shall adopt an Affirmative Action Plan and selection procedures, which shall include goals and timetables, if analysis indicates underutilization of minorities and/or women (minority and non-minority) and conduct, operate and administer this program in conformity with Title 29 CFR Part 30. Such Affirmative Action Plan and selection procedures shall be adopted through a separate document.

XX. DISPOSITION of COMPLAINTS

After completion of the stated probationary period, any difference relative to the Apprenticeship Agreement, which cannot be adjusted by the Sponsor, any affected party may appeal to the registration agency for interpretation of any part of the Standards over which there is a difference. It shall be understood that this provision applies only to problems affecting Apprenticeship Agreements. Parties may avail themselves of the grievance procedure of the collective bargaining agreement, if any.

The registration agency shall be furnished the name and address of the appropriate authority to receive, process and make disposition of complaints.

XXI. REGISTRATION AGENCY RECORD REQUIREMENTS

It shall be the responsibility of the Sponsor to establish and maintain such apprenticeship records as may be required by the registration agency and other applicable laws.

XXII. SAVINGS CLAUSE

If and when any part of these Standards become illegal, as pertains to Federal and/or State law, that part and that part alone shall become inoperative and null and void. The remainder of the Standards shall remain in full force and effect.

XXIII. TEMPORARY DISABILITY

An apprentice who is unable to perform the on-the-job portion of apprenticeship training may, if the apprentice so requests, participate in related instruction classes, subject to the apprentice obtaining and providing to the Sponsor written medical approval for such participation. HOWEVER, time so spent will not count toward on-the-job portion of apprenticeship training.

XXIV. TRAINING COORDINATOR - TRAINING DIRECTOR

Sponsor may employ a competent person as a full or part time Training Coordinator/Training Director. Such person shall assume responsibilities and authority for the operation of the programs are delegated by the Sponsor.

XXV. CONSULTANTS

Consultants may be asked to participate, without vote, in conferences related to apprenticeship.

APPROVED BY THE EMPLOYER TRUSTEE REPRESENTING THE A.T.E.S.T.T.

Dick Catt
Dick Cattnach, Chairman

APPROVED BY THE EMPLOYEE TRUSTEE REPRESENTING THE A.T.E.S.T.T.

Bill Pierce
Bill Pierce, Trustee

ADOPTED BY THE PRICE/AHTNA JATC REPRESENTATIVES

Jim Ruhwedel
Jim Ruhwedel

Nick Jackson
Nick Jackson

ADOPTED BY THE UNION JATC REPRESENTATIVES

Bill Pierce
Bill Pierce, Union/ ATESTT Trustee

Mike Kenny
Mike Kenny, Union Representative

Registered as incorporating the
basic fundamentals recommended
by the Federal Committee on
Apprenticeship

By *Greg M. Berg*

Title *State Director*

Date *2/10/95*

ADDENDUM #1

DEFINITION (not elsewhere listed):

EMPLOYER shall mean PRICE/AHTNA - A JOINT VENTURE.

UNION shall mean TECHNICAL ENGINEERS OF ALASKA, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, Local 959.

PROBATIONARY PERIOD

All apprentices employed in accordance with these Standards, shall be subject to a probationary period not exceeding the first 1150 hours of the term of the apprenticeship.

MINIMUM QUALIFICATIONS

Apprenticeship applicants, before being considered as apprentices, must meet the following: (only checked items)

- [✓] Must be at least 18 years of age or older
- [✓] Must have been a high school graduate, or possess a G.E.D. Equivalency Diploma
- [✓] Must be physically fit, without regard to any occupationally irrelevant physical handicap
- [✓] Must be an Alaskan Resident for a period of one year prior to application

Skilled occupational objective: SURVEYORS ASSISTANT

TERM of APPRENTICESHIP

The term of apprenticeship shall not be less than 4000 hours of reasonably continuous employment.

APPRENTICE WAGES and WAGE PROGRESSION

Apprentices shall be paid based upon the following percentages of the journeyman wage rate:

1st <u>1000 Hour</u> period <u>60</u> %	3rd <u>1000 Hour</u> period <u>70</u> %
2nd <u>1000 Hour</u> period <u>65</u> %	4th <u>1000 Hour</u> period <u>75</u> %

As of 1/1/95, the journeyman wage rate for this skilled occupation is \$ 19.51 per hour. Should this wage rate be increased during the term of apprenticeship, adjustments in apprentice wages shall be made to reflect stated percentages of the higher journeyman wage rate.

RATIO OF APPRENTICES

For one journeymen regularly employed, employer may have one apprentice and may have one additional apprentice for each one journeymen regularly employed thereafter.

Skilled occupational objective: SURVEYOR ASSISTANT, INSTRUMENTS
 DOT #018.167-034 AIMS #0551

WORK PROCESS*

During the term of apprenticeship, the apprentice shall receive such instruction and experience, in all branches of the occupation, as the necessary to develop a practical and versatile worker. Major processes in which apprentices will be trained (although not necessarily in the order listed) and approximate hours (not necessarily continuous) to be spent in each are as follows:

	<u>APPROXIMATE HOURS</u>
1. Learn basic first aid treatment practices for medical emergencies	50
2. Learn traffic control and safety procedures for surveying and construction operations	50
3. Apply basic math, science, history of surveying geography, and measurements. Make arithmetic calculations	300
4. Care, clean, and sharpen a variety of surveying tools and equipment	100
5. Set up, transport and calibrate surveying field instruments	200
6. Identify names, purposes and parts of various surveying instruments	50
7. Learn basic surveying measurements, including linear, angular, elevation and unit systems conversions	400
8. Identify the types of surveying and their basic differences	50
9. Set wooden stakes or other survey point markings and monuments	200
10. Set up and operate specialized surveying instruments related to boundary surveying and construction	1000
11. Operate manual and electronic distance measuring equipment, computers, calculators	1000
12. Learn to obtain and process data for survey plats, maps, charts and other documents using generally accepted procedures relating to boundary surveying.	600
TOTAL HOURS	<u>4000</u>

LEVEL 1

150 HOURS

Introduction: History and Use of Surveys
Chaining and Taping Techniques
Rodding and Leveling Techniques
Setting up Instruments, Prisms, Backsights
Definitions - Center Line Profile, Original Cross Sections, Etc.
Abbreviations
Decimal Foot System
Control Surveys - Horizontal & Vertical; Monuments & Benchmarks
Angular, Horizontal & Vertical Measurements
Introduction to Basic Math
Slope Staking and Stake Hopping
First Aid/CPR
Hazardous Material Course
Public Relations
Introduction to Azimuths and Bearings
STADIA
Precision of Measurements
Types of Monumentation

LEVEL 2

150 HOURS

**Development of Mathematical Skills
Use of Total Stations, Theodolites, Levels, EDM's
Control Surveys - Traversing and Inversing
Different Types of Surveys
Field Note Keeping
Plan Reading
Developing Understanding of Angular, Horizontal & Vertical Measurements
Elements of Construction, Pipeline, and Cadastral Surveys
Introduction to Calculators, Data Collectors and Computers
Precision Levels
Hazardous Material Course
Public Relations
Reducing Notes
Determining Azimuths and Bearings
Horizontal and Vertical Curves
Blunders, Systematic Errors and Random Errors**

LEVEL 3

150 HOURS

**Understanding of more sophisticated mathematics
Development of Skills in Calculators and Data Collectors
Development of Skills in Computer Operating Systems
Coordinate Geometry (COGO)
Geographic Information Systems
Plan Reading in Construction and Piping
Designing in the field
Drafting
Utility Surveys
As Builts
Plot Plans
Subdivision Surveys
Design Surveys
First Aid/CPR
Hazardous Material Course
Public Relations
Traverse Closures and Adjustments
Triangulation and Trilateration**

LEVEL 4

150 HOURS

**Legal Studies Relating to Surveys
Planning and Design of Surveys
Computer Use - AUTOCADD
Developing Proficiency in Calculators, Data Collectors, Modems
Use of Global Positioning Systems
Intersections and Resections
State Plane Coordinates
Geodetic
UTM
Lambert Projections
Least Square Adjustments
Scale Factors
Hydrographic Surveys
Tunnel Surveys
Developing Relations with Contractors
Ethics
Hazardous Material Course**

The United States Department of Labor



Bureau of Apprenticeship and Training Certificate of Registration

PRICE/AHTNA JATC

*Registered as part of the National Apprenticeship Program
in accordance with the basic standards of apprenticeship
established by the Secretary of Labor*

February 9, 1995

Date

X-92248

Registration No.

Ronald B. Gil

Secretary of Labor

Anthony S. Scurie

Director, Bureau of Apprenticeship and Training

January 24, 1997

The Honorable Ramona Barnes

Dear Ms. Barnes:

The Alaska Operating Engineers Training Site is located at 11 mile Palmer/Wasilla Highway. Our multi-million dollar facility is situated on 63 acres of land with two major training buildings along with almost any type of construction equipment. It is the only heavy equipment training school in the State of Alaska.

Our training staff holds classes for approximately 8 months out of the year. We have approximately 2200 members statewide who use our training on a regular basis. Our classes run from 8 hour refresher classes to 6 week classes. Since we own or have at our request any piece of equipment it would take to build a gas pipeline for the construction phase, we could train a large number of people at any given time, depending on what the union company or contractor wanted.

We cannot make a journeyperson out of an apprentice in a short period of time, which is true of all of the other unions, also.

The International Union of Operating Engineers, also, has an equipment training program with Job Corp in Palmer and twelve other Job Corp sites in the "Lower 48."

Enclosed please find a list of the classes, which we give at our training site and a short description of our apprenticeship program.

If you have any questions, please feel free to call me at (907) 561-5044.

Sincerely,



Curtis Hall
Administrator

OPERATING ENGINEERS APPRENTICESHIP PROGRAM

The Operating Engineers Apprenticeship Program is a 6,000 hour program with a total of 432 additional hours of related instruction time. A person has the choice of applying as a Heavy Duty Mechanic or a Heavy Equipment Operator, but not both. To receive information on applying to our program, the candidate may call our office at 561-5044 or come into one of our offices in Anchorage, Palmer, Fairbanks or Juneau. We take applications only once a year, usually in October. However, we advertise for a month prior to that at all of the unemployment offices across the state and in the major newspapers.

At the present time we have 53 apprentices of which 60% are minorities, including 30% Alaska Natives.

Our program is registered with the Bureau of Apprenticeship and Training, U.S. Department of Labor and is governed by their regulations.

**ALASKA OPERATING ENGINEERS
TRAINING TRUST
CLASSES**

1. HazMat: 40 hour.....6 certified instructors.
 - a. Respiratory protection
 - b. HazCom Standard
 - c. Toxicology
 - d. Personal protective equipment
 - e. Bloodborne pathogens
 - f. Site control
2. Supervisory HazMat: 40 hour.....6 certified instructors.
 - a. Site safety health plan
 - b. ES&H regulations
 - c. Emergency response
 - d. Monitoring
 - e. Confined space entry
 - f. Decontamination
3. Refresher for both HazMat and Supervisory HazMat.
4. OSHA 500 classes.
5. TAPS Block I & II.
6. Trench safety.
7. First call.
8. First aid/CPR.
9. Wheel & tire safety.
10. Advanced mechanics' classes (transmissions, engines).
11. Advanced operators' classes.
12. Welding & certification.

Alaska Operating Engineers Training Trust
List of Classes (continued)

13. Beginning & advanced electrical classes.
14. Preparation class for state electrical certification.
15. CDL with HazMat....shipping, packing, AND receiving.
16. Crane: Crane certification
 - a. Hoisting, sheeting, clamming, and bailing.
 - b. Two-week prep class for CCO test.
17. Grade checking & advance grade checking....40 hour and 80 hour.
18. 6.5 pickup classes...(same as Alyeska's fleet) with computer transmission.
19. Vehicle electrical class.
20. Blade class with lazer.
21. Forklift training & refresher class.
22. Safety class for crane (2 hours each):
 - a. Overhead cranes.
 - b. Jibs and lifts.
 - c. Aerial lift bucket & platform.
 - d. Cranes, derricks, and hoist.
 - e. Welding, cutting.
 - f. Fire watch.
23. Power house operators..(we have a complete power house with all switch gear with 2 175 KW generator sets.)
24. Service oiling & rig oiling classes.
25. HazWoper...8 hour and refresher classes.
26. 8 hour PAT System for mechanics & operators on the new DS350 GW LMI Warning System.
27. Full apprentice training program.

ALASKA OPERATING ENGINEERS/EMPLOYERS TRAINING TRUST**LOCAL 302 JOURNEYMEN CLASSES**

(We could, possibly teach basic Safety Classes with approval).

OPERATORS' CLASSES

Loader
Scraper (paddle wheel, push-pull, twin engine)
Dozer
Blade
Cranes (overhead, lattice & squirt boom)
Roller
Backhoe (rubber & track)
Crusher
Paving Equipment
Draglines

MECHANICS' CLASSES

Engines
Transmissions (truck & equipment types)
Hydraulics
Welding (gas & arc)
Advanced Welding
Basic Electrical
Basic Field Mechanics (undercarriages, etc.)

It is against the law for us to teach anybody other than members in these classifications. We are a Trust and the members of Local 302 own the equipment. We could teach ONLY safety classes to non-members.

If our Board of Trustees gave their approval, we could help out with the following classes:

- First Aid/CPR
- Boat Handling
- Noise, Hearing Conservation
- Respiratory Protection
- Mobile Crane Safety and Rigging
- Overhead Cranes, Jibs & Lifts Safety
- Commercial Driver's License Training

Again I would like to stress these classes can be taught only with the approval of the Board of Trustees.

Respectfully Submitted,

Curtis Hall
Administrative Coordinator

ALASKA JOINT ELECTRICAL APPRENTICESHIP AND TRAINING TRUST



THOMAS MINDER
Training Coordinator
(Fairbanks)

JOHN P. HAKALA
Statewide Director
(Anchorage)

Kornfeind Training Center
P.O. Box 60134
Fairbanks, AK 99706
(907) 479-4449
(907) 479-0425 Fax

Training School
5144 E. 22nd Avenue
Anchorage, AK 99508
(907) 337-9508
Fax (907) 337-9500



The Alaska Joint Electrical Apprenticeship & Training Trust (A.J.E.A.T.T.) is a training entity operating under the direction of a jointly administered board of trustees consisting of members from the International Brotherhood of Electrical Workers, Local Union 1547, and management members from electrical contractors with negotiated working agreements with the Electrical Union in Alaska.

The AJEATT offers training in the electrical industry for beginners, through a U.S. Department of Labor registered five year apprenticeship program and for experienced electrical workers through various journeyman upgrade classes. This training is conducted at two different training facilities: one in Anchorage, the Electrical Training School, and one in Fairbanks, the Kornfeind Training Center. Both locations are equipped with large classrooms, a new 12 station computer lab, and a shop area set up with a complete welding area.

Enclosed is an information sheet for the apprentice trades offered through our program and the application procedures. The AJEATT currently has 275 apprentices registered in the trades of Outside Lineman, Inside Wireman, and Communication Worker. The number of active apprentices depends on the job opportunities available to complete the required 8000 hour of on the job training. These job opportunities are determined by employers who contribute to the Apprentice Trust through a negotiated working agreement.

Upgrade training available for journeyman classification includes technical training such as: instrumentation and process control, instrumentation calibration, programmable controllers, installation of fire alarm systems, installing and configuring structured wiring systems, and splicing and termination of fiber optic cable. Also offered are refresher classes on the National Electrical Code consisting of electrical grounding, code calculations, codeology, and updates to new code changes. These classes, along with required safety classes such as first aid and CPR, Hazwoper, Taps Block I & II safety training, and OSHA safety classes are offered to participants with no charge for tuition. With the completion of the new computer labs, we are including classes for basic software skills in word processing and spreadsheets. Also, we are excited about to expanding our training through the utilization of the computer aided instruction packages which are being developed.



Alaska Joint Electrical Apprenticeship and Training Trust
INFORMATION for APPLICATION to
the APPRENTICESHIP



Kornfeind Training Center
P.O. Box 60134
Fairbanks, AK 99706
(907) 479-4449

Thomas E. Minder, Training Coordinator

ELECTRICAL APPRENTICESHIP PROGRAM

GENERAL INFORMATION

The Alaska Joint Electrical Apprenticeship Training Trust offers training in three classifications of the electrical industry: 1) Inside Wireman, 2) Outside Power Lineman, and 3) Communication (Telephone) worker.

All classifications require 8000 hours of on-the-job training along with related classroom instruction. There is no cost to the apprentices other than the price of the books required for the classes. However, the apprentices are responsible for their expenses while attending school. Apprentices may draw unemployment if they are otherwise eligible. While on the job, apprentices are paid a percentage of Journeyman scale, depending on how many hours they have worked in program.

Outside Power Lineman - The outside lineman is responsible for the distribution and transmission of high voltage power from the generation system to substations or occupancies. This is done either on poles or underground, in all kinds of weather. Their work requires good physical strength and the ability to work in a team effort.



Schooling consists of an initial eight week session with two additional eight week sessions during their on-the-job training. The classes are held eight hours a day, five days a week, normally at the Kornfeind Training Center in Fairbanks, Alaska.

Inside Wireman - The inside wireman is the electrical worker who does the electrical work on industrial, commercial, and private structures and installations. Work consists of installing conduit, wire, distribution and service panels, lighting fixtures, motors and controls. Much of the work may be outside and involve reading of plans, codes, and specifications.



School consists of an initial six to seven week session, with four additional sessions approximately once every year. Classes are held eight hours a day, five days a week, at the Kornfeind Training Center in Fairbanks, Alaska.

Communication Worker - A communication (telephone) worker works with and installs communications equipment from pole line distribution to individual customers to central office equipment. The work is often in confined spaces and highly technical. The work may also involve working outside in adverse conditions or handling heavy conductors and equipment. All telephone workers must learn to climb poles.



Schooling consists of three eight-week sessions as for the lineman. However, all classes are held at our Anchorage school.

APPLICATIONS

Applications for the electrical apprenticeship are taken year round by appointment at the Kornfeind Training Center, located at 4752 Dale Road, Fairbanks, AK. In order to be considered for the apprenticeship, the applicant must meet six eligibility requirements: 1) must be at least 18 years of age at the time of application, 2) must be a high school graduate or have a GED, 3) must provide an official copy of high school transcript, 4) must have completed a minimum of two semesters of high school level algebra or one college level algebra class with a passing grade, 5) must have been an Alaskan resident for at least one year prior to completing the application, and 6) must have a qualifying score on the Electrical Aptitude Test administered by the Kornfeind Training Center.

Before an application may be filed out, the applicant must document the first five listed qualifications. Documentation will include: 1) a copy of birth certificate or other official document showing date of birth such as a passport, 2) a copy of high school diploma or GED certificate (if high school diploma is not available, a graduating date on official transcripts will substitute), 3) an official copy of high school transcripts (an official copy is a set of transcripts that are certified by the issuing school with an official seal or stamp, and delivered to the Kornfeind Training Center in a sealed envelope either by mail or by hand), 4) official transcripts, either high school or college, indicating that the required algebra classes have been completed, and 5) documents showing that residency has been established in the State of Alaska for at least one year prior to the application date (this can include permanent fund dividend receipts, rent receipts, voter registration cards, or resident hunting licenses issued at least one year prior to application date).

When all appropriate documentation is available, the applicant may make an appointment to fill out the application form by calling the Kornfeind Training Center at 479-4449. All applications will be filled out at the Training Center unless the applicant resides further than 100 miles from the Fairbanks area, in which case special arrangements for a mail out application will be made. The applicant will complete the application form indicating the classification for which he/she wishes to be interviewed. (see general information page) There will be a twenty-five dollar processing fee at the time of application. Please make payment with check or money order.

When all documentation is received, the application is completed and the fee is paid, the applicant is eligible to request to take the electrical aptitude test. The request must be made at least thirty days prior to the testing date. Test scheduling will be made available at the time of application.

INTERVIEWS

All applicants who receive a qualifying score on the aptitude test will be scheduled to be interviewed at the next interview date. The applicant will appear before a committee which will score the interviewee between 0 and 100 on the basis of educational background, work history and personal presentation. The applicant's name will then be placed on a pool of eligibles list with the resulting score, and will remain on that list for a period of two years. When new apprentices are needed for the program, they will be called from the pool of eligibles using the scores from the committee, the highest being called first.

Several interviews will be conducted throughout year and names and scores will be added to the pool of eligibles as new applicants are interviewed. Anyone whose name is on the list will not be able to re-interview for two years from the date of their interview unless they can document some electrical work experience or educational classes which would lead the committee to give them a higher score.



CHECKLIST FOR REVIEW

- ☐ BIRTH CERTIFICATE OR PASSPORT
- ☐ HIGH SCHOOL DIPLOMA OR GED CERTIFICATE
- ☐ OFFICIAL HIGH SCHOOL TRANSCRIPT
- ☐ ALGEBRA (2 SEMESTERS IN HIGH SCHOOL OR 1 SEMESTER IN COLLEGE)
- ☐ STATE OF ALASKA RESIDENCY
- ☐ APTITUDE TEST - DATE _____

TENTATIVE APTITUDE TESTING DATES

SATURDAY, FEBRUARY 22, 1997 8:00 A.M. - 12:00 P.M.
SATURDAY, JUNE 21, 1997 8:00 A.M. - 12:00 P.M.
SATURDAY, OCTOBER 18, 1997 8:00 A.M. - 12:00 P.M.

FAQs

Frequently Asked Questions

Q. Which classification takes the most new apprentices?

A. Typically the inside wireman program accepts the most new apprentices. However, the inside trade also, typically, has the most applicants. Therefore, it is just as competitive as the outside line or telephone trades which have fewer applicants but also fewer openings.

Q. Which classification makes the most money?

A. All of the trades have close to the same wage rate, but of the three classifications, the outside lineman earns the highest scale. Telephone workers may receive the higher scale if they perform work under the outside agreement, otherwise they would fall under the inside agreement which covers the inside wireman.

Q. How much money will I make?

A. A beginning apprentice, depending on which classification he enters, will earn 50% of journeyman's wage, as set in the current "Agreement". With each progression of 1,000 hours work experience behind you, a 5% wage increase will be issued.

Q. How much does the apprenticeship cost?

A. The AJEATT covers the cost of training for each apprentice. However, an apprentice will not get paid while attending school and will need to plan ahead financially for the times he/she is scheduled to be in class. In addition, each apprentice is responsible for the cost of all texts and materials needed for classroom training. Unemployment may be available to apprentices who have been laid off from electrical work in order to attend school. It is up to the apprentice to apply for any unemployment compensation.

Q. How long will the apprenticeship take?

A. Most apprentices complete the program within a five-year time period. This gives them enough time to accumulate 8,000 hours of on-the-job training and complete the 24 to 35 weeks of classroom related instruction. Some apprentices, however, have completed the program in shorter or longer periods of time.

Q. How do I find a job?

A. It is the program coordinator's responsibility to place apprentices with employers. His goal is to give each apprentice a broad area of work experience within the trade and to keep everyone employed for as much of the year as possible.

Q. Do I have to join the union?

A. Yes. You will become a member of IBEW (International Brotherhood of Electrical Workers), Local 1547, Fairbanks Unit 102, and you will pay monthly union dues.

Q. When will I know if I am accepted?

A. Positions for school or work opportunities will be filled as they become available. Applicants with the highest scores will be notified to fill these positions. Those given the opportunity to attend school first will normally have at least a month's notification. However, those called to fill work positions will generally be given short notice.



Painters Local Union No. 1140

of the International Brotherhood Of Painters And Allied Trades AFL-CIO

OFFICE: 650 West International Airport Road, #100, Anchorage, Alaska 99518

PHONE: (907) 562-8843 • FAX: (907) 563-8843

January 24, 1997

Attn: T. Ed Hamilton
Teamsters Local #959
4300 Boniface Parkway
Anchorage, AK 99504

RE: IBPAT Local Unions #1140 and #1555

Dear Brother Hamilton:

Please be advised that our Local Unions have currently available, a trained Alaskan resident workforce. Our priority is competent, highly trained, motivated Journey Persons and Apprentices. Both Unions have ongoing apprenticeship classes throughout the year.

The following is a small list of classes that are available and being provided to the memberships of both Local Unions:

Hazardous Painting
Confined Space
1st Aid/CPR
Lead
OSHA 500
Hazardous 40 HR
Fall Protection

We stand ready to provide training to the workforce as needed. Trusting this to be sufficient I remain,

Respectfully,

A handwritten signature in cursive script that reads "Raymond Smith".

Raymond Smith
Business Representative

Ironworkers Local 751
 650 W. International Suite 101
 Anchorage, Alaska 99518
 907-563-4766
 1-24-97

Membership 353

Apprentices 21

Apprenticeship Openings 1996 May 14-31 1996 December 2-20 1996

Hiring Halls 315 5th Ave in Fairbanks 650 W. International in Anchorage

Dispatch Procedure Priority to Residents by list status based on hours experience in Alaska

We currently have 51 qualified applicants on file for apprenticeship with additional openings for applications as needed. We have made substantial effort to attract applicants from the Native Community. We have the ability to direct enter Alaskan Natives to our program through the National American Indian Ironworkers Training Program. This program gives 560 hours of free training in the Ironworker trade with room and board provided to Alaskan Natives therefore advantaging them in their knowledge as they enter the Alaskan workforce as apprentices. Currently active membership consists of approximately 18% Native Americans.

We currently have applicants slated for February classes for those with limited experience. Apprentices with at least one year experience will follow in March. In April our journeyman have the opportunity to continue to upgrade their skills. They are required to remain current with their welding certifications for employment. Current first aid and CPR certificates are required of all Apprentices and Foreman. Specialized courses are taught as needed by the Industry. The decision as to when and what is offered is determined by the Joint Apprenticeship and Training Committee made up of labor and management.

We have the ability to expand our apprenticeship to accommodate any needs for additional manpower in the state. Training in all aspects of the trade is covered from Safety, First Aid and CPR to Reinforcing Rods, Structural Steel Erection and welding. Spring Training Sessions are held each year prior to the work season with additional classes held throughout the year as specialty instructors are needed. Training programs occur in Anchorage, Fairbanks and Juneau.

Sincerely,

David Ford



BUSINESS OFFICE
 907-563-4766
 FAX 907-563-2855

DAVID FORD
 Business Manager
 Financial Secretary Treasurer
 IRONWORKERS LOCAL UNION NO. 751

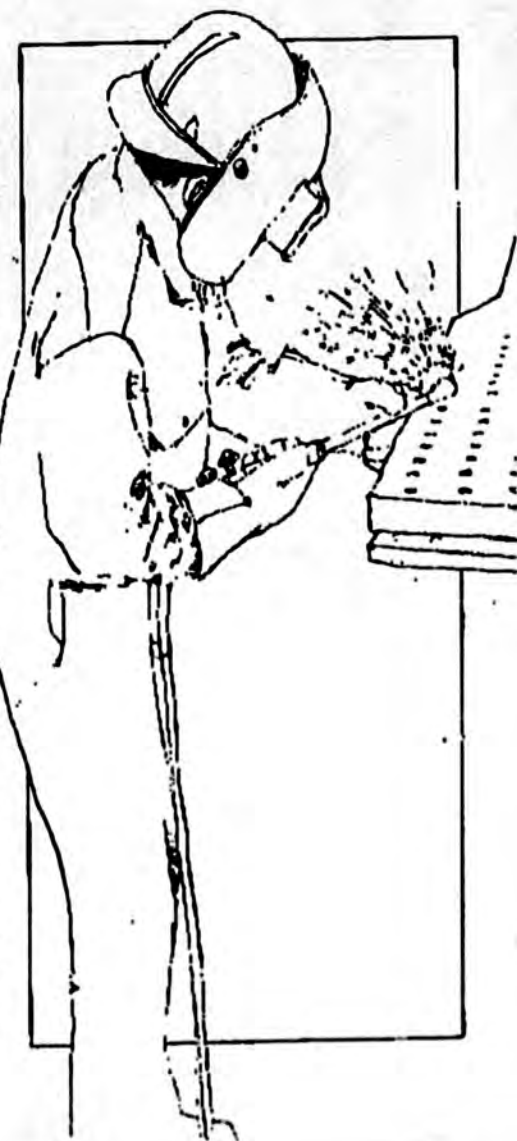
BUSINESS OFFICE 650 W. International Airport Rd. #101 Anchorage, Alaska 99518
 RESIDENCE P.O. Box 408 Girdwood, AK 99587

Ironworker: A Trade Worth Learning Through Apprenticeship

U.S. Department of Labor
Employment and Training Administration

IRONWORKERS 751

01/24/97 17:16 FAX 9075632855



What do ironworkers do?

Ironworkers are employed in four related trades: structural ironworkers, riggers and machine movers, ornamental ironworkers, and reinforcing ironworkers. Many craftworkers are skilled in two or more of these trades. Ironworkers erect, assemble, and install fabricated structural metal products in the construction of: industrial, commercial, and large residential buildings; they also do a variety of maintenance work in industrial plants. Ironworkers use a wide variety of hand and power-operated tools.

Apprentices earn regular wage increases

Apprentices earn while learning. The more they learn, the higher the pay. Generally, apprentices are paid 60 percent of a journey worker's wage to start. As they increase their job skills, their wages are increased at regular intervals. At the successful completion of the term of apprenticeship, they become craftworkers and receive full pay for their skills.

What is an apprentice?

An apprentice is a worker who learns a craft through planned, supervised work on the job in conjunction with receiving planned related technical instruction. Apprentices are taught the proper use, care, and safe handling of the tools and equipment used in connection with their work. Furthermore, while working on the job and acquiring an important skill, an apprentice is a regular part of the work force.

Apprentices are required to pursue a course of study or enroll in classroom instruction in subjects related to the trade to complement their on-the-job training.

Training is good insurance

Training in the construction trades is good insurance. In addition to opportunities for promotion and steady employment, a skilled trade provides apprentices with something that no one can ever take away—a lifelong increased earning capacity which will enable them to be more competitive in getting and keeping well-paying jobs anywhere in the country. Skilled hands and a trained mind give an individual a strong feeling of security which, in some ways, is better than money in the bank.

General qualifications

Minimum education: Sufficient education to complete the required related technical instruction satisfactorily.
Age: Must be at least 18 years old, or as otherwise specified in State law or regulation.
Physical condition: Must be physically able to perform the work of the trade.

Term of apprenticeship

Length of training: Generally 3 years of on-the-job training and a minimum of 144 hours each year of related technical instruction.

Apprenticeship committees

The actual selection of apprentices is done by members of an apprenticeship committee or a sponsoring employer. Joint apprenticeship committees represent both management and labor and are composed of persons with considerable experience in the industry. Committee members select applicants in accordance with an approved unbiased selection

procedure. The apprenticeship committee determines the need for apprentices and sets the minimum standards of education, experience, and training.

How to enter apprenticeship

The best way for a young person to enter and serve an apprenticeship is under the terms of a written agreement. Agreements generally are with a joint apprenticeship committee for the full term of apprenticeship. An agreement can also be with an employer who can provide the variety of work experience necessary to give the apprentice the kind of instruction required to learn the craft and assure relatively continuous employment.

Equal employment opportunity

Selection of apprentices is made on the basis of qualifications alone without regard to race, color, creed, national origin, sex, or occupationally irrelevant physical requirements.

Government recognized training

The apprentice is insured of proper training by both Federal and State governments. These agencies establish basic requirements of sound training which must be met for apprenticeship programs to receive government recognition. Sponsors must adhere to those requirements in operating their programs. Likewise, apprentices must live up to their obligations under their indenture agreement. Apprentices who successfully complete their training in such programs are certified as craftworkers by a government-issued certificate of completion. The United States

International Brotherhood of
BOILERMAKERS • IRON SHIP BUILDERS

New Brotherhood Building

LOCAL LODGE NO. 502
ED EIXENBERGER
BUSINESS MANAGER
SECRETARY/TREASURER



BLACKSMITHS • FORGERS & HELPERS

Kansas City, Kansas 66101

4517 62ND AVENUE EAST
PUYALLUP, WASHINGTON 98371
(206) 922-3020
FAX (206) 922-3029

January 24, 1997

TO: Ed Hamilton
FROM: Ed Eixenberger, Business Manager
RE: Alaska Hire and Training

In response to your letter regarding the gas pipeline, we definitely wish to participate in this project.

We have a four (4) year (6,000) apprenticeship program, designed to fully train all of our people in all aspects of the Boilermaker craft. Our program includes, both on the job as well classroom training. It is jointly administered by the Contractors, Local #502 members, Western States and Boilermaker National Apprenticeship Offices.

Our program is adaptable to fulfill any local hire needs as we able add apprentices to the program as needed. New construction techniques, as well as maintenance procedures are basic to our training program. We are also able to provide our journeymen with upgrade programs as needed. We are also in full compliance with the affirmative action goals.

Should you need additional information, please contact my office.

International Association of Heat and Frost Insulators & Asbestos Workers

Local No. 97 City ANCHORAGE State ALASKA

Address _____

P.O. BOX 203212

99520

Tel.#(907) 272-8224

Fax# (907)277-8860

1-24-97

To: Mr. Ed Hamilton

RE: Alaska Hire and Training

In reference to your letter regarding the gas pipeline we definitely wish to participate in this project.

Our Apprentice Program is a Four (4) year program designed to fully train all of our people in all aspects of the Insulation Industry. It is jointly administrated by both the Contractors and Members of Local 97. This program is adaptable to fulfill any local hire needs as we are capable of having our training school at any time. We are in full compliance with the affirmative action goals as well as being approved by the Ak. Commission of Post Secondary Education. Such approval allows qualified Veterans to recieve their training benefits. New construction techniques as well as maintenance procedures are a basic part of our training.

Sincerely,



Caroline Starr - Bates
President #97

Affiliated with the AFL-CIO,
Building and Construction
Trades Department,
Metal Trades Department, and
Canadian Labour Congress



UNITED BROTHERHOOD OF
Carpenters and Joiners of America

LOCAL UNION NO. 1281

407 DENALI
SUITE 100
PHONE 276-3533
ANCHORAGE, ALASKA 99501
Fax : 276-7962



January 24, 1997

To Whom It May Concern:

Carpenters Local 1281, with a membership of around 850 Alaskan carpenters, is willing and able to meet, and exceed, all job requirements needed to build and maintain a natural gas pipeline with Alaskans.

We own a training center at 8751 King Street in Anchorage that is situated on 5 acres of land. There is plenty of shop and classroom space to train up to 60 apprentices at any one time. We have a full-time coordinator, Stan Hunt; plus 4 teachers and more available if needed. Our apprenticeship has been training Alaskan carpenters for 37 years and is one of the highest ranked apprenticeships in the nation.

The carpenters apprenticeship is overseen by the Bureau of Apprenticeship Training and is open to anyone interested with the only restrictions that the applicant must be at least 18 years old and have a high school diploma or equivalent.

Once accepted into the program, the applicant will go through 4 years of extensive, on the job training and in class instruction. There will be a total of 8000 hours accumulated before the applicant is a journeyman carpenter. During this time, an apprentice will start out at 50% of journeyman pay scale and advance in pay every 750 hours until they reach journeyman status.

In conjunction with our apprenticeship class, we believe in training for our journeyman carpenters as well. We have classes that are run at any time it is necessary to learn about new technologies or just to upgrade our skills.

This program is not about just providing a job for someone, it is about starting a lifelong career in Alaskan construction.

Sincerely,

Royce Rock
Business Agent

RR/wh



Carpenters Local 1281



ROYCE ROCK

BUSINESS AGENT
407 DENALI, SUITE 100
ANCHORAGE, ALASKA 99501

Office: 276-3533
Fax: 276-7962
Home: 246-2767

TOTAL P.02

VISIT ALASKA - IT'S AN AMERICAN ADVENTURE

HOTEL EMPLOYEES, RESTAURANT EMPLOYEES UNION
LOCAL 878

530 E. 4th Avenue • P.O. Box 100584 • Anchorage, Alaska 99510
(907) 272-8591 • 1-800-478-HERE • FAX: (907) 277-8595
Health / Pension / Legal Information: call collect (907) 561-5119 or 561-5278

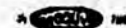
Juneau area office:
(907) 780-4844

Kenai/Soldotna area office:
(907) 283-2603

Ketchikan area office:
(907) 225-4508

Kodiak area office:
(907) 488-4551

Valdez area office:
(907) 835-2391



January 24, 1997

T. Ed Hamilton, Director of Construction,
Oilfield Maintenance, & Technical Engineers
Teamsters Local 959 State of Alaska
4300 Boniface Parkway
Anchorage, Alaska 99504

Dear Mr. Hamilton,

In response to your memo of today's date Local 878 Hotel and Restaurant Employees Union are very much interested in being a participant in the proposed gasline project.

Local 878 now has statewide jurisdiction, an event that took place at the beginning of 1996.

We currently do not have an active apprenticeship program however we feel confident that we do in fact have ready access to numbers of qualified workers. We have lists of people that are looking for work. These lists are located in Fairbanks and Anchorage, and are comprised of people that this union has examined thoroughly and knows them to be fully qualified for camp work. Due to the great demand for qualified camp workers during the oil pipeline construction Local 878 maintains these lists for just such an event as is now being proposed.

Thank you for your time and consideration. If any further information is necessary please advise me.

Fraternally,

Audrey Sunnyboy

Audrey Sunnyboy,
vice-President/Business Rep.

Post-It® Fax Note	7671	Date	1-24-97
To	Ed Hamilton	From	Audrey Sunnyboy
Co./Dept.	Local 959	Co.	Local 878
Phone #	2694122	Phone #	2726591
Fax #	3376668	Fax #	2778595

Sheet Metal Workers' International Association

ANCHORAGE
MAIN OFFICE
257 NORTH ORCA STREET
ANCHORAGE, ALASKA 99501 1849
PHONE (907) 277-8313
FAX (907) 277-2457



LOCAL
UNION
23

FAIRBANKS
3050 BRADDOCK STREET
FAIRBANKS, ALASKA 99701
PHONE (907) 452-3864
FAX (907) 456-3413

January 24, 1997

The State of Alaska Legislature;

RE: Sheetmetal design, fabrication and welding in Prudhoe Bay
and any other State projects.

The Sheetmetal Workers' Local 23 can provide 250 journeymen, apprentices and pre-apprentices trained to do all types of sheetmetal fabrication, welding and installation. We have 2 dispatch points, one in Anchorage and one in Fairbanks from which we can draw a pool of Alaskan sheetmetal workers.

Our apprenticeship program has been training sheetmetal workers for 17 years and could double it's size when the work returns to the Alaskans.

We have local sheetmetal shops that date back to the early 1900's. These shops have the latest high tech fabrication equipment. Our local sheetmetal contractors have been called upon in the past for design built projects.

Once again, Sheetmetal Workers local 23 can provide qualified trained Alaskans to do any type of sheetmetal design, fabrication, welding or installation.

Any agreement on oil related work must be a BUILDING AND CONSTRUCTION TRADES AGREEMENT and not for a few select unions.

Sincerely,

Donald M. Dokken
Business Representative



FOUNDED 1889

United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada

LOCAL NO.

(907) 562-2810

FAX (907) 562-2587

CITY, STATE, ZIP

367

STREET ADDRESS

610 W. 54TH AVENUE

ANCHORAGE, ALASKA 99518

SUBJECT MATTER

DATE

JANUARY 24, 1997

To: Ed Hamilton, Teamsters Local 959

From: Larry Gallagher, Plumbers & Steamfitters Local 367

Subject: Response to your questions about training

Ed,

Local 367 has a BAT registered Apprenticeship Training program in place as well as Journeyman Skills upgrading classes offered on an ongoing basis.

We currently have just under 100 Apprentices in our program with the ability and willingness to take more as employment opportunities become available. Native Alaska trainees are an important element of this program. We are actively seeking new recruits from among that population to add to the workforce of existing Journeymen Alaska Natives.

Local 367's Joint Apprentice and Training Committee's responsibility is to provide instruction in the craft specific skills directly related to the plumbing and pipe fitting industry. Some of the areas we train in are: Medical Gas Systems installation, Backflow Prevention, welding (all types), uniform plumbing code, steam systems, rigging, job safety and health, trade related mathematics, blueprint reading, trade related science and mechanics, gas installations, mechanical equipment service, pipe fabrication formulas, valve repair.

The above list, although lengthy, is by no means exhaustive. Local 367 maintains and operates its own school on its own premises and has the ability to train in the specific areas of demand required by the employers. For example, it is not uncommon to put on a special course of training in specialized welding processes should a contractor have that need.

MARVIN J. BOEDE
General President

MARION A. LEE
General Secretary-Treasurer

DONALD F. McNAMARA
Asst. General President

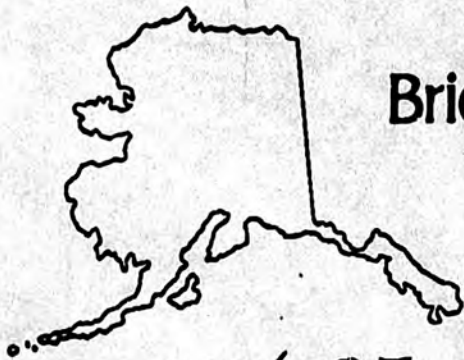
Letters should
be confined to
one subject

Page 2

Local 367's J.A.T.C. program is financially stable and has the ability to expand its training facilities to whatever numbers of people that would be required to staff a major project such as a cross country pipeline and associated projects.

Thank you, Ed, for helping take the lead in telling the Union's story to those with the need to know. Do not hesitate to call me at 562-2810 should you require further information about Local 367's training program.

Larry Gallagher



International Union of
Bricklayers & Allied Craftsmen

BRICKLAYERS, TILELAYERS, AND HELPERS
LOCAL NO. 1 OF ALASKA

P.O. BOX 553

ANCHORAGE 99510



TELEPHONE 278-3759

1-24-97

ED Hamilton

Teamsters Local 959

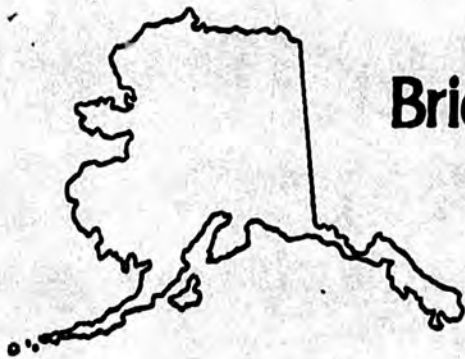
Re: Training.

The International Masonry Institute provides any of our JATC's training needs. All of our apprenticeship, advanced training, and safety training such as HAZMAT confined space are provided. The IMI provides us with a vast resource for training.

I do not see a great need for the skills within the jurisdiction of BAC Local #1 Alaska in building a gas line. But if the need arose we would be able to meet any training needs.

Page 2 lists classifications and wages for crafts within our jurisdiction.

Fraternally
William Walter
Business Manager



International Union of Bricklayers & Allied Craftsmen

BRICKLAYERS, TILELAYERS, AND HELPERS
LOCAL NO. 1 OF ALASKA

P.O. BOX 553

ANCHORAGE 99510

TELEPHONE 278-3789



WAGE SCHEDULES 1 JULY, 1996 to 30 JUNE, 1997

Classification	Hourly Rate	Health & Welfare	I.U. Pension	Local Pension	IMI	Total
Bricklayer	25.78	3.15	1.25	5.00	.40	35.58
Blocklayer	25.78	3.15	1.25	5.00	.40	35.58
Marble Mason	25.78	3.15	1.25	5.00	.40	35.58
Stone Mason	25.78	3.15	1.25	5.00	.40	35.58
Tilesetter	25.78	3.15	1.25	5.00	.40	35.58
Tuck Pointer & Caulker	25.78	3.15	1.25	5.00	.40	35.58
Refractory	25.78	3.15	1.25	5.00	.40	35.58
Terrazzo Worker	25.78	3.15	1.25	5.00	.40	35.58
Torginal Applicator	23.69	3.15	1.25	5.00	.40	33.49
Marble Finisher	20.35	3.15	1.25	5.00	.40	30.15
Tile Finisher	20.35	3.15	1.25	5.00	.40	30.15
Terrazzo Finisher	20.35	3.15	1.25	5.00	.40	30.15

Foremen will receive \$1.00 per hour above classification.
General Foremen will receive \$2.00 above classification.

Check off dues are to be deducted from the hourly rate.

International check off dues .36

Local check off dues .25

Members running masonry saws four (4) or more hours any given day shall receive \$0.25 per hour above scale. Rate for saw man will be paid to only one (1) operator per saw used.



Official Business

COMMITTEES:
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8183

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

MEMORANDUM

TO: Members, House Special Committee on World Trade
and State/Federal Relations

FROM: Representative Ramona L. Barnes, Chair
House Special Committee on World Trade
and State/Federal Relations

DATE: January 23, 1997

SUBJECT: Committee Substitute for HCR 1

A handwritten signature in cursive script, appearing to read "Ramona", with a long, sweeping underline.

Please note the Committee packet for today's meeting includes a draft CS for HCR 1, "Relating to a new Alaska liquefied natural gas project".

The CS for HCR 1 (WTR) simply adds a section which was inadvertently left out of the original resolution.

The CS adds lines 2 to 6 on page four of the resolution.

Revision Date: _____ Dept. Affected: Revenue
 Title: North Slope Natural Gas BRU: Administration and Support
 Component: Commissioner's Office
 Sponsor: Rep. Barnes
 Requestor: (H) WTR COMPONENT SERIAL NO. 123

Expenditures/Revenues: (Thousands of Dollars)						
OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)						
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

HCR 1, regarding the proposed North Slope gas project, requests that the Governor (1) identify fiscal terms that would best facilitate the proposed project, (2) work with the North Slope leaseholders to develop a proposed contract to lay out and guarantee those fiscal terms, (3) submit that proposed contract to the Alaska legislature for ratification along with enabling legislation, and (4) work with the Alaska Congressional delegation and the North Slope leaseholders to identify appropriate federal actions to facilitate advancement of the project. Currently, the Commissioner of Revenue is leading the Governor's efforts on the project.

The Commissioner of Revenue has already committed substantial resources, both financial and personnel, to gas line issues, and intends to do so in the future. As a result, no additional funding will be required under this resolution.

Prepared by: Tamar diFranco, Special Assistant
 Division: Commissioner's Office
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: (907) 465-2320
 Date: January 17, 1997
 Date: January 17, 1997

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA

BILL NO. HCR1

1997 LEGISLATIVE SESSION

Revision Date: 1/23/97

Dept Affected: Natural Resources

Title: Relating to a new Alaska liquefied natural gas project

BRU: Management & Administration

Component: Commissioner's Office

Sponsor: Rep(s) Barnes, Phillips, Rokeberg, Kubina, Kott...

Requestor: House Special Committee on World Trade....

Component Serial No. #423

Expenditures/Revenues

(Thousands of Dollars)

	FY98	FY99	FY00	FY01	FY02	FY03
OPERATING EXPENDITURES						
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	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY97) cost: \$ none

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

Prepared by: Carol Carroll, Director

Phone: 465-2406

Division: Support Services

Date: 23-Jan-97

Approved by Commissioner: 

Date: 1/24/97

Agency: Natural Resources

Version: January 21, 1997

**MEMORANDUM OF UNDERSTANDING RELATING TO A
PROPOSED ALASKA NORTH SLOPE GAS PROJECT
BETWEEN THE STATE OF ALASKA AND
YUKON PACIFIC CORPORATION**

- I. INTRODUCTION**
- II. PROJECTED COSTS AND COST REDUCTIONS**
- III. MARKET TERMS, CONDITIONS AND OPPORTUNITIES**
- IV. THE CS FIRST BOSTON REPORT AND THE STATE FINANCIAL MODEL**
- V. STATE FISCAL MODIFICATIONS**
- VI. STATE FISCAL STABILITY AND CERTAINTY**
- VII. RELATIONSHIP WITH THE ALASKA LEGISLATURE**
- VIII. HIRING ALASKANS**
- IX. ENVIRONMENTAL INTEGRITY, HEALTH, SAFETY AND NATURAL GAS
AVAILABILITY FOR ALASKAN COMMUNITIES**
- X. THE POTENTIAL EFFECT OF PERMITTING REQUIREMENTS AND DELAYS**
- XI. FEDERAL ACTIONS THAT MIGHT ASSIST THE PROJECT**
- XII. THE NORTH SLOPE PRODUCERS**
- XIII. MAJOR GAS SALE INCENTIVE STUDY**
- XIV. LIMITATIONS**

**MEMORANDUM OF UNDERSTANDING RELATING TO A
PROPOSED ALASKA NORTH SLOPE GAS PROJECT
BETWEEN THE STATE OF ALASKA AND
YUKON PACIFIC CORPORATION**

This is a Memorandum of Understanding (Memorandum) between the State of Alaska, acting through the executive branch of state government (State), and Yukon Pacific Corporation (YPC), a business unit of CSX Corporation and managing general partner of Yukon Pacific Company, L.P. (Together the State and YPC are referred to as the Parties.)

I. INTRODUCTION

The Parties wish to pursue establishing a viable project to produce gas from the Alaska North Slope and to transport that gas to markets in the Far East ("Alaska North Slope Gas Project" or "the Project"). The Parties intend to take a series of actions, both separately and together, to pursue an Alaska North Slope Gas Project.

In addition to potential public and private revenue, the construction and operation of the Alaska North Slope Gas Project offers the possibility of a significant number of jobs for Alaskans and natural gas for Alaskan communities.

The State recognizes that since 1983 YPC has been engaged in preliminary design, permitting and marketing for a specific North Slope Gas Project, the Trans-Alaska Gas System (TAGS). YPC recognizes that the State, at this time, does not support a specific North Slope Gas Project, but instead must seek to realize value from the natural gas that has been discovered on the Alaska North Slope. The Parties will endeavor to find acceptable, cost-effective means by which the TAGS proposal can be coordinated with other potential Projects.

The State recognizes that YPC, with some conditions, has secured or completed the following in its efforts to promote TAGS:

1. Presidential approval of gas exports as required under the Alaska Natural Gas Transportation Act;
2. A Project-wide Environmental Impact Statement;
3. A right-of-way grant for Ahtna lands;
4. A right-of-way grant for federal lands;
5. A right-of-way grant for State lands;
6. Department of Energy authorization for North Slope gas exports;
7. An Environmental Impact Statement for the Anderson Bay LNG facilities and marine terminal site;
8. Federal Energy Regulatory Commission approval of Anderson Bay as an export site (YPC believes this is an exclusive license);
9. Contacts with customers, trading companies and market country governments;
10. Memoranda of Intent with Korea Gas Corporation and Chinese Petroleum Corporation for purchase volumes of LNG from a North Slope Gas Project;
11. A financial feasibility and financing plan with CS First Boston dated June 24, 1996; and
12. The creation and funding of an environmental oversight group called the TAGS Environmental Review Committee.

YPC is pursuing its private economic interests with respect to TAGS. The State is charged with pursuing and protecting the public interest and promoting the public benefits pertinent to a North Slope Gas Project. The Parties will explore the steps they can take individually and together to harmonize YPC's private interests in TAGS and the State's public interest in a North Slope Gas Project.

The Parties recognize that the State and the North Slope producers (Producers) have a contractual relationship through the lease of State lands. The Producers have the right to continue to hold their leases so long as they operate those leases prudently and produce oil and gas from them with reasonable diligence. The State believes the Producers are currently complying with these obligations.

The State believes that the following constitute the latest assumptions pertinent to the Project.

1. The most recent capital cost projection (excluding interest during construction) is about \$15 billion in 1995 dollars;
2. The prevailing nominal market price for liquefied natural gas (LNG) delivered to Far East markets in 1995 dollars is about \$3.50 per million BTUs; and
3. The LNG product volume tentatively planned for the Project (about 14 million metric tons of LNG per year) is as follows: 2-3 million metric tons of LNG during the first year of operation, increasing by 2-3 million metric tons per year until the full volume is reached in the sixth year of operation, continuing at that volume for the life of the project.

YPC believes that the Project's economics should be assessed using different assumptions. Nevertheless, the Parties agree that the Project's chance of success will be enhanced if:

1. The Project can be constructed for less than the projections specified above.
2. The LNG from the Project can be marketed for prices above the price prevailing during 1995.
3. The full volume of LNG available from the Project can be placed in the market more rapidly than in the schedule set forth above.
4. The Project is subject to an appropriate fiscal and regulatory environment that is stable and certain over a long period.

The State's current fiscal system applicable to a project of this type includes a royalty interest, production tax, property tax, conservation and surcharge tax, and corporate income tax (Project State Fiscal System). Although YPC does not own North Slope gas, it may be an owner of the transportation (including ships) and liquefaction facilities needed for a North Slope Gas Project. As an owner of such facilities, YPC would contribute to the state treasury through the property tax and the corporate income tax. The portion of the Project State Fiscal System that relates to the transportation and liquefaction facilities, the so-called "downstream," is referred to as the Downstream Project State Fiscal System.

The Parties will examine whether modifications to the Downstream Project State Fiscal System might significantly improve the economic feasibility and competitiveness of the Project. The Producers have represented that such modifications may be necessary to make the Project either economically feasible or competitive in the market or both. If any of these propositions is true, then modifications to the Downstream Project State Fiscal System might be necessary for the State to receive value for its interest in the North Slope gas resource.

Any changes to the Downstream Project State Fiscal System must be consistent with the public interest and the legislature's duty to provide for the use, development, and conservation of all natural resources belonging to the State for the maximum benefit of its people.

The State has retained a consultant, Pedro Van Meurs and Associates, to evaluate the Project State Fiscal System and, if appropriate, to make recommendations for possible changes in that system to enhance the possibility that the Project will be built.

The major purposes of this Memorandum are to assist (1) in pursuing the means for coordinating the TAGS proposal with other potential Projects; (2) if appropriate, in developing proposals for

modifications to the Downstream Project State Fiscal System; (3) if appropriate, in compiling the information base required for the responsible deliberation and debate that such proposed changes would occasion; (4) in setting the framework for future discussions and joint work to enhance the possibility that a Project will be built; and (5) in pursuing the best interests of the State.

The major issues that may affect the Project's viability are its economic feasibility and its ability to compete with other proposed LNG projects, other non-LNG energy projects that might serve Far East markets, and other investment opportunities available to potential Project sponsors. The contributing factors include:

1. The projected costs of the Project and means for reducing those costs;
2. The market terms, conditions and opportunities available for the Project;
3. The federal, state, and local tax and state royalty obligations of the potential Project sponsors;
4. The stability and certainty of the Project State Fiscal System;
5. The public costs and benefits of the Project; and
6. The legal requirements applicable to the Project, including federal, state, and local regulations, permits, and licenses.

II. PROJECTED COSTS AND COST REDUCTIONS

The Parties recognize that the State's current cost estimate of about \$15 billion in 1995 dollars (excluding interest during construction) is subject to a great deal of uncertainty and that the actual cost of constructing the Project might be considerably lower or higher than this estimate.

The Parties recognize that determining a reliable cost estimate will be a critical step in developing the Project. A reliable cost estimate will be essential to conclude successfully the sales contracts necessary to support the Project and attract capital investment to the Project.

The Parties recognize that the potential Project sponsors would have to spend a large sum of money to develop a reliable cost estimate and that this money would not be recouped if the Project is not constructed. YPC will continue its work to reduce the uncertainty in its estimates and find cost savings for the Project.

III. MARKET TERMS, CONDITIONS AND OPPORTUNITIES

The Parties recognize that a viable Project offers many potential benefits to buyers and governments in the Far East. These benefits may include the opportunity to:

1. Further diversify the buyers' supply portfolios with an LNG source that has stable political institutions and geopolitical characteristics different from the majority of their current sources;
2. Reduce balance of payment surpluses with the United States and gain consequent political benefits; and
3. Invest in and provide some of the important components of the Project.

The Parties recognize there are other potential projects competing for a place in the Far East markets and the possibility of successfully completing this Project will be increased by advancing it as far as possible in the eyes of potential LNG purchasers toward the front of the queue of potential projects. The Parties believe that reducing costs and increasing fiscal and regulatory certainty may assist in advancing this Project's place in the queue of potential projects. The Parties further recognize that forecasts of demand for natural gas and LNG in Far East

markets generally show annual increases for the next twenty years. Based on these forecasts, the Parties agree that opportunities for placing LNG in Far East markets may continue to grow in the twenty-first century. The Parties recognize that ultimately the market will dictate the need for and timing of the Project.

The Parties further recognize that if this project could be developed and marketed with larger product volumes, its economic feasibility would be greatly enhanced. Conversely, if this Project could be developed cost effectively with smaller product volumes its marketability, and hence its economic feasibility, would be greatly enhanced.

YPC will continue to make regular contact with potential LNG buyers and pertinent government officials in the Far East to apprise them of the progress of the Project. YPC will continue to promote interest in the success of the Project.

IV. THE CS FIRST BOSTON REPORT AND THE STATE FINANCIAL MODEL

YPC has commissioned a report by CS First Boston addressing the Project's financial feasibility. The Parties recognize that the CS First Boston report purposely did not reflect or incorporate all elements of the current Project State Fiscal System. The CS First Boston report concludes that:

- a. Under current Project cost estimates and current capital market conditions, the Project will require an LNG price that escalates 3% annually, from an assumed 1996 price of \$3.57 per MMBtu, through the year 2035;
- b. The size and complexity of the Project will require multiple participants, and the participation of at least one major international oil company as a Project sponsor and potential operator; and
- c. The participation of the Prudhoe Bay oil companies would seem to be most sensible in terms of economic and timing efficiencies.

The State has developed a financial model to use for public discussion of the Project's economic feasibility. The model is available for public inspection and is subject to modification as appropriate. The model permits the Parties and the public to analyze the effect changes in the following factors have on the economic feasibility of the Project:

1. State and federal fiscal terms;
2. Debt-equity ratios;
3. Return on debt;
4. Return on equity;
5. Required project rates of return;
6. Capital and operating cost
7. Time to place the full LNG volumes in Far Eastern markets;
8. Full LNG Project volume;
9. LNG market prices; and
10. Probable reduced oil recovery as a result of a gas sale.

V. STATE FISCAL MODIFICATIONS

The Parties recognize that changes in the Downstream Project State Fiscal System may be necessary or advisable for two reasons. First, such changes may be required to make the Project economically feasible and hence able to attract the necessary capital investments. Second, such changes may be necessary for the Project to successfully compete for a place in the market against other proposed LNG projects or other potential energy sources for the pertinent Far East markets.

The Parties will examine whether changes in the Downstream Project State Fiscal System will significantly improve the economic feasibility of the Project or significantly improve the

competitiveness of the Project in its ability to secure a place in the Far East markets. The Parties recognize that an evaluation of the Downstream Project State Fiscal System in relation to the Project will be facilitated by a frank and open exchange of information.

The Parties recognize that the appropriateness of proposed changes to the Downstream Project State Fiscal System must be evaluated by examining whether the changes would be socially responsible, given the strain on public services the Project would create, by considering the non-renewable nature of the resources the Project would exploit and by considering the benefits the State and its citizens would receive from the Project. The Parties recognize that any changes to the Downstream Project State Fiscal System must maximize the expected benefit of Alaska North Slope gas resources for the people of Alaska. Where the Parties conclude that a change in the Downstream Project State Fiscal System would (1) significantly improve the viability or competitiveness of the Project; (2) be socially responsible; and (3) maximize the expected benefit of Alaska's North Slope gas resources for its people, the Parties agree to work together in an effort to develop appropriate proposed legislation and to take other actions needed to effect such change. If appropriate, the State will assess the Project's socioeconomic effects on the people of the State.

Finally, the Parties agree that, where possible, modifications to the Downstream Project State Fiscal System should be able to respond to variations in the Project's profitability -- where, for example, lower energy prices (or higher costs) produce lower profits or higher energy prices (or lower costs) produce higher profits -- and to adjust the State's share in the economic benefits of the Project accordingly, while Project sponsors retain upside profit potential commensurate with the risks they are undertaking.

Possible changes to the Downstream Project State Fiscal System the Parties might consider include:

1. Tax offsets for early expenditures prior to Project commitment;
2. Accelerated capital depreciation;
3. Investment credits;
4. Deferrals of or reductions in certain taxes;
5. Profit based taxes; and
7. Coordination of tax provisions with the Project tariff arrangements.

If the Parties agree it is necessary or appropriate, the State will work with local governments regarding how modifications to property taxes may enhance the Project's chance of success.

VI. STATE FISCAL STABILITY AND CERTAINTY

The Parties recognize that due to the anticipated length of time between many of the Project's enormous capital expenditures and the receipt of significant Project revenues, and the Project's need for a reliable revenue stream over a long period, it is likely that potential sponsors will require assurance that the Project State Fiscal System will not change adversely over a significant part of the life of the Project. The Parties also recognize that the Constitution of the State of Alaska imposes some limits on the ability of the State to commit itself irrevocably to certain levels and kinds of taxation. The Parties agree to search for suitable measures within the pertinent Constitutional framework to achieve the fiscal stability and certainty the Project requires.

The Parties also recognize that they can increase the fiscal stability and certainty surrounding the Project by, among other things, agreeing to dispute settlement procedures and clear definitions of tax obligations, common carrier requirements, tariff methodology, and other regulatory obligations before the Project commences.

VII. RELATIONSHIP WITH THE ALASKA LEGISLATURE

Since the Alaska Legislature must determine whether to modify the Project State Fiscal System, the Parties will keep appropriate members of the Alaska Legislature informed of their respective efforts on the Project. Further, the Parties will develop and provide information to assist in the public discussion and debate occasioned by any proposed modifications to the Project State Fiscal System.

By HJR 54, the Alaska Legislature established an interim working group. This group is scheduled to report to the House and Senate Resources Committees by February 1, 1997 on the status of efforts to advance exports of Alaska North Slope gas to Far East markets. The group also is to report on any proposed legislative actions appropriate to those efforts. The executive branch and YPC will work individually and together to ensure that the Alaska Legislature's interim working group created by HJR 54 is kept apprised of the efforts of the Parties, has the information it requires to do its work, and is supported in its efforts in any other appropriate manner.

VIII. HIRING ALASKANS

The Parties recognize that an important potential benefit of the Project is the employment of Alaska residents and Alaska businesses in the construction and operation of the Project. The Parties recognize that Alaskans expect a strong "Alaska-hire" effort for the Project. The Parties are determined to find suitable measures to successfully ensure that a maximum number of Alaska residents and Alaska-based businesses are hired to construct and operate the Project, while recognizing that, in order to assist in achieving a commercially viable Project, there will be a need for competitively priced goods and services. The Parties agree that clearly defining who qualifies as an Alaska resident or Alaska business will help this effort.

**IX. ENVIRONMENTAL INTEGRITY, HEALTH, SAFETY
AND NATURAL GAS AVAILABILITY FOR ALASKAN COMMUNITIES**

In addition to public revenue and employment within the State, other important public interests that would be affected by the Project must be considered. They include:

1. Protection of the environment;
2. Protection of the health and safety of workers and the public; and
3. Providing natural gas to Alaskan communities.

The Parties agree to search for suitable measures to ensure that, if the Project is constructed:

1. Its construction and operation will properly protect Alaska's environment;
2. It will be constructed and operated in a manner that properly protects the health and safety of workers and the public; and
3. Where economically and technically feasible, it will be configured and operated so that natural gas can be marketed to Alaskan communities.

**X. THE POTENTIAL EFFECT OF PERMITTING
REQUIREMENTS AND DELAYS**

The Parties recognize that permitting requirements and delays may affect the viability of the Project. The Parties intend to search for suitable and mutually agreeable measures to aid Project viability while still protecting essential regulatory goals such as environmental quality and the health and safety of all Alaskans.

XI. FEDERAL ACTIONS THAT MIGHT ASSIST THE PROJECT

The Parties recognize that there may be some steps the Federal government could take to improve the economic feasibility and competitiveness of the Project. These steps include, for example, potential changes to federal laws and regulations relating to taxes and permitting requirements. The Parties intend to evaluate these potential changes, including federal fiscal modifications such as:

1. Investment and other tax credits;
2. Accelerated depreciation;
3. Sharing of tax revenues with the State of Alaska; and
4. Authorizing tax free bonds for the Project.

Based on these evaluations, the Parties may encourage federal policy makers and agencies to pursue selected federal changes.

XII. THE NORTH SLOPE PRODUCERS

YPC recognizes that the State is working with the Producers to enhance the possibility that a North Slope Gas Project will be completed. These Producers jointly own ninety-five percent of the working interest in the natural gas in the main Prudhoe Bay Unit reservoir.

YPC recognizes that the State intends to pursue efforts to harmonize the Producers private interests and the State's public interests in a Project. The Parties recognize that success in developing and marketing Alaska North Slope natural gas requires that interested parties emphasize the merits and benefits of any project proposed to achieve that objective.

XIII. MAJOR GAS SALE INCENTIVE STUDY

The State has prepared an analysis of the relative incentives for each of the major Prudhoe Bay producers to engage in a Major Gas Sale (MGS). YPC has had an opportunity to review this analysis to ensure that it accurately reflects the agreements in the Prudhoe Bay Unit Operating Agreement and related amendments pertaining to an MGS. The State has concluded that the Producers among themselves have similar incentives for an MGS, and YPC does not materially dispute the State's conclusions.

XIV. LIMITATIONS

The Parties intend to work together to accomplish the steps outlined in this Memorandum of Understanding. However, this document does not commit any Party to invest or participate in the Project, or create any legally enforceable rights or obligations. The Parties recognize that a future change in circumstances may alter any Party's current intentions or willingness to participate as contemplated by this Memorandum of Understanding.

Special Resource Supplement

--*Alaska Economic Report
& Alaska Legislative Digest*

-- Inside commentary on key resource & development issues.

A special service of:
**Alaska
Economic Report**

--A special supplement available only to
regular report subscribers by special order.

Resources Supplement
January 14, 1997
No.1/97

Gas pipeline politics

Expect plenty of gas pipeline gyrations in Juneau this spring. The legislature convened Jan. 13, and Republican state lawmakers will be looking for ways to one-up Gov. Tony Knowles, who is a Democrat. One way is to tweak the administration about going "too slow" on state legislation on a gas pipeline.

Right now, the administration is trying to get the three major North Slope producers, ARCO-Alaska, BP Exploration and Exxon USA to sign a "Memorandum of Understanding," to set out a protocol as to how the state and the producers would work together. State Revenue Commissioner Wil Condon says he expects to have the producers' MOU signed by the end of January, as well as a separate MOU between the state and Yukon Pacific Corp. The producers and Yukon Pacific have had the draft MOUs for several months and the delays, we're told, are mainly caused by nit-picking over wording. It is difficult to get three big companies to agree on wording on such a speculative and very large project, but we're told by administration insiders that the sticking points are over clauses which limit the producers saying nasty things about Yukon Pacific, and similar clauses in the MOU Yukon Pacific will sign that limits that company from saying nasty things about the producers. In fact, the reason why there are different MOUs for the producers and YPC is that the producers will not sign a joint agreement with Yukon Pacific.

MOUs will raise public expectations, political rhetoric

In any event, the MOUs only set out a framework for discussions with the state over changes to state fiscal terms on a pipeline project, which the pro-

Continued next page

Special Resource Supplement, available only to regular subscribers of the Alaska Economic Report or Alaska Legislative Digest at an additional rate of \$125/year, 3037 South Circle, Anchorage, Alaska 99507 -
(907) 349-7711 - Fax (907) 522-1761

Investment intended to boost BP's production

ducers think are needed for the project to become viable. But when the MOUs are signed, the attendant press coverage will probably raise public expectations that the big project is actually moving forward. That will tempt legislators to play games with the issue. Also, Yukon Pacific will be more than willing to help stir the pot in Juneau.

Rep. Barnes will be chief legislative foil

The chief legislative foil is Rep. Ramona Barnes, R-Anch., a tough former House Speaker who chaired a special gas pipeline task force last year and who this year is sponsoring a resolution that is widely co-sponsored asking the administration to get on with negotiations on a new fiscal arrangement. The administration, of course, doesn't want to be locked into any specific timeframe on a large and complex project, and one that will be politically sensitive because the public may see "fiscal changes" as tax-breaks, which they may not really be. The producers are in no hurry, either. The project will most likely be built to meet 2010 market demand, so there's time to approach the issue carefully.

Where does Yukon Pacific fit in?

How does Yukon Pacific fit into this? The company, a CSX subsidiary, has invested substantially in securing permits, rights-of-way and doing environmental work and hopes to see this translated into an equity in a project. The company has been active for years in promoting the gas pipeline and has a lot of support and sympathy from Alaskans. But a problem may be that a gas pipeline project reconfigured for lower costs may need additional permits, which may mean Yukon Pacific's existing permits might not be as useful as the company hopes. In the end, this is a business problem the producers and Yukon Pacific will have to sort out.

Legislative maneuvering could raise public wariness

The only problem may come if there is a perception that the legislature will become another arena for this to be played out, which will confuse lawmakers and the public. That may hurt the project, because the jockeying in Juneau could raise a public wariness over fiscal changes.

Administration focuses on consultant study

The main effort within the Knowles administration right now is a study of possible state "fiscal adjustments" by consultant Pedro Van Muers, of Calgary, Alberta. A draft has now been submitted and the study is expected to be released in final in mid-February. This will be the starting point for the legislature and state administration's consideration of state action to help the big gas project. A resolution by Rep. Ramona Barnes cosponsored by 12 House colleagues including Speaker Gail Phillips, is also in the hopper. This is the product of the special gas pipeline committee chaired by Barnes and Rep. Gene Kubina that held several interim hearings last summer.

Van Muers looks at an escalating state fiscal take in LNG project

The Van Muers study looks at the fiscal relationships between host governments and major LNG projects in other countries with projects considered to be competitive with Alaska's. It then lays out a series of options for the governor and legislature to consider. Included in the "menu" is the possibility of combining the state royalty and severance tax on gas, and then placing the combined fiscal take to an escalating schedule. Suggested in Van Muers' study is five percent until 2015; 12.5 percent (the current royalty) until 2020; 30 percent until 2025; and 45 percent after 2025.

The theory behind this is that the project would pay down its capital investment over time, allowing an escalating state royalty/tax at the wellhead. Van Muers also talks about alternatives of linking the fiscal take (combined royalty/tax) to downstream LNG prices, and linking the fiscal incentive to a committed timetable, perhaps even as a "work commitment" amendment to North Slope leases.

State financial participation in a gas pipeline project

The consultant study also notes options of state financial participation in the project. If earnings on a Permanent Fund investment are tax-free, it creates an advantage for the project, Van Muers notes. There may be other ways the state can extend lower-cost financing, such as the state now does through tax-exempt financing through the Alaska Industrial Development and Export Authority.

Fiscal "modification," not a "tax-break"

The fiscal modification contemplated is not really a tax break so much as a change in the structure of state royalty and taxes. The goal is to provide long-term fiscal security for the project, but another problem is that the particular structure of current state taxes, particularly property taxes, creates a burden on a project that is marginally profitable. Van Muer doesn't suggest doing away with the property tax, although he does suggest a temporary suspension during construction. But others who have looked at the problem suggest that converting all of the state's "take" into a form of net profits participation would be the best way to go. It allows the project to get up and running without the drag of a regressive tax, and yet cuts the state in over the longer term when the investment is paid down. One problem in this strategy, however, is what to do about municipal taxes.

Legislature's resolution sets the stage

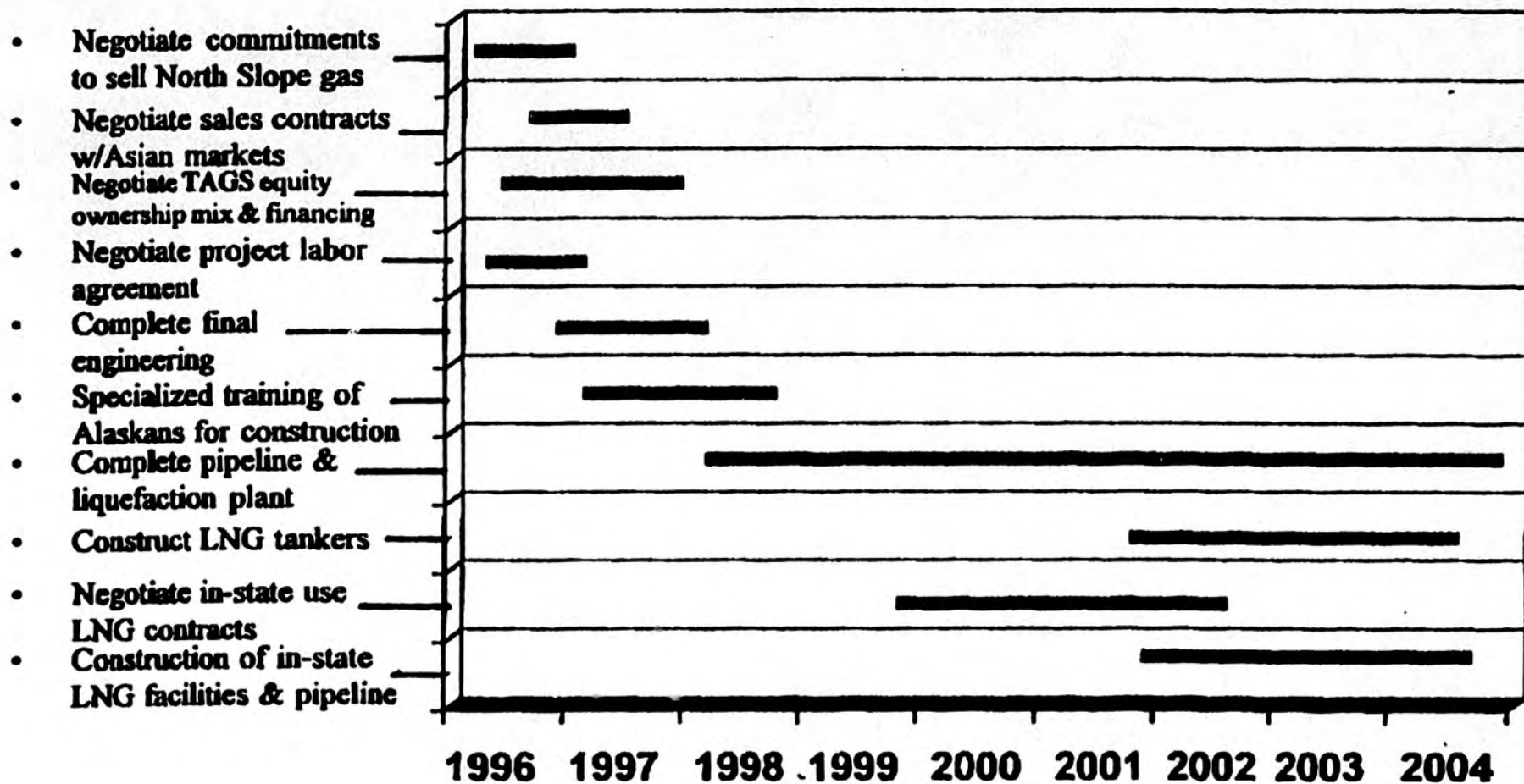
The resolution by legislators, at least as worded in the draft, would set the stage for the state's consideration of a revised fiscal package. It asks the administration to identify fiscal modifications needed and to submit a contract with gas pipeline sponsors to the legislature for modification.

Ratification

Coming in future resource reports:

- State mental health lands
- Alaska coal prospects
- Mineral exploration outlook
- National Petroleum Reserve oil exploration

TAGS Best Case Development Scenario



Grass Roots LNG Projects

Cost Comparison

Project	Production (MMTPA*)	Estimated Cost \$ Billions	Cost in \$ Billions per MMTPA	Capital ** per MMBTU
Alaska TAGS	15	13.6	0.91	0.70
TAGS at higher cost	15	15.0	1.00	
Qatargas	6	6.0	1.00	
Natuna Island	15	21.3	1.42	1.00
Sakhalin	6	7.9	1.32	1.00

* million metric tons per annum

** does not reflect capitalized interest, cost of gas, time value of money or operating expenses

TAGS Competition is Other Undeveloped Gas Fields in:

	<u>Start-up Date</u>	<u>Annual Volume</u>
▲ Qatar (Qatargas & Rasgas) - Mobil	2003	6-10 MMTA
▲ Indonesia (Natuna Island) - Exxon	2004	15 MMTA
▲ Sakhalin (Russia) - Exxon x2, Marathon/Shell	2004	15 MMTA
▲ Yemen - Exxon	??	??
▲ Papua New Guinea - BP	??	??
▲ Oman - Shell	2005	6 MMTA
▲ Australia - Shell, BP	2003	16 MMTA

Each host country (together with the private gas producers shown above) is actively promoting its project as the next post-2000 LNG supplier to Asia.



Official Business

COMMITTEES
Natural Resources
Legislative Council

Alaska State Legislature

Office of World Trade And State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
Anchorage, AK 99510
(907) 337-7737
(907) 258-8163

State Capitol
Juneau, AK 99801-1182
(907) 465-3438

SPONSOR STATEMENT

CS HCR 1 (WTR)

CS HCR 1 (WTR) urges the establishment of a stable fiscal and regulatory environment in order to provide the best opportunity for a new LNG project to be economically viable and attractive. To ensure economic viability, a huge volume of 14 million metric tons of gas must be sold per year. The proposed LNG project would transport and market the North Slope gas resource in the Asian Far East market. It is believed there exists an opportunity in 2005 when demand in that market will rise enough to accept the volume of gas which this project will provide. A critical element is the likelihood Alaska's huge volume of gas could be displaced from the market for many years if smaller, more easily placed projects come on line first.

CS HCR 1 (WTR) encourages the Governor to work with North Slope leaseholders as well as the Legislature, the federal government and Congress to develop and complete the LNG project.

The Governor is asked to work with leaseholders to develop a contract for execution with those who appear likely to become sponsors of the project. The contract would point out the nature, degree and duration of fiscal terms for the project and contractually guaranteeing the terms. The contract would be submitted to the Legislature for ratification. The Governor would also provide the Legislature with enabling legislation to authorize the State of Alaska to formally enter the contract.

The Legislature encourages potential sponsors of the LNG project to find suitable measures to support and encourage Alaska businesses and residents to participate in construction and operation of the project.

If built, the project would also be constructed so as to enable the marketing of gas to Alaska communities.

The Governor is asked to work with leaseholders and Alaska's Congressional delegation to identify appropriate federal action to help expedite the project. He is also asked to identify and report to the Legislature, the form of participation in the project by the State of Alaska.

Version: January 22, 1997

**MEMORANDUM OF UNDERSTANDING RELATING TO THE
PROPOSED ALASKA NORTH SLOPE GAS PROJECT
AMONG THE STATE OF ALASKA, ARCO ALASKA, INC.,
BP EXPLORATION (ALASKA) INC., AND EXXON COMPANY, U.S.A.**

- I. INTRODUCTION**
- II. PROJECTED COSTS AND COST REDUCTIONS**
- III. MARKET TERMS, CONDITIONS AND OPPORTUNITIES**
- IV. THE STATE FINANCIAL MODEL**
- V. STATE FISCAL MODIFICATIONS**
- VI. STATE FISCAL STABILITY AND CERTAINTY**
- VII. RELATIONSHIP WITH THE ALASKA LEGISLATURE**
- VIII. HIRING ALASKANS**
- IX. ENVIRONMENTAL INTEGRITY, HEALTH, SAFETY AND NATURAL GAS
AVAILABILITY FOR ALASKAN COMMUNITIES**
- X. THE POTENTIAL EFFECT OF PERMITTING REQUIREMENTS AND DELAYS**
- XI. FEDERAL ACTIONS THAT MIGHT ASSIST THE PROJECT**
- XII. YUKON PACIFIC CORPORATION**
- XIII. MAJOR GAS SALE INCENTIVE STUDY**
- XIV. LIMITATIONS**

**MEMORANDUM OF UNDERSTANDING RELATING TO THE
PROPOSED ALASKA NORTH SLOPE GAS PROJECT
AMONG THE STATE OF ALASKA, ARCO ALASKA, INC.,
BP EXPLORATION (ALASKA) INC., AND EXXON COMPANY, U.S.A.**

This is a Memorandum of Understanding (Memorandum) among the State of Alaska, acting through the executive branch of state government (State), and the three largest working interest owners in the Prudhoe Bay Unit, ARCO Alaska, Inc., BP Exploration (Alaska) Inc., and Exxon Company, U.S.A. (Producers), who are some of the potential sponsors of a North Slope gas project. (Together the State and the Producers are referred to as the Parties.)

I. INTRODUCTION

The Parties wish to pursue establishing a viable project to produce gas from the Alaska North Slope and to transport that gas to markets in the Far East ("Alaska North Slope Gas Project" or "the Project") and thereby realize value for the Parties' respective interests in that gas. The Parties intend to take a series of actions, both separately and together, to pursue the Alaska North Slope Gas Project.

In addition to potential public and private revenue, the construction and operation of the Alaska North Slope Gas Project offers the possibility of a significant number of jobs for Alaskans and natural gas for Alaskan communities.

The three Producers are pursuing their private economic interests with respect to this Project. The State is charged with pursuing and protecting the public interest and promoting the public benefits pertinent to this Project. The Parties will explore the steps they can take individually and together to harmonize the Producers' private interests and the State's public interest relating to the Project.

The Parties recognize that the State and the Producers have a contractual relationship through the lease of State lands. The Producers have the right to continue to hold their leases so long as they operate those leases prudently and produce oil and gas from them with reasonable diligence. The State believes the Producers are currently complying with these obligations.

The Parties agree that the following constitute the latest assumptions pertinent to the Project:

1. The most recent capital cost projection (excluding interest during construction) is about \$15 billion in 1995 dollars;
2. The prevailing nominal market price for liquefied natural gas (LNG) delivered to Far East markets in 1995 dollars is about \$3.50 per million BTUs; and
3. The LNG product volume tentatively planned for the Project (about 14 million metric tons of LNG per year) is as follows: 2-3 million metric tons of LNG during the first year of operation, increasing by 2-3 million metric tons per year until the full volume is reached in the sixth year of operation, continuing at that volume for the life of the project.

The Parties believe the Project's chance of success will be enhanced if:

1. The Project can be constructed for substantially less than the projections specified above.
2. The LNG from the Project can be marketed for prices substantially above the price prevailing during 1995.
3. The full volume of LNG available from the Project can be placed in the market more rapidly than in the schedule set forth above.
4. The Project is subject to an appropriate fiscal and regulatory environment that is stable and certain over a long period.

The State's current fiscal system applicable to a project of this type includes a royalty interest, production tax, property tax, conservation and surcharge tax, and corporate income tax (Project State Fiscal System).

The Parties will examine whether modifications to the Project State Fiscal System might significantly improve the economic feasibility and competitiveness of the Project. The Producers represent that such modifications may be necessary to make the Project either economically feasible or competitive in the market or both. If any of these propositions is true, then modifications to the Project State Fiscal System might be necessary for the State to receive value for its interest in the North Slope gas resource.

Any changes to the Project State Fiscal System must be consistent with the public interest and the legislature's duty to provide for the use, development, and conservation of all natural resources belonging to the State for the maximum benefit of its people.

The State has retained a consultant, Pedro Van Meurs and Associates, to evaluate the Project State Fiscal System and, if appropriate, to make recommendations for possible changes in that system to enhance the possibility that the Project will be built.

The major purposes of this Memorandum are to assist (1) in evaluating the need for and, if needed, the timing of modifications to the Project State Fiscal System; (2) if appropriate, in developing proposals for modifications to the Project State Fiscal System; (3) if appropriate, in compiling the information base required for the responsible deliberation and debate that such proposed changes would occasion; (4) in setting the framework for future discussions and joint work to enhance the possibility that the Project will be built; and (5) in pursuing the best interests of the State.

The major issues that may affect the Project's viability are its economic feasibility and its ability to compete with other proposed LNG projects, other non-LNG energy projects that might serve Far East markets, and other investment opportunities available to potential Project sponsors. The contributing factors include:

1. The projected costs of the Project and means for reducing those costs;
2. The market terms, conditions and opportunities available for the Project;
3. The federal, state, and local tax and state royalty obligations of the Producers and of potential Project sponsors;
4. The stability and certainty of the Project State Fiscal System;
5. The public costs and benefits of the Project; and
6. The legal requirements applicable to the Project, including federal, state, and local regulations, permits, and licenses.

II. PROJECTED COSTS AND COST REDUCTIONS

The Parties recognize that the current cost estimate of about \$15 billion in 1995 dollars (excluding interest during construction) is subject to a great deal of uncertainty and that the actual cost of constructing the Project might be considerably lower or higher than this estimate.

The Parties recognize that determining a reliable cost estimate will be a critical step in developing the Project. A reliable cost estimate will be essential to conclude successfully the sales contracts necessary to support the Project and attract capital investment to the Project.

The Parties recognize that the potential Project sponsors would have to spend a large sum of money to develop a reliable cost estimate and that this money would not be recouped if the

Project is not constructed. The Producers will continue their work to reduce the uncertainty in their estimates and find cost savings for the Project.

III. MARKET TERMS, CONDITIONS AND OPPORTUNITIES

The Parties recognize that a viable Project offers many potential benefits to buyers and governments in the Far East. These benefits may include the opportunity to:

1. Further diversify the buyers' supply portfolios with an LNG source that has stable political institutions and geopolitical characteristics different from the majority of their current sources;
2. Reduce balance of payment surpluses with the United States and gain consequent political benefits; and
3. Invest in and provide some of the important components of the Project.

The Parties recognize there are other potential projects competing for a place in the Far East markets and the possibility of successfully completing this Project will be increased by advancing it as far as possible in the eyes of potential LNG purchasers toward the front of the queue of potential projects. The Parties believe that reducing costs and increasing fiscal and regulatory certainty may assist in advancing this Project's place in the queue of potential projects. The Parties further recognize that forecasts of demand for natural gas and LNG in Far East markets generally show annual increases for the next twenty years. Based on these forecasts, the Parties agree that opportunities for placing LNG in Far East markets are expected to continue to grow in the twenty-first century. The Parties recognize that ultimately the market will dictate the need for and timing of the Project.

The Parties further recognize that if this project could be developed and marketed with larger product volumes, its economic feasibility would be greatly enhanced. Conversely, if this Project could be developed cost effectively with smaller product volumes its marketability, and hence its economic feasibility, would be greatly enhanced.

The Producers will make regular contact with potential LNG buyers and pertinent government officials in the Far East to apprise them of the progress of the Project. The Producers will continue to promote interest in the success of the Project.

IV. THE STATE FINANCIAL MODEL

The State has developed a financial model to use for public discussion of the Project's economic feasibility. The model is available for public inspection and is subject to modification as appropriate. The model permits the Parties and the public to analyze the effect changes in the following factors have on the economic feasibility of the Project:

1. State and Federal fiscal terms;
2. Debt-equity ratios;
3. Return on debt;
4. Return on equity;
5. Required project rates of return;
6. Capital and operating costs;
7. Time to place the full LNG volumes in Far Eastern markets;
8. Full LNG Project volume;
9. LNG market prices; and
10. Reduced oil recovery as a result of a gas sale.

V. STATE FISCAL MODIFICATIONS

The Parties recognize that changes in the Project State Fiscal System may be necessary or advisable for two reasons. First, such changes may be required to make the Project economically feasible and hence able to attract the necessary capital investments. Second, such changes may be necessary for the Project to successfully compete for a place in the market against other proposed LNG projects or other potential energy sources for the pertinent Far East markets.

The Parties will examine whether changes in the Project State Fiscal System will significantly improve the economic feasibility of the Project or significantly improve the competitiveness of the Project in its ability to secure a place in the Far East markets. The Parties recognize that an evaluation of the Project State Fiscal System in relation to the Project will be facilitated by a frank and open exchange of information.

The Parties recognize that the appropriateness of proposed changes to the Project State Fiscal System must be evaluated by examining whether the changes would be socially responsible, given the strain on public services the Project would create, by considering the non-renewable nature of the resources the Project would exploit and by considering the benefits the State and its citizens would receive from the Project. The Parties recognize that any changes to the Project State Fiscal System must maximize the expected benefit of Alaska North Slope gas resources for the people of Alaska.

Where the Parties conclude that a change in the Project Fiscal System would (1) significantly improve the viability or competitiveness of the Project; (2) be socially responsible; (3) maximize the expected benefit of Alaska's North Slope gas resources for its people; and (4) enhance the Project sponsors' shareholder value, the Parties agree to work together in an effort to develop appropriate proposed legislation and to take other actions needed to effect such change. If appropriate, the State will assess the Project's socioeconomic effects on the people of the State.

Finally, the Parties agree that, where possible, modifications to the Project State Fiscal System should be able to respond to variations in the Project's profitability -- where, for example, lower energy prices (or higher costs) produce lower profits or higher energy prices (or lower costs) produce higher profits -- and to adjust the State's share in the economic benefits of the Project accordingly, while Project sponsors retain upside profit potential commensurate with the risks they are undertaking.

Possible changes to the Project State Fiscal System the Parties might consider include:

1. Tax and royalty offsets for early expenditures prior to Project commitment;
2. Accelerated capital depreciation;
3. Investment credits;
4. Deferrals of or reductions in royalties and certain taxes;
5. Recognition of losses in wellhead revenue for royalty payments by either an offset or carry forward of those losses;
6. Profit based taxes and royalties; and
7. Coordination of tax and royalty provisions with the Project tariff arrangements.

If the Parties agree it is necessary or appropriate, the State will work with local governments

regarding how modifications to property taxes may enhance the Project's chance of success.

VI. STATE FISCAL STABILITY AND CERTAINTY

The Parties recognize that due to the anticipated length of time between many of the Project's enormous capital expenditures and the receipt of significant Project revenues, and the Project's need for a reliable revenue stream over a long period, it is likely that potential sponsors will require assurance that the Project State Fiscal System will not change adversely over a significant part of the life of the Project. The Parties also recognize that the Constitution of the State of Alaska imposes some limits on the ability of the State to commit itself irrevocably to certain levels and kinds of taxation. The Parties agree to search for suitable measures within the pertinent Constitutional framework to achieve the fiscal stability and certainty the Project requires.

The Parties also recognize that they can increase the fiscal stability and certainty surrounding the Project by, among other things, agreeing to dispute settlement procedures and clear definitions of tax and royalty obligations, common carrier requirements, tariff methodology, and other regulatory obligations before the Project commences.

VII. RELATIONSHIP WITH THE ALASKA LEGISLATURE

Since the Alaska Legislature must determine whether to modify the Project State Fiscal System, the Parties will keep appropriate members of the Alaska Legislature informed of their respective efforts on the Project. Further, the Parties will develop and provide information to assist in the public discussion and debate occasioned by any proposed modifications to the Project State Fiscal System.

By HJR 54, the Alaska Legislature established an interim working group. This group is scheduled

to report to the House and Senate Resources Committees by February 1, 1997 on the status of efforts to advance exports of Alaska North Slope gas to Far East markets. The group also is to report on any proposed legislative actions appropriate to those efforts. The executive branch and the Producers will work individually and together to ensure that the Alaska Legislature's interim working group created by HJR 54 is kept apprised of the efforts of the Parties, has the information it requires to do its work, and is supported in its efforts in any other appropriate manner.

VIII. HIRING ALASKANS

The Parties recognize that an important potential benefit of the Project is the employment of Alaska residents and Alaska businesses in the construction and operation of the Project. The Parties recognize that Alaskans expect a strong "Alaska-hire" effort for the Project. The Parties are determined to find suitable measures to successfully ensure that a maximum number of Alaska residents and Alaska-based businesses are hired to construct and operate the Project while recognizing that, in order to assist in achieving a commercially viable Project, there will be a need for competitively priced goods and services. The Parties agree that clearly defining who qualifies as an Alaska resident or Alaska business will help this effort.

IX. ENVIRONMENTAL INTEGRITY, HEALTH, SAFETY AND NATURAL GAS AVAILABILITY FOR ALASKAN COMMUNITIES

In addition to public revenue and employment within the State, other important public interests that would be affected by the Project must be considered. They include:

1. Protection of the environment;
2. Protection of the health and safety of workers and the public; and
3. Providing natural gas to Alaskan communities.

The Parties agree to search for suitable measures to ensure that, if the Project is constructed:

1. Its construction and operation will properly protect Alaska's environment;
2. It will be constructed and operated in a manner that properly protects the health and safety of workers and the public; and
3. Where economically, technically, and legally feasible, it will be configured and operated so that natural gas can be marketed to Alaskan communities.

X. THE POTENTIAL EFFECT OF PERMITTING REQUIREMENTS AND DELAYS

The Parties recognize that permitting requirements and delays may affect the viability of the Project. The Parties intend to search for suitable and mutually agreeable measures to aid Project viability while still protecting essential regulatory goals such as environmental quality and the health and safety of all Alaskans.

XI. FEDERAL ACTIONS THAT MIGHT ASSIST THE PROJECT

The Parties recognize that there may be some steps the Federal government could take to improve the economic feasibility and competitiveness of the Project. These steps include, for example, potential changes to federal laws and regulations relating to taxes and permitting requirements. The Parties intend to evaluate these potential changes, including federal fiscal modifications such as:

1. Investment and other tax credits;
2. Accelerated depreciation;
3. Sharing of tax revenues with the State of Alaska; and
4. Authorizing tax free bonds for the Project.

Based on these evaluations, the Parties may encourage federal policy makers and agencies to pursue selected federal changes.

XII. YUKON PACIFIC CORPORATION

Yukon Pacific Corporation (YPC) is a business unit of CSX Corporation and managing general partner for Yukon Pacific Company, L.P. Since 1983 YPC has been engaged in the preliminary design and permitting of facilities very similar to the facilities needed for the Project that is the object of this Memorandum. In carrying out this work, YPC has contacted pertinent government officials and policy makers in this country and potential LNG buyers and pertinent government officials in Asia. The Project may or may not fit closely with the rights-of-way, permits, approvals, and licenses that have been obtained by YPC for its proposed facilities. Nevertheless, the Producers, at an appropriate time, will evaluate YPC's existing work to determine whether there are acceptable, cost-effective means to use the work to add value to the Project; and where there are acceptable, cost-effective means to use the work, the Producers will endeavor to do so. Further, the Parties recognize that success in developing and marketing Alaska North Slope natural gas requires that interested parties emphasize the merits and benefits of any project proposed to achieve that objective.

XIII. MAJOR GAS SALE INCENTIVE STUDY

The State has prepared an analysis of the relative incentives for each of the major Prudhoe Bay producers to engage in a Major Gas Sale (MGS). Each Producer has had an opportunity to review this analysis to ensure that it accurately reflects the impacts of the Prudhoe Bay Unit Operating Agreement and related amendments pertaining to an MGS. The State has concluded that the Producers among themselves have similar incentives for an MGS, and the Producers agree with this conclusion.

XIV. LIMITATIONS

The Parties intend to work together to accomplish the steps outlined in this Memorandum of Understanding. However, this document does not commit any Party to invest or participate in the Project, or create any legally enforceable rights or obligations. The Parties recognize that a future change in circumstances may alter any Party's current intentions or willingness to participate as contemplated by this Memorandum of Understanding.

TAGS PERMITS AND AUTHORIZATIONS

Over the past twelve years YPC has secured or satisfied all of the necessary legal approvals and requirements to export North Slope natural gas to Asia. These include:

1. **Presidential Approval:** *Presidential Finding Concerning Alaska Natural Gas: Removes impediment to Alaska natural gas exports required by Section 12 of the Alaska Natural Gas Transportation Act (15 U.S.C. 719j), January 13, 1988;*
2. **Project-Wide Environmental Impact Statement¹:** *Trans-Alaska Gas System Final Environmental Impact Statement, June 1988 (21 federal and State agencies);*
3. **Ahtna Right-of-Way¹:** *Grants to Yukon Pacific Corporation the right to designate and acquire certain rights in any and all lands acquired by or otherwise available to Ahitna under the Alaska Native Claims Settlement Act of 1971 which are reasonably necessary to construct, maintain operate or terminate the pipeline, October 14, 1988;*
4. **Federal Right-of-Way¹:** *Right-of-Way Grant for the Trans-Alaska Gas System from The United States of America to The Yukon Pacific Corporation, October 17, 1988;*
5. **State Right-of-Way¹:** *Trans-Alaska Gas System Conditional Right-of-Way Lease, December 10, 1988;*
6. **DOE's Authorization for Export of Gas¹:** *DOE/FE Opinion and Order No. 350, Order Granting Authorization to Export Liquefied Natural Gas From Alaska; Limiting of FERC's jurisdiction, November 16, 1989;*
7. **Confirmation of Order 350¹:** *DOE/FE Opinion and Order No. 350-A, Order Denying Requests for Rehearing and Modifying Prior Order for Purpose of Clarification, March 8, 1990;*
8. **Anderson Bay Final Environmental Impact Statement¹:** *Yukon Pacific Corporation LNG Project: Final Environmental Impact Statement, March 1995;*
9. **Order Granting NGA Section 3 Authorization for the Siting, Construction and Operation of LNG Facility:** *Federal Energy Regulatory Commission's approval of Anderson Bay, Port Valdez, Alaska as the Place of Export, May 22, 1995.*

10. **Prevention of Significant Deterioration (PSD) application in progress:**
Reserves critical Port Valdez airshed "space" for future LNG plant and marine terminal emissions.¹

¹These assets are exclusive property rights of Yukon Pacific Corporation currently held through its interest in Yukon Pacific Company L.P. and represent over 12 years of effort. It is important to note that the majority of these property rights were obtained before the *Exxon Valdez* oil spill and it is highly unlikely that they could be duplicated in a reasonable period of time, if ever.

Taken together, these authorizations and agreements give YPC the exclusive right to construct TAGS and export Alaska's North Slope natural gas to Asia.

BEST CASE DEVELOPMENT SCENARIO

TRANS-ALASKA GAS SYSTEM

PREPARED BY YUKON PACIFIC CORPORATION

The construction and operation of the Trans-Alaska Gas System and sales of Alaska's North Slope natural gas are critical to Alaska's future. State revenues, local government revenues, private sector jobs, contracts for Alaskan businesses, and use of the gas for residential and commercial purposes along the pipeline corridor all hinge upon conclusion of a unified proposal to present to the Asian markets.

Representatives of these Asian markets have recently substantiated that a market now exists for Alaskan gas and that if we do not move quickly to meet this market demand, they will have to make commitments to other competing projects.

The Alaska Legislature recently unanimously passed a resolution in support of the project which established an interim Legislative working group to "track progress and assist the transportation permit holder, the working interest owners of the Prudhoe Bay and Point Thompson units, and the administration in developing a unified proposal for presentation to the Asian market."

This resolution was supported by the Alaska Municipal League, the Alaska AFL-CIO, the Alaska Environmental Lobby, the Fairbanks North Star Borough, the Alaska Trucker's Association, the Fairbanks North Star Borough, the City and Borough of Juneau, the Bristol Bay Borough, the Southwest Marine Pilots and others throughout Alaska.

Korea and Taiwan have already signed letters of intent to purchase Alaskan gas and President Clinton also promoted Alaska North Slope gas sales in Japan on his recent mission to Asia.

Many of the components of this project are already in place. What is the best case development scenario for the earliest completion of this project?

PERMITTING:

Environmental permits are a major uncertainty in any large scale development project. Fortunately, in this instance, Yukon Pacific has already obtained all the permits and an export license within the existing pipeline corridor. This process took 10 years to accomplish. Any alternative to this route would have to start from scratch to seek permits which would delay beginning of this project for at least 5 years. The participation of Yukon Pacific Corporation is critical to any near term Alaska LNG project.

NEGOTIATION OF COMMITMENTS TO SELL GAS:

This is the most pressing component of the project at this time. Until the working interest owners on the North Slope actually agree to put Alaskan gas on the market this project cannot move forward. There are several options to conclude these agreements. First, the major oil companies could agree to let Yukon Pacific market the gas and agree to a sales price and production schedule.

As an alternative they could join as ownership partners with Yukon Pacific to jointly present this project to the Asian markets. Yukon Pacific has offered up to 75% ownership of TAGS to the oil companies or other investors.

If due to reinjection requirements, or the Issues Resolution Agreement, the oil companies cannot market their gas before 2005, Point Thomson could lead the production required for this project to begin, and the oil companies could agree to bring Prudhoe Bay production on line after 2005.

NEGOTIATE SALES CONTRACT WITH ASIAN MARKETS:

Korea and Taiwan have already signed letters of intent with Yukon Pacific to buy Alaskan gas. Representatives of Japan National Oil Corporation who recently visited Juneau indicated their interest in Alaskan gas and encouraged Alaskans to present a unified proposal to them for their consideration. President Clinton also promoted sales of Alaskan gas on his recent mission to Asia. Long term contracts (20 to 30 years) need to be negotiated to facilitate financing of the project.

NEGOTIATE TAGS OWNERSHIP AND FINANCING:

This component would involve establishing an ownership and management structure for the project. This will be partially determined by the investors of the project. Total costs and returns from the project need to be presented to potential financiers including Yukon Pacific, the oil companies, banks, and end users of the gas. Although it is not required to secure adequate project financing, the State of Alaska may want to consider investing in the project if it can be shown that the State can achieve a higher rate of return than its existing investments.

NEGOTIATE PROJECT LABOR AGREEMENT:

Yukon Pacific has stated its willingness to negotiate a project labor agreement for the project to ensure availability of qualified workers and to ensure maximum Alaskan hire. A no strike clause will be an essential part of this agreement.

COMPLETE FINAL ENGINEERING:

Preliminary engineering has been completed but final engineering and construction blueprints need to be completed. During this phase all opportunities for shared facilities

with existing pipeline operations need to be considered in an effort to lower costs of the project.

CONSTRUCT PIPELINE AND LIQUEFACTION PLANT:

Estimated construction schedule is five years from start to completion. This phase will overlap to some degree with the 2-3 years required for final engineering and design discussed above. The pipeline will be buried except for occasional stream crossings.

CONSTRUCT LNG TANKERS:

Construction of the initial vessels required is estimated to take 2 years. New tankers will be phased in as production ramp up occurs.

NEGOTIATE IN STATE USE OF NATURAL GAS:

This would include local distribution companies and potential industrial users including petrochemical production, etc.

CONSTRUCTION OF IN STATE NATURAL GAS FACILITIES AND PIPELINES:

This construction would be timed to coordinate with completion of the main gas line.